



MORTGAGE CHOICE AGM 2012 CHAIRMAN'S ADDRESS

Chairman's address

In 2012 Mortgage Choice celebrates two decades of providing mortgage broking services to Australians and during this time I'm pleased to say more than 350,000 customers have walked through our doors.

The company's long history wouldn't be possible without the commitment of our franchise network and staff to build a solid business foundation that has once again delivered strong results for shareholders.

Although, achieving impressive results this financial year was no mean feat for our brokers. Market conditions have been challenging for brokers and borrowers alike. Volatility in global financial markets resulted in weak consumer confidence and a subdued housing finance market. The industry also faced out-of-cycle interest rate movements, declining property price growth and a resulting desire by consumers to cease spending and commence deleveraging.

Despite these headwinds, our franchise owners adapted and as a result, they have built better businesses that are well positioned for further growth.

Speaking on behalf of the Board, Mortgage Choice's staff and our loyal franchise network members, I am proud of the company's healthy FY12 financial results and operational milestones.

Some of our financial highlights include:

- The total loan book reached \$45.1bn – this includes loans written by brokers in our franchise network and our aggregation arm, LoanKit – (representing a 6.4% increase on FY11).
- The Mortgage Choice-only loan book reached \$43.6bn (up 5.3% on FY11).
- Consolidated net cash profit after tax was \$15m, a fall of 5.7% on FY11. However, Mortgage Choice's core business net cash profit after tax was \$16.8 million, up 0.6%.
- \$11.2 billion worth of housing loan approvals were written by the Group (up from \$9.9 billion in FY11), while Mortgage Choice's core business loan approvals amounted to \$10.1 billion (up from \$9.5 billion in FY11).
- Our brokers continued to achieve industry high productivity levels per broker and the addition of 20 new greenfield franchises helped us grow our national share of new home loans to 4.6%, the highest level since 2006.
- The Board and I declared a final fully franked dividend of 7c per share, taking total dividends for the year to 13 cents per share, equal to FY11 and representing an industry leading yield of 10.1%.

Our staff and franchise owners have worked hard to achieve these results while also exceeding customer expectations, with satisfaction ratings remaining well above the 90th percentile throughout the year.

Customer satisfaction was also a key driver for our acquired businesses, LoanKit and HelpMeChoose.com.au.

With a strengthened focus on its customers, that is its brokers, LoanKit was rewarded with solid growth in its settlements, loan book and broker recruitment numbers, which rose from 195 in FY11 to 256 in FY12.

At the same time, the new management team at HelpMeChoose.com.au helped the business achieve an improved performance in the second half of the financial year across a range of business metrics.

These healthy results and many others come as a result of the successful DREAM strategy, which was introduced three years ago by our CEO Michael Russell. The strategy has proved invaluable in transforming the way we do business.

Looking ahead to the next three years, to meet the growing financial needs of our customers our vision is to diversify our offering to incorporate financial planning advice that is and relevant and accessible to all Australians.

In closing, I thank you for your continued support of Mortgage Choice and invite you to joins us as we begin the journey of transitioning the brand to a fully fledge financial services provider.

I'll now hand over to Michael Russell to share more on our financial results, introduce our new three-year strategy plan and enlighten you further on the new financial planning franchise business.

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Mortgage Choice Limited

2012 Annual General Meeting
18 October 2012

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Mortgage Choice Limited

2012 Annual General Meeting

Michael Russell
CEO

18 October 2012

CEO report – AGM 2012

Performance highlights

Economy & industry

Operating performance

Time to ACT

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FY12 group performance highlights

	FY12	FY11		
NPAT - cash	15.0 m	15.9 m	5.7%	↓
- IFRS	18.5 m	27.5 m	32.7%	↓
Loan book	45.1 b	42.4 b	6.4%	↑
Approvals	11.2 b	9.9 b	13.1%	↑
Settlements	9.7 b	8.7 b	11.5%	↑
Basic EPS - cash (Cps)	12.5 c	13.3 c	6.0%	↓
- IFRS (Cps)	15.4 c	22.9 c	32.8%	↓
DPS - ordinary (Cps)	13.0 c	13.0 c	0%	=

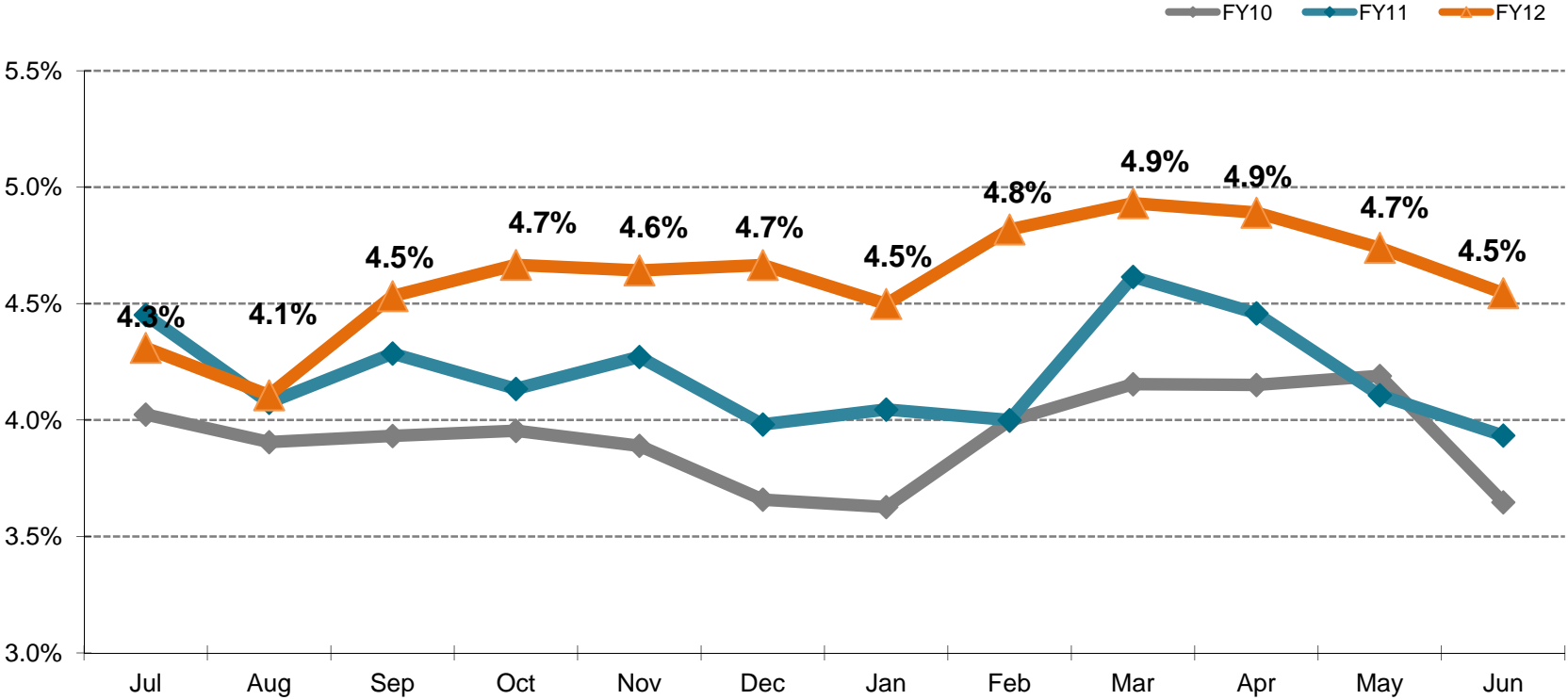
Approvals

Approvals trend (\$000)



✓ MOC approvals were up 13.1% on last year - ABS approvals were up only 2.9%

Market share - approvals



✓ Average market share increased from 4.2% in FY11 to 4.6% in FY12



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Settlements

Settlements trend (\$'000)



✓ Settlements trend is indicative of the growth in the business in FY12

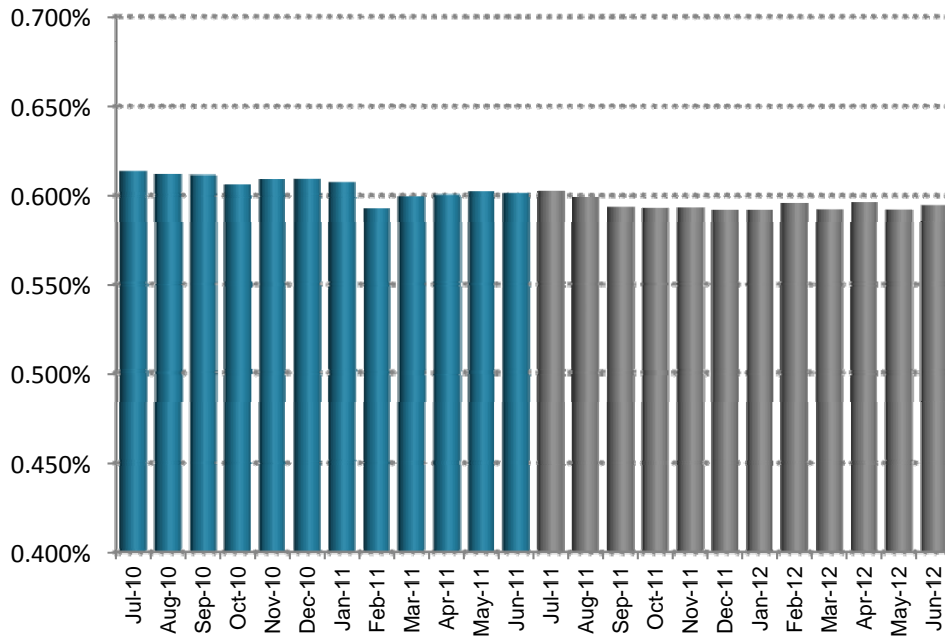
Mortgage Choice core business

	FY12	FY11	
NPAT - cash	16.8 m	16.7 m	0.6% ↑
- IFRS	19.8 m	28.2 m	29.8% ↓
Loan book	43.6 b	41.4 b	5.3% ↑
Approvals	10.1 b	9.5 b	6.3% ↑
Settlements	8.7 b	8.3 b	4.8% ↑
Market Share	4.2 %	4.0 %	0.2% ↑

✓ Strong 2H12 helped to deliver another solid cash NPAT result for our core business

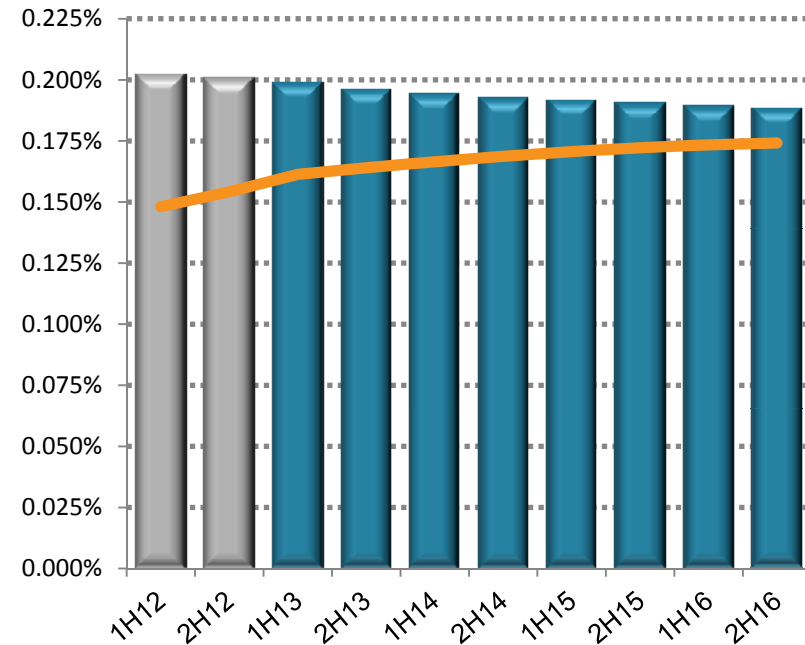
Average commission rates

Average upfront rate



- ✓ Average upfront rate for FY12 was 0.595%
- ✓ Average long term trail rate is improving to 0.175%

Average trail rate



■	Average rate total book (Actual FY12)
■	Average rate total book (Estimated)
—	Average rate new settlements* (Estimated)

* Settlements from 1 Jan 2009 - projection based on our best estimates for lender mix, run off and settlements growth

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Key messages

- ✓ Solid result that continues to reflect the investment in our diversified businesses
- ✓ Group cash NPAT down 5.7% to \$15.0m, however Mortgage Choice core business reported yet another increase in cash NPAT
- ✓ Group loan book up 6.4% to \$45.1b
- ✓ Shareholders rewarded with another impressive dividend -13c fully franked represents an industry leading yield of 10.1% (based on share price of \$1.285)
- ✓ Market share up from 4.2% to 4.6% for new home loans written
- ✓ Strong recruitment performance:
 - Franchise numbers up from 368 to 380 - highest since Jan 2009
 - Franchise owners up from 330 to 338 - highest since Jul 2008
- ✓ Our DREAM strategy has delivered the transformation we were seeking
- ✓ In continuing down the path of sustainable growth, we look forward to unveiling our new 3 year strategic plan

CEO report – AGM 2012

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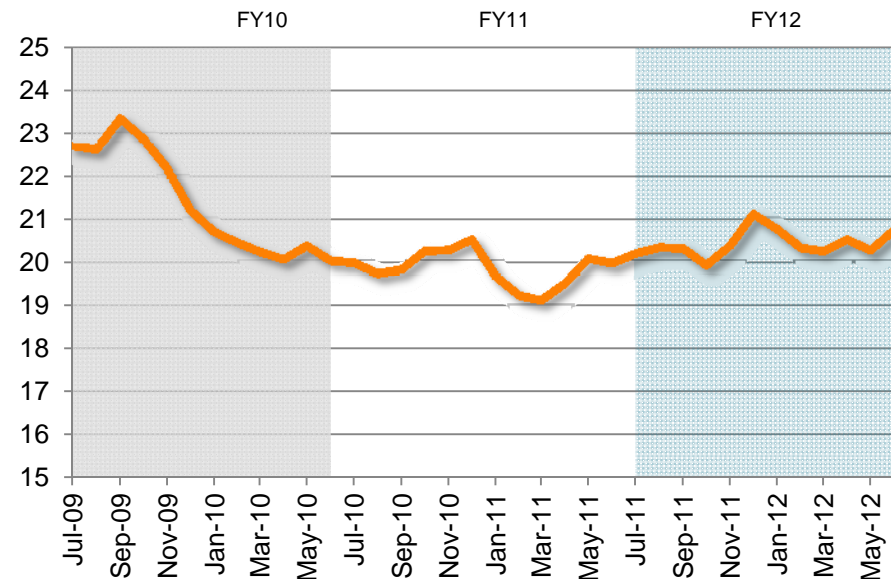
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FY12 Housing finance commitments

- ✓ FY12 new housing finance commitments were up 2.9% on FY11 (\$244.8b vs. \$237.9b respectively)
- ✓ First homebuyer lending increased by 14.4% from \$25.1b to \$28.7b. Number of first homebuyers as a percentage of o/o increased on average from 16.7% in FY11 to 18.1% in FY12
- ✓ Refinance lending increased by 17.2% from \$42.4b in FY11 to \$49.7b in FY12
- ✓ Owner occupied lending increased by 4.1% from \$157.2b in FY11 to \$163.7b in FY12
- ✓ Investment lending increased by 0.6% from \$80.6b in FY11 to \$81.1b in FY12

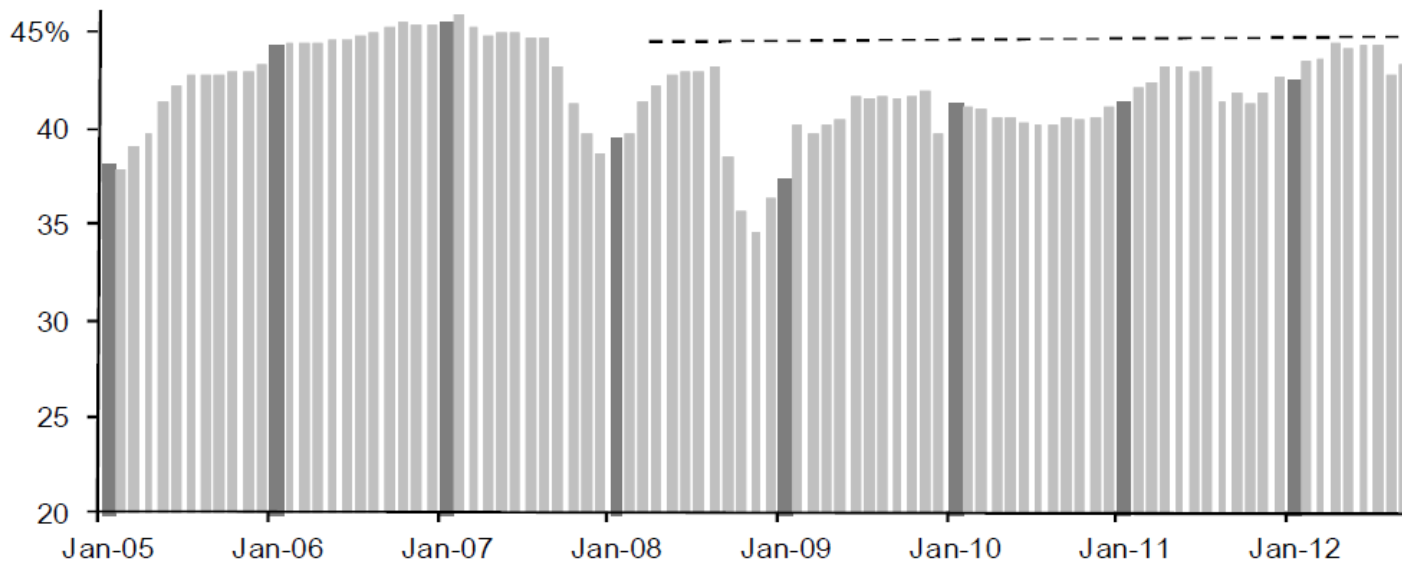
**Housing finance \$b trend
(Owner occupied + Investment)**



Source: ABS 5609 table 11 - Housing Finance, Australia, Jun 2012
(seasonally adjusted series)

Broker channel

Figure 31: Broker Originated Loans as a Proportion of New Housing Loans



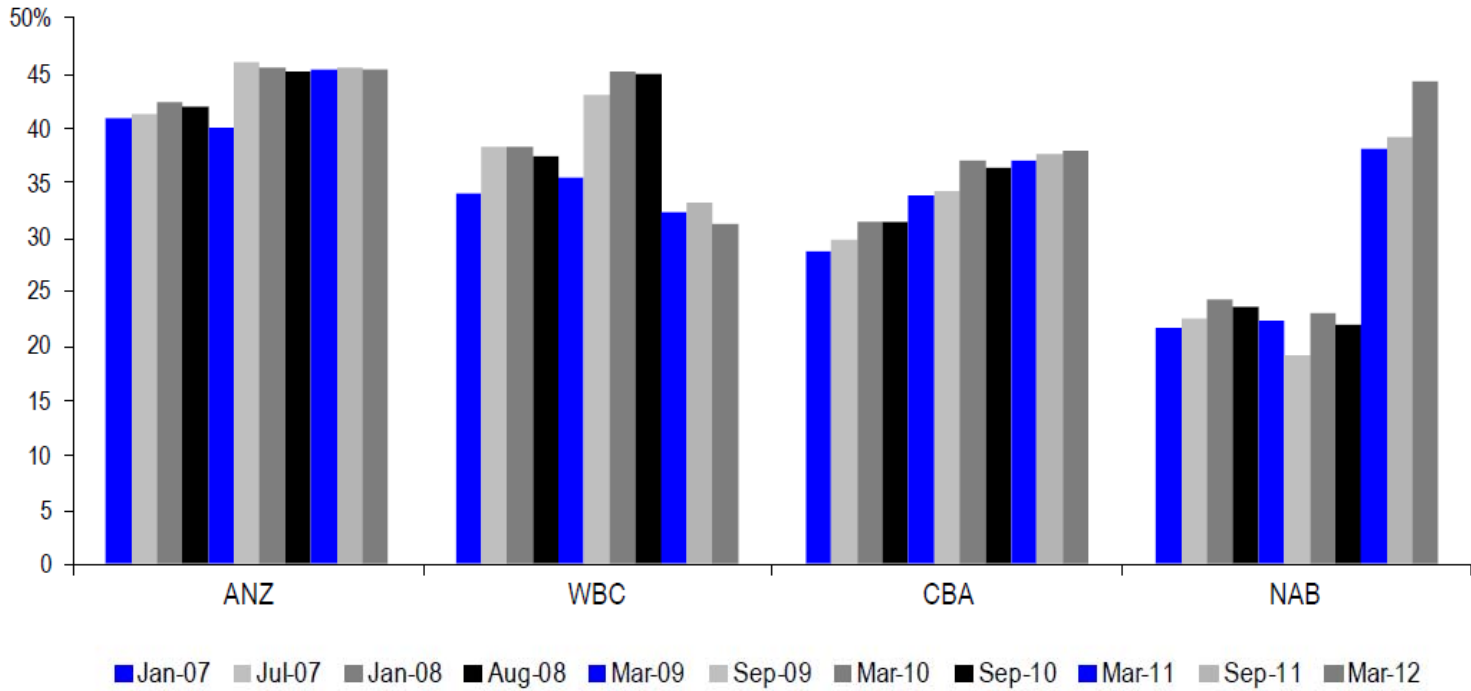
Source: DFA estimates (statistics based on number count).


✓ *The proportion of new loans through brokers is approaching pre-GFC levels of N45%*

JP Morgan Australian Mortgage Industry report – Volume 16, 6 Oct 2012


Broker usage by banks

Figure 34: Broker Originated Loans as a Proportion of Major Bank Housing Loans Issued







45%



30%



37%



45%

Source: Fujitsu Australia estimates (statistics based on number count)



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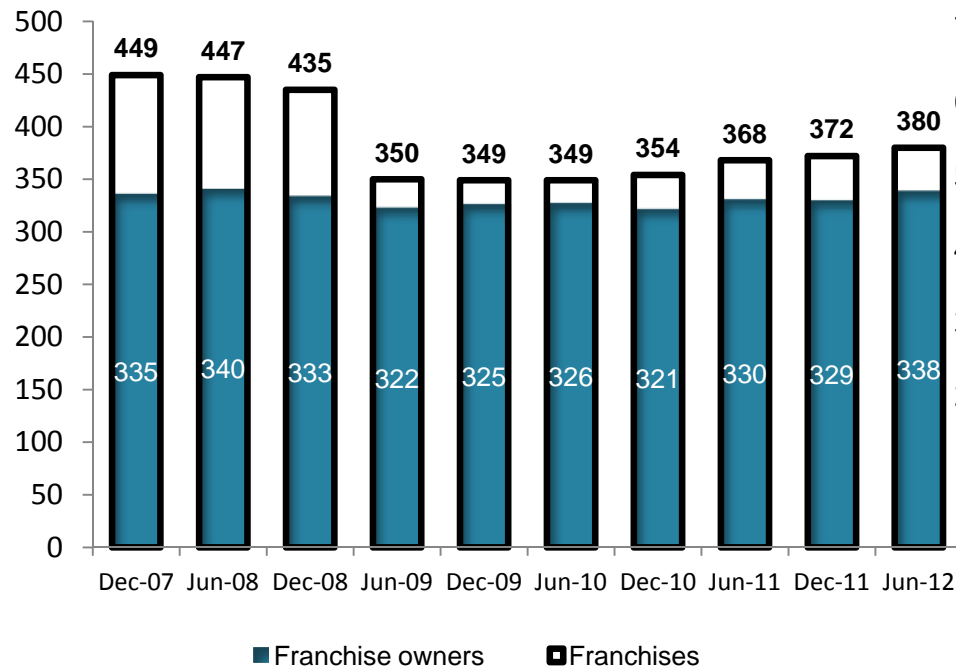
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FY12 operational landmarks

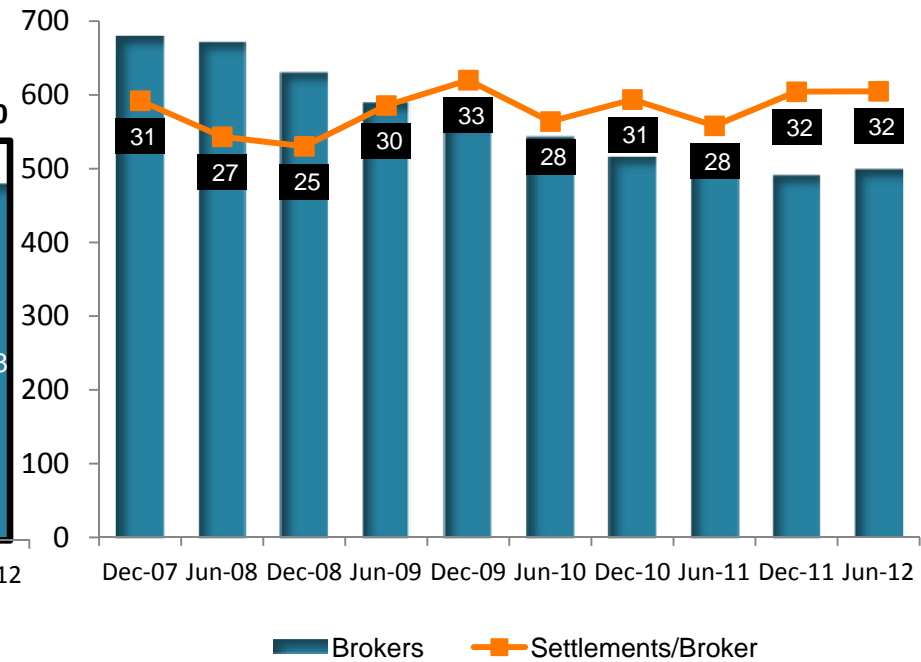
- ✓ Launched a range of new professional development programs:
 - *Accelerate - two year new broker training program*
 - *Investment Property Lending*
 - *SMSF Lending*
- ✓ Further integrated our suite of Google enterprise apps and productivity tools to ensure our network is well equipped to work within the mobile environment
- ✓ Launched *Home Loan Helper* iPhone and android app
- ✓ Launched Mortgage Choice Motor Loans product
- ✓ Added Gateway Credit Union to our residential lender panel
- ✓ Launched the new 'Make the right move' TVCs
- ✓ Partnered with Ronald McDonald House Charities in Oct 2011 and have since raised over \$125k in donations
- ✓ Obtained Australian Financial Services Licence (*Licence # 422854*) for our new financial planning business

Network strength is growing

Network



Productivity settlements

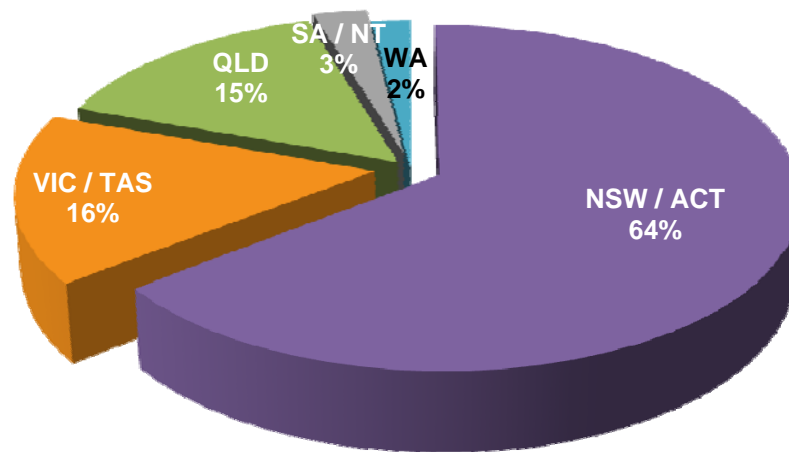
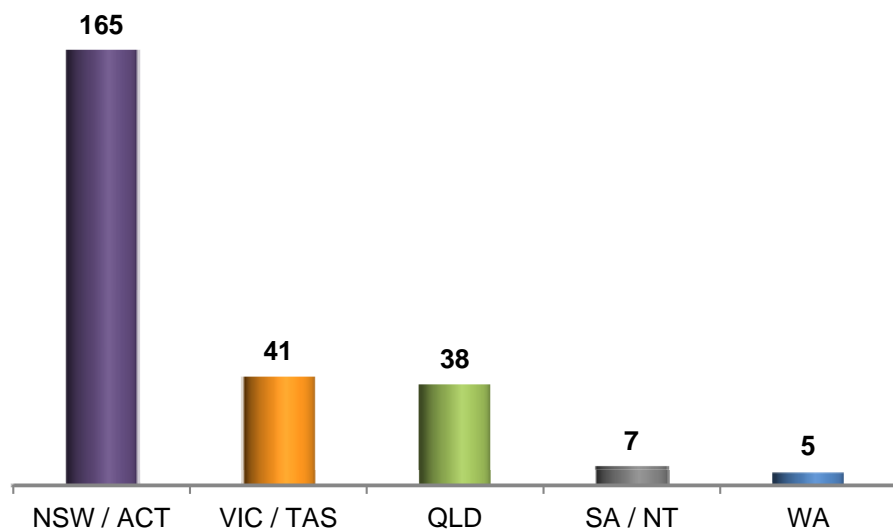


✓ Impressive growth in both the number of franchises and franchise owners

✓ Loan settlements per broker improved in FY12

LoanKit Snapshot

- ✓ Launched mortgage aggregation business on 27 Apr 2010
- ✓ Settlements - \$966m in FY12, up 188% from \$335m pcp
- ✓ Loanbook - \$1.56b as at Jun 2012, up 68% from \$926m pcp
- ✓ Broker numbers up from 195 to 256



Note: Broker number includes brokers on aggregation platform and software only users



HelpMeChoose.com.au

- ✓ New GM appointed Dec 2011
- ✓ The business has delivered a much improved second half performance across virtually all operating metrics
- ✓ Management can once again see the blue ocean opportunities HelpMeChoose.com.au can deliver to both Mortgage Choice and to our new financial planning enterprise

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
NPAT - IFRS	-\$290K	-\$206K	-\$159K	+\$70K
NPAT - IFRS		-\$496K		-\$89K


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Strategic Intent - vision for 2015

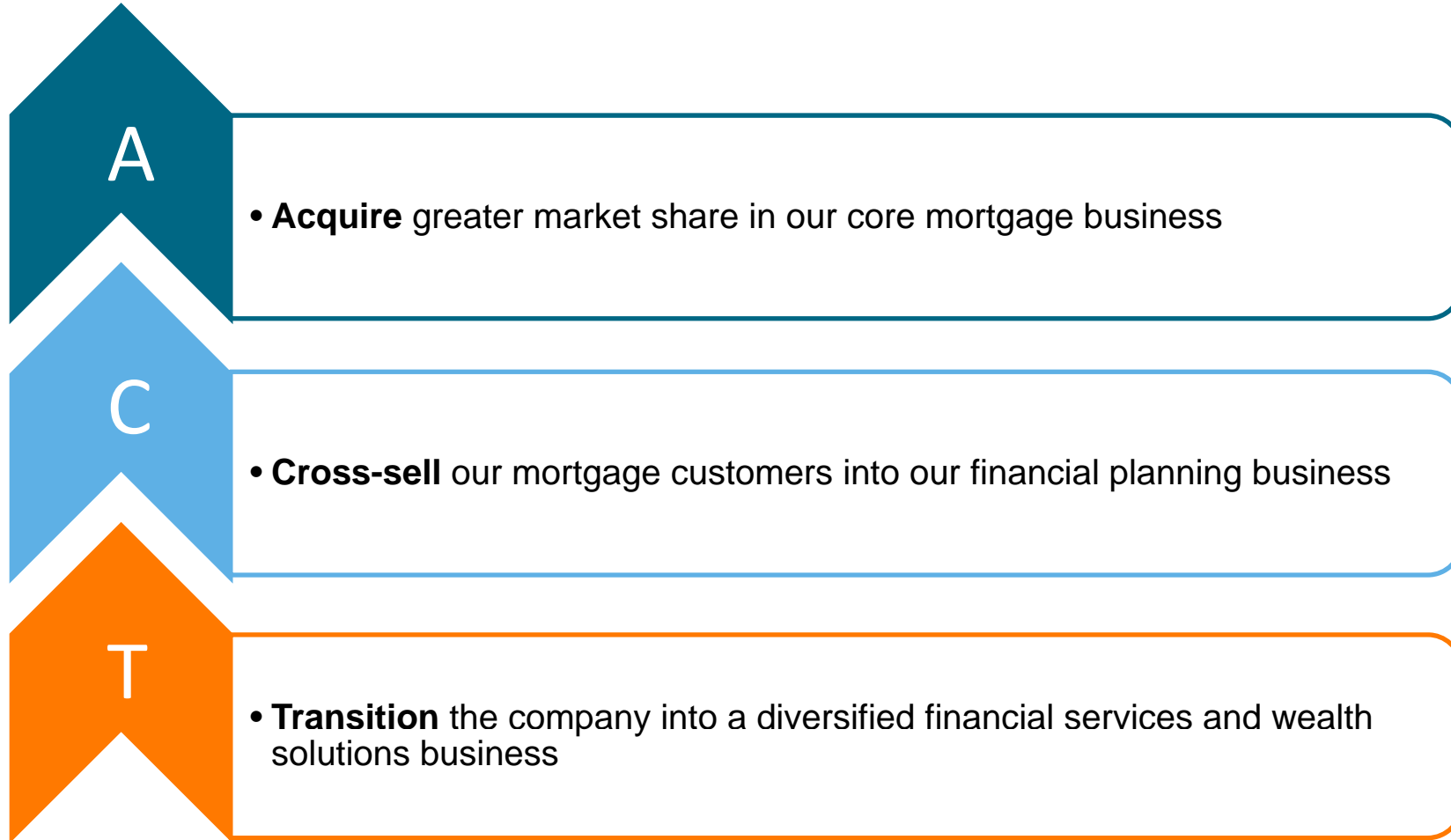
By 2015, it is the intent of Mortgage Choice to be:

- ✓ Australia's largest branded mortgage broker
- ✓ Australia's favorite mortgage broker
- ✓ Australia's fastest growing branded financial planning organisation
- ✓ One of Australia's largest and fastest growing franchise operations
- ✓ A diversified financial services and wealth solutions business where we engage our customers through their channel of choice

Measures of success for 2015:

- ✓ Increase in market share and loan-writer productivity > 7 loans pm
- ✓ Customer satisfaction to remain > 90%
- ✓ MCFP to comprise at least 60 franchisees with strong net monthly growth
- ✓ Mortgage Choice to have over 450 franchisees across two franchise systems
- ✓ Two franchise systems operating in perfect harmony to delight our customers

New 3 year strategic plan



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Financial Planning – market opportunities

✓ The financial planning market is set for explosive growth:

1. Simple ('scaled') advice

- Growth from 4% to 15% by 2023*

2. Superannuation

- Growth > 8% p.a.**
- SGC increasing from 9% to 12%
- SMSFs continue to grow
- FUM to grow from \$1.3 trillion to \$2.8 trillion by Dec 2021**

3. Risk insurance

- Premiums growth of 12.1% p.a.**
- From \$12.2b to \$37.9b in premiums by Dec 2021**

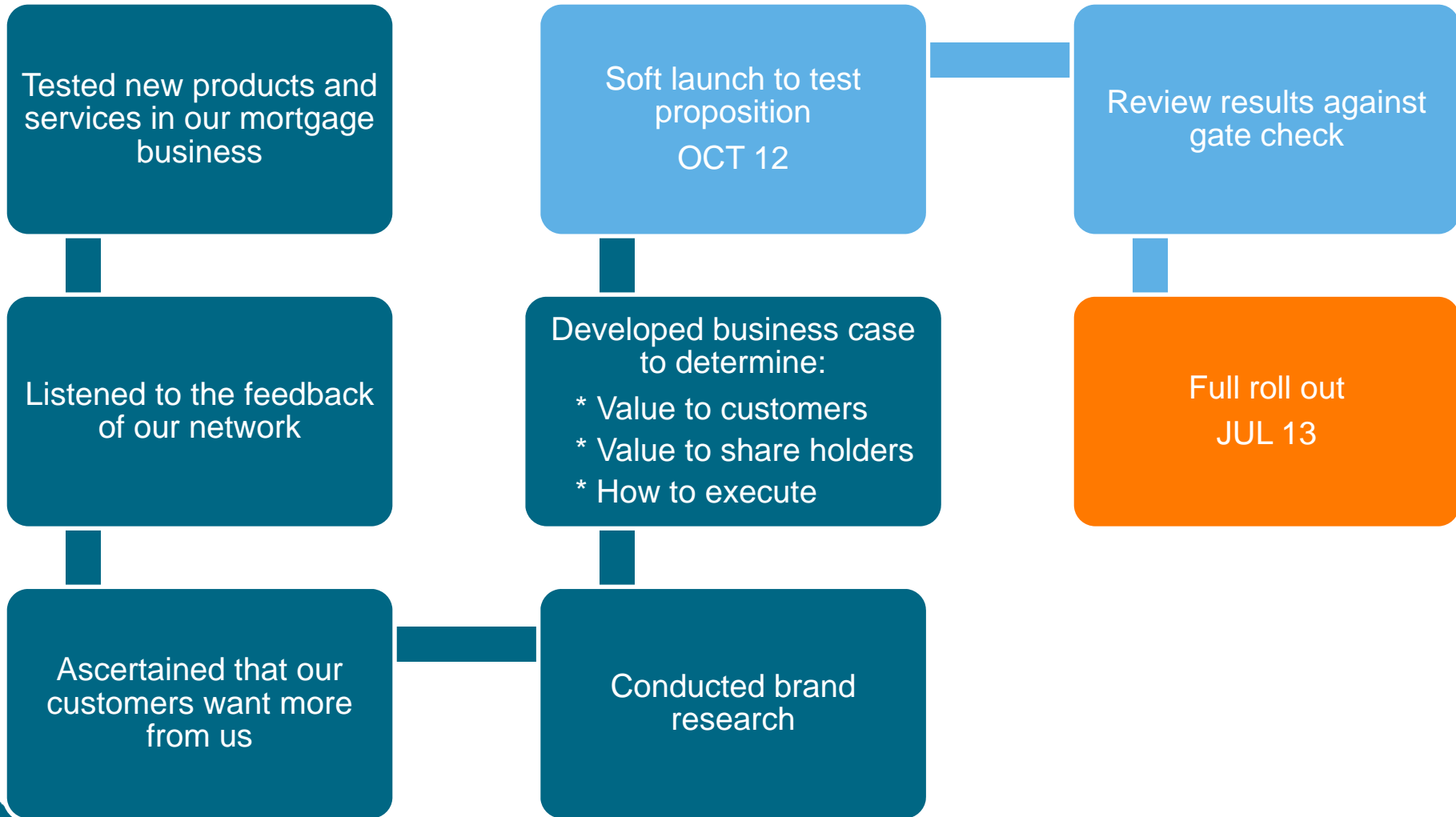
✓ Our customers are in these growth segments and are asking for trusted financial advice

✓ By transitioning to a financial services business we can satisfy their needs

* Rice Warner Actuaries, Mar 2010 - % of people

** DEXX&R Report Market Projections Report, Jun 2012

The brand evolution to stretch into MORTGAGE CHOICE FINANCIAL PLANNING



We're investing to build a revolutionary financial planning business

Investment

- FY13 investment c. \$1.3m to \$1.5m after tax, fully expensed
- Total investment c. \$3m after tax over 3 years

Breakeven

- We expect to be breakeven on a monthly basis during FY15

Opportunity

- Mortgage Choice's 80,000+ new enquiries each year together with our existing database, will deliver a substantial lead flow to our business
- We intend to revolutionise the way consumers access quality financial planning advice, in the same way we did in the home loan business 20 years ago

MCFP Today

- We have recruited a business support team of industry experts
- We hold an Australian Financial Services Licence (Licence #: 422854)
- Our customer & franchise propositions are defined
- Our strategic partners are locked & loaded
 - ✓ Platform provider - Macquarie WRAP
 - ✓ FP Software - Visor
 - ✓ Risk providers - Asteron, Commlnsure, Macquarie Life, MLC, OnePath and TAL
 - ✓ van Eyk and its practice management consultancy, The Encore Group
 - ✓ Catalyst Compliance
- Our legal documents are developed
- We are operationally ready
- Our first advisers have been inducted



Summary

- ✓ Healthy approvals, settlements and loan book growth in FY12 despite subdued credit growth
- ✓ Mortgage Choice core business is again set to deliver a strong result in FY13
- ✓ Highest number of franchises (380) since the franchise model restructure in Jan 2009
- ✓ Resurgence in training initiatives to ensure our brokers are well equipped to deal with the changed lending environment
- ✓ Shareholders rewarded with another impressive dividend
- ✓ October will see the soft launch of MCFP with a select group of trailblazing franchisees
- ✓ Despite our investment in new businesses, we expect to achieve a similar cash NPAT result in FY13 and maintain our current dividend

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