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Australian Securities Exchange
Company Announcements Platform

Centuria Capital Limited – Market Update

Sale of Reverse Mortgage Portfolio

- Sale of reverse mortgage assets yields \$32.6 million¹ equity
- Combined with recent sale of Over Fifty Insurance Agency, \$37.8 million¹ equity released
- Ongoing strategy to strengthen balance sheet and provide capital to expand core divisions
- Clear capital management plan including announcement of on-market share buy-back

Centuria Capital Limited (ASX code: “CNI”) announces that its subsidiary, Over Fifty Seniors Equity Release Pty Ltd, today entered into a Portfolio Sale Agreement with a financial institution in relation to its variable rate reverse mortgages which have a balance of \$125.4 million².

The portfolio was sold at a slight premium to the face value of the pool balance and CNI expects the Portfolio sale to release approximately \$32.6 million¹ of net equity to CNI. Settlement is anticipated to be on 17 October 2014. CNI will retain a \$24.4 million portfolio of fixed rate reverse mortgages as a long-term investment. See attached data sheet for further details.

Group CEO, John McBain commented “The sales announced today represent the successful implementation of Centuria’s previously announced strategy. The sales release substantial capital from non-core assets, thereby strengthening the Group’s balance sheet to support the growth of core businesses and the implementation of a number of capital management initiatives.”

“It is anticipated that capital will be allocated to the following areas;

- Co-investment in the forthcoming Centuria Metropolitan REIT
- Provide seed capital to secure assets for the unlisted property funds division
- Co-investment with CNI investors in value-add property projects arising from existing portfolio and co-investment with wholesale property clients
- Expanding CNI’s investment bond business with the launch of the new Tax Astute products

1. Prior to transaction costs as well as minor impact of taxation

2. Balance of loans as at 31 August 2014

- Free up working capital and ensure gearing remains modest
- Pursue accretive corporate acquisitions which complement existing business activities
- Centuria also today announced its intention to commence an on-market share buy-back programme to purchase and cancel up to 10% of CNI shares on issue over a 12 month period.

“With a simplified business model and a strengthened balance sheet Centuria will continue to concentrate on its two core businesses - Property Funds Management and Investment Bond Management”. It is Centuria’s intention to recycle its capital over the shortest term possible to maximise return on equity.”

“These initiatives promote greater clarity of Centuria’s market positioning as a Specialist Investment Manager and form part of CNI’s long term strategic plan.

CNI was advised by KPMG Corporate Finance, Wolseley Corporate and Henry Davis York.

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Data Sheet – Sale of Variable Rate Reverse Mortgage Assets

The variable rate portfolio sale price of \$127.6 million represents a \$2.2 million profit over a book value of \$125.4 million.

The principal rationales for disposing of the variable rate mortgage portfolio only are;

- Profits associated with the book were non-cash however taxation and other running expenses were cash in nature, removing these limitations increases CNI's ability to generate operating cash
- The entire portfolio carried an associated warehouse debt facility of \$108.6 million which was short-term in nature and considered disproportionate relative to CNI's total assets, this debt will reduce to \$13.2 million.
- CNI considers that the present financial markets represented an ideal time to crystallise the embedded value in the portfolio and these conditions had not previously existed.
- CNI calculated that unwinding the financial instruments supporting the fixed for life "FFL" mortgage book was uneconomic in the current interest rate environment and will review this if long term interest rates move upwards.

CNI, through its warehouse trust Senex, will maintain ownership of its FFL mortgages³ with a loan pool balance of \$24.4 million⁴ of assets and associated ongoing senior debt of \$13.2 million together with subordinated CNI notes of \$11.2 million (formerly \$7.2 million).

CNI's intends to amortise this loan at a rate of \$500,000 per annum and projects that the FFL mortgage book will generate sufficient surplus cash to meet this amortisation in addition to a modest operating profit.

The FFL mortgage balance of \$24.4 million is backed by residential assets valued at \$81.7 million and CNI views the mortgages as a non-core, lowly geared, long-term holding. CNI will retain the associated interest rate swaps protecting CNI's position.

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About Us

Centuria Capital "CNI" is an ASX-listed specialist investment manager with \$2 billion in funds under management. We offer a diverse range of investment opportunities – from tax-effective investment bonds to unlisted property funds. Our drive, allied with our inside knowledge of the sector and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

3. Includes variable rate mortgages where customers have both fixed and variable rate mortgages

4. Balance of loans as at 31 August 2014