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Firstfolio Limited

Annual General Meeting 2012

26 November 2012



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All references to dollars, cents or \$ in this presentation are to Australian currency unless otherwise stated.

Agenda

- Introductory Remarks – Eric Dodd – Chairman
- Operational Review – Tony Harris – Executive Director
- Strategy and Outlook – Eric Dodd
- Heads of Agreement for Placement and Rights issue – Eric Dodd

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Operational Review

Tony Harris – Executive Director



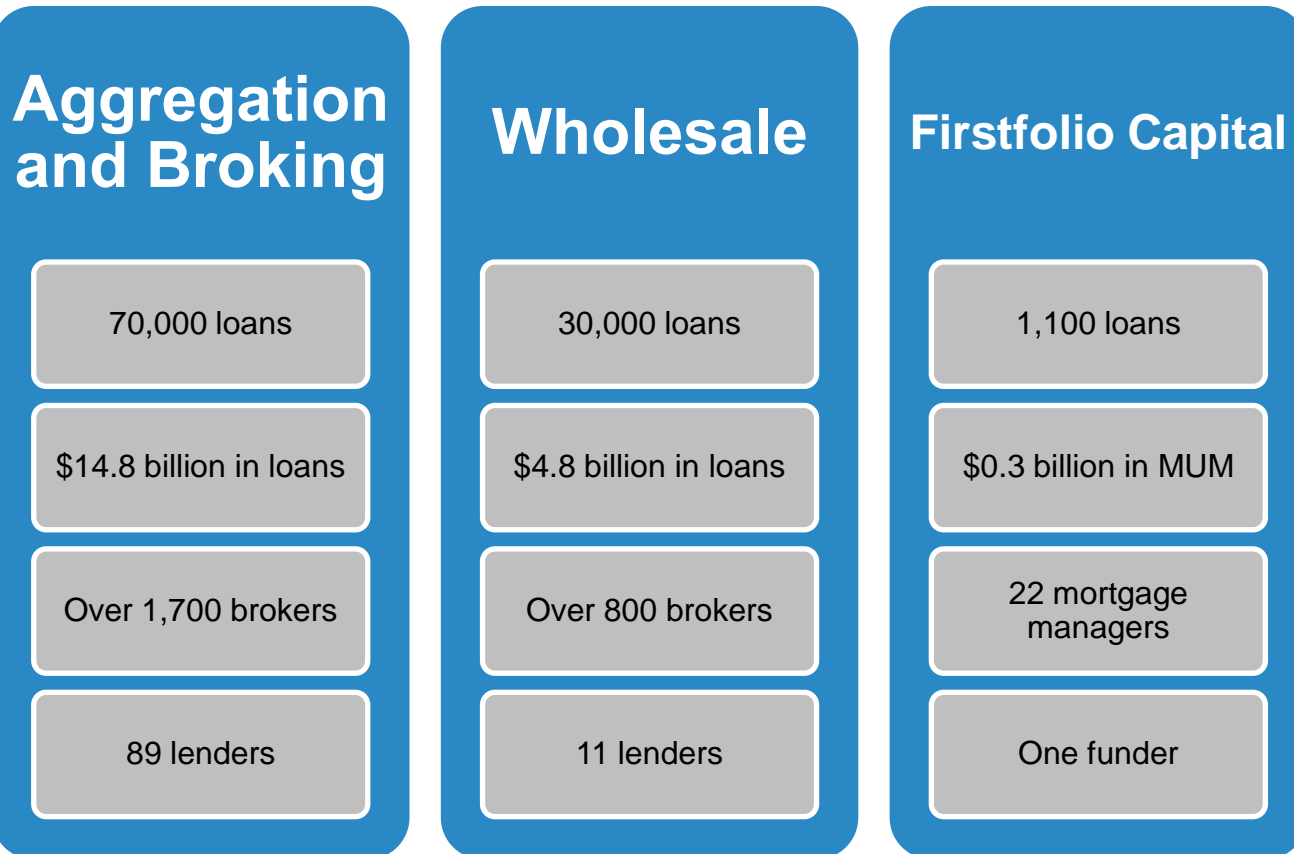
Operational Review

- Overview of the Business
- Financial Indicators
- Operating Highlights
- Positioning for Recovery
- Operational Priorities

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Servicing More than 100,000 Mortgages

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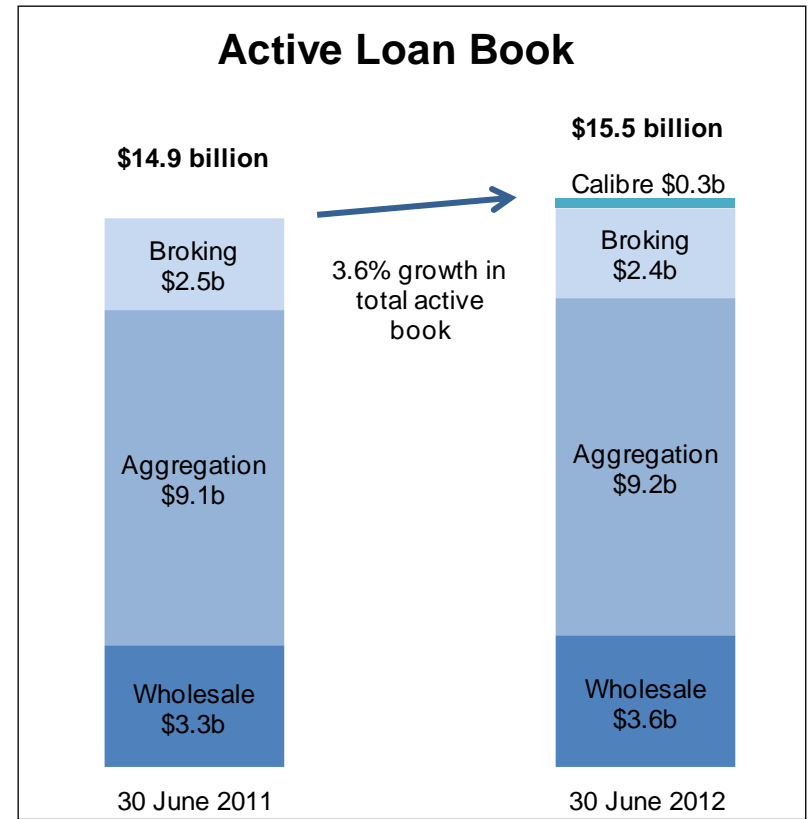
Financial Indicators

- Revenue up 17.7% to \$104.7 million
- Operating EBITDA down 2.4% to \$15.2 million
- Reported EBITDA up 13.9%
- NPAT down 49.5% to \$3.2 million
- EPS down 50.2% to 0.42 cents
- Net debt \$64.3 million
- Net interest cover 2.7 times
- No dividend declared

\$'000	FY 2012	FY 2011	% Chg
Revenue	104,718	88,952	18%
Gross Margin	37,671	36,736	3%
Gross Profit Margin (%)	35.1%	41.3%	
Operating EBITDA	15,240	15,618	(2%)
Operating EBITDA Margin %	14.6%	17.6%	
Acquisition and Restructuring Expense	2,687	3,720	(28%)
Write-back of deferred consideration	(1,000)	-	nm
Share Based Payments (Non Cash)	132	110	20%
Reported EBITDA	13,421	11,788	14%
Depreciation	911	426	114%
Amortisation	4,114	3,588	15%
EBIT	8,396	7,774	8%
Net Finance Costs	4,971	3,320	50%
Deemed interest on deferred payments	548	1,050	(48%)
Profit Before Income Tax	2,877	3,404	(16%)
Income Tax Benefit	364	3,008	(88%)
Profit After Income Tax	3,241	6,412	(50%)
EPS (diluted) - cents	0.42	0.85	(50%)

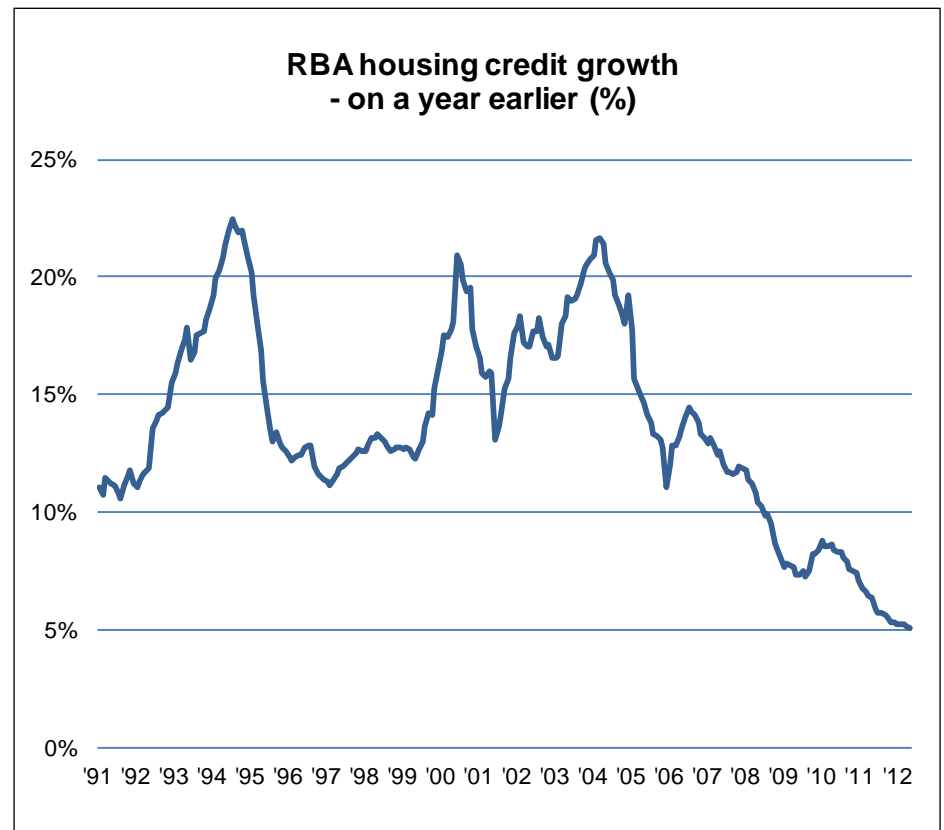
Operating Highlights

- Acquisition of Firstfolio Capital
- Firstfolio Capital met earnings expectations
- Stable revenue and operating EBITDA in existing business
- Total loan book stable at \$19.9 billion
- 'Active' loan book grew 3.6% to \$15.5 billion
- Settlement volumes in mortgage origination increased 5.9%
- Gross margin up 2.5% to \$37.7m



Positioning For Recovery

- Housing credit growth remains subdued compared to average growth of the last 20 years
- Interest rate cuts yet to have a meaningful impact on overall mortgage demand
- Industry remains highly competitive
- Opportunities for resourcing to improve our business
- Positioning for any recovery in mortgage activity
- Firstfolio Capital warehouse arrangement renewed with Westpac until end Nov'13



Operational Priorities

- Integration of the businesses continues to underpin efficiency and returns
- Restructuring to lower costs across the business
- Investment in infrastructure and people to lift service levels and growth capability
- Loan book retention and volume growth through key channels: broker franchise, wholesale and direct (eChoice)
- Strengthen and broaden relationships with brokers and key business partners
- Margin improvement through lower costs, revenue growth and mix enhancements

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Strategy and Outlook

Eric Dodd – Chairman



Strategy

- Firstfolio has grown successfully over the last five years to now be one of Australia's largest independent mortgage service providers
- Firstfolio has reviewed the strategic and operating position of key businesses in the context of the fully utilised balance sheet and the subdued demand growth environment
- The review included an independent examination by Grant Samuel of options for maximising shareholder value in key assets and the appropriate capital structure for the Company

Strategy

- The options considered by Grant Samuel included:
 1. closing the business and running down the loan book over time;
 2. selling the component parts of the Company; and
 3. continuing operations but reducing the level of borrowings.
- Based on the advice from Grant Samuel the Board considers the last option offered the best potential value for shareholders

Strategy

- The Board has established the following strategy:
 - ✓ Achieve integration benefits from the businesses acquired
 - ✓ Invest in processes to drive efficiency and service delivery
 - ✓ Retain the loan book and grow volume through key distribution channels
 - ✓ Invest in the brand and relationships with industry partners
 - ✓ Establish a capital structure that supports these operating objectives, which may include recapitalisation

Heads of Agreement

- Separate to the strategic review process, the Board received a proposal from AC&E Capital regarding a possible capital injection
- As announced on 13 November, Firstfolio and AC&E entered into a non-binding Heads of Agreement for a possible placement and rights issue that may raise up to \$56 million comprising:
 - \$50 million placement at \$0.035 per share
 - 4 for 5 renounceable rights issue to raise up to \$6.19 million at \$0.010 per share
- AC&E is currently conducting due diligence under an exclusive arrangement
- Under certain circumstances a break fee may be payable by Firstfolio should a transaction not complete

Heads of Agreement

- In the event that AC&E makes a final offer for a placement that is accepted by Firstfolio, detailed terms of the offer will be made available to shareholders and the ASX
- If an acceptable final offer is received, Firstfolio will obtain an Independent Expert's Report on the proposal and make recommendations to shareholders
- Any transaction will be subject to shareholder and regulatory approvals

Outlook

- Revenue and earnings will be influenced by, among other factors, the level of activity in the Australian mortgage sector and the margins available
- Firstfolio will focus on maximising revenue growth, operational efficiency and the value of its brand to support shareholder returns
- Should it be forthcoming, Firstfolio will fully consider a final offer for a placement from AC&E and provide all necessary information to shareholders with appropriate recommendations
- We thank our employees for their hard work and dedication in FY2012

FIRSTFOLIO LIMITED
(ACN 002 612 991)
AGM PRESENTATION NOTES

ANNUAL GENERAL MEETING – MONDAY, 26 NOVEMBER AT 10:30 AM at
HILTON HOTEL SYDNEY, 488 GEORGE STREET, SYDNEY

Eric Dodd – Chairman

Slide 3 – Agenda

Firstfolio has been growing both organically and by acquisition in recent years to establish a significant position within the \$1.2 trillion Australian mortgage market. The 2012 financial year was one of important change and progress for Firstfolio.

Your Company is positioning to take full advantage of the opportunities presented by the growing mortgage market. During the year, Firstfolio acquired non-bank lender Calibre Financial Services, which was rebranded Firstfolio Capital. With this acquisition, the Company now has its own funding capability, augmenting existing wholesale funding arrangements.

Despite a difficult housing market and trading conditions, Firstfolio delivered Reported EBITDA of \$13.4 million in FY12, an increase of 14% on the prior year's result. Operating EBITDA, which reflects underlying operational performance, declined 2.4% to \$15.2 million. Net profit after tax declined 49.5% to \$3.2 million.

I will now hand over to Executive Director Tony Harris, who has been a Director since 2006 and will provide an operational review of the 2012 financial year. Following the departure of the CEO, David Hancock, in October, the Board appointed Directors Tony Harris and Greg Pynt as Executive Directors to oversee operations and with the Board, complete the strategic review.

Following Tony's address I will return to discuss corporate strategy, outlook and the potential injection of capital from private investor consortium AC&E Capital.

Tony Harris – Executive Director – Operational Review

Slide 5 – Operational Review

Good morning, my name is Tony Harris. Today I will provide a brief overview of the main Firstfolio businesses, the financial results and operating highlights for 2012, an outline of market conditions and a summary of our current operational priorities for growing shareholder returns.

Slide 6 – Servicing More Than 100,000 Mortgages

Firstfolio offers a range of mortgage solutions across the full life cycle of the loan, through a national network of mortgage brokers, affiliates, industry partners. Firstfolio also owns eChoice – Australia's leading online mortgage brand.

We now service more than 100,000 Australian home loans either directly or through a network of more than 2,500 mortgage brokers. Loans under management have grown to \$19.9 billion – making us one of Australia's largest independent platforms for the delivery of financial products and services.

In 2012, we acquired Firstfolio Capital, an innovative non-bank lender which offers, among other services, mortgage securitization in the wholesale funding market.

Slide 7 – Financial Highlights

In FY2012, Firstfolio achieved revenue growth of 17.7% to \$104.7 million, supported by the acquisition of Firstfolio Capital. Reported EBITDA was up 13.9% to \$13.4 million but owing to higher depreciation, amortisation and interest expenses and lower tax benefits, profit after tax declined 49.5% to \$3.2 million and EPS fell 50.2% to 0.42 cents. There was no dividend declared by the Board for FY2012.

Net debt at year end was \$64.3 million and net interest cover was 2.7 times. At year end, the Company had \$37.8 million in senior debt from Commonwealth Bank and \$29.3 million from director-related entity loans.

Slide 8 – Operating Highlights

Operational highlights of FY2012 include the successful acquisition of Firstfolio Capital which contributed revenue and EBITDA growth in line with expectations.

Revenue and underlying EBITDA were relatively stable in the remainder of the Firstfolio businesses. The loan book was also stable at \$19.9 billion. The active part of the loan book grew 3.6% and settlement volumes grew 5.9%, which was broadly in line with market demand growth.

However, gross margin increased 2.5%, which was less than the rate of settlement growth, reflecting revenue mix changes and industry margin pressure.

Slide 9 – Positioning for Recovery

The Board sees long-term attractions in the Australian mortgage sector for creating shareholder value. However, as the chart shows, the rate of Australian housing credit growth remains subdued compared to the average rate of growth in the last 20 years. The Reserve Bank's interest rate cuts are yet to have the desired effect on the overall level of mortgage demand.

While the industry remains highly competitive, the subdued growth environment gives us more options for accessing human resources as we seek to establish an efficient platform and position our business for any recovery in mortgage demand growth.

It's pleasing to note Firstfolio has recently agreed terms with Westpac to renew the warehouse funding for Firstfolio Capital to 30 November 2013, subject to final documentation. This provides origination and growth capability for the business.

Slide 10 – Operating Focus

The operating focus of management is to extract full integration benefits from the businesses acquired to underpin efficiency and returns. As part of this we continue to restructure the operations to lower costs throughout the Company.

We need to continue to invest in processes and people to establish an efficient operating platform to support growth.

A key focus is the retention of the current loans under management to maintain scale benefits and our competitive position. This will support volume growth through our broker franchises, wholesale partners and the direct offering through eChoice.

We are also working to strengthen and broaden our relationships with our brokers and key alliance partners in funding and distribution.

Firstfolio is pursuing margin improvement through a combination of lower costs, revenue growth and revenue mix. There are significant challenges facing the industry but also attractive opportunities for improving our competitive position and shareholder returns.

I would like to now hand back to the Chairman to discuss Strategy and Outlook.

Eric Dodd – Chairman – Strategy and Outlook

Slide 12 – Strategy

Firstfolio has been growing strongly since 2006 to establish itself as a leading independent mortgage provider.

You may be aware that in the context of our fully utilised balance sheet and the subdued demand environment, the Company has been assessing the strategic and operating potential of key businesses to improve shareholder value.

This review has included an independent examination by Grant Samuel of a range of options for maximising value in key assets and the appropriate capital structure for the Company going forward.

Slide 13 - Strategy

The options considered by Grant Samuel included:

1. Closing for business and running down the loan book over time;
2. Selling the component parts of the Company; and

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3. Continuing operations but reducing the level of borrowings.

The Board believes that the last option offered the best potential value for shareholders.

Slide 14 – Strategy

As a result of the review process, the Board established the following strategy:

- Achieve integration benefits from the businesses acquired
- Invest in processes to drive efficiency and service delivery
- Preserve the loan book and grow volume through key distribution channels
- Invest in the brand and relationships with industry partners
- Establish a capital structure to support these operating objectives, which may include some form of recapitalisation

Slide 15 – Heads of Agreement

While the Board was considering options for recapitalisation, we received a proposal from AC&E Capital, a private investor consortium, regarding a possible capital injection.

As announced on 13 November 2012, Firstfolio and AC&E entered into a non-binding Heads of Agreement for a possible placement and rights issue that may raise up to \$56 million comprising:

- a \$50 million placement at 3.5 cents per share and
- a 4 for 5 renounceable rights issue to raise up to \$6.19 million at 1 cent per share

AC&E is conducting due diligence under an exclusive arrangement. Under certain circumstances a break fee may be payable by Firstfolio should a transaction not complete.

Slide 16 – Heads of Agreement

In the event that AC&E makes a final offer for a placement that is accepted by Firstfolio, detailed terms of the offer will be made available to shareholders and the ASX.

If an acceptable final offer is received, Firstfolio will obtain an Independent Expert's Report

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on the proposal and make recommendations to shareholders.

Any transaction will be subject to shareholder and regulatory approvals.

Slide 17 – Outlook

As Tony mentioned, Firstfolio faces challenges but also some exciting opportunities to improve value for shareholders.

Revenue and earnings in the current year will be influenced by, among other factors, the level of activity in the Australian mortgage sector and the margins available.

Firstfolio will focus on maximising revenue growth, operational efficiency and the value of its brand to support shareholder returns.

Should it be forthcoming, Firstfolio will fully consider a final offer for a placement from AC&E and provide all necessary information to shareholders with appropriate recommendations.

Firstfolio's focus on its people through the theme of "Connect-Share-Thrive" was recognised at the 2011 Australian HR Rewards with the accolade of "Best HR Strategic Plan", in addition to being a finalist in the category of "Best Corporate Social Responsibility Strategy".

I would like to acknowledge Mark Forsyth, Greg Paramour, Mark Flack and David Hancock for their contribution to Firstfolio through a period of significant change. I also thank all of our employees for their commitment and dedication in delivering the operating results for FY2012.

Finally, on behalf of the employees of the Company and the Board, I thank all shareholders for your ongoing support of Firstfolio.

We will now move on to the formal part of the meeting.