



14 November 2023

ASX RELEASE

**Resimac Group Ltd – 2023 Annual General Meeting
Chairman’s Address**

Please see attached the address to be delivered by Resimac Chairman, Warren J McLeland, to shareholders at the Annual General Meeting.

-ENDS-

Peter Fitzpatrick

Company Secretary

P: 02 9248 0304

About Resimac Group (as at 29 August 2023):

Resimac Group Ltd (“Resimac Group”) is a leading non-bank lender and multi-channel distribution business. Its fully integrated business model comprises originating, servicing and funding prime, non-conforming residential mortgages and asset finance products in Australia and New Zealand. With over 300 people operating across Australia, New Zealand and the Philippines, Resimac Group has in excess of 55,000 customers with a portfolio of home loans on balance sheet of over \$13 billion, an asset finance portfolio over \$600 million, and total assets under management of over \$14 billion.

Resimac Group has issued over \$45 billion of mortgage-backed securities in domestic and global markets since 1987. It has access to a diversified funding platform with multiple warehouse lines provided by domestic and offshore banks for short-term funding in addition to a global securitisation program to fund its assets longer term.

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CHAIRMAN'S ADDRESS

Resimac Group Ltd – 2023 Annual General Meeting

FY 2023 was our toughest year of operations since the end of the GFC in 2010/11.

FY23 was dominated by increasing geopolitical risks and uncertainties and our macro-operating conditions; namely inflation, rising interest rates against a backdrop of near to full national employment. Business and investment confidence was at best subdued and supply problems continued across many sections of the economy initially compounded by the impact of the Ukraine War but later spreading to most of Australia's trading partners. Real growth of GDP for the year was significantly lower than FY22.

But our difficult operating conditions were caused by far more than that. Our significant decline in earnings was largely due to an unintended consequence of the RBA's decision to financially support the local banks and ADI's during the worst stage of the COVID crisis (about 3 years ago), but especially the major banks providing the sector with \$216 billion of term funding at near to zero cost (launched at 25 bp and subsequently reduced to 10 bp).

This Term Funding Facility (or TFF) was introduced for effectively 4 years. It provided very cheap funding to act as a stimulus to the banks to boost lending to retail customers and small to medium sized business. While sounding simple, the unintended consequence of the TFF led to extreme price competition between the major banks eliminating any sense of competition between the banks and the non-banks. The result of the TFF was to increase market share for the major banks which has only exacerbated the chasm between the big banks and the rest of the market participants; the smaller banks and the non-banks. The consequence of the TFF has been an increase in power for the banking oligopoly.

Fortuitously, Resimac's product and asset class diversification programme which commenced a few years ago permitted Resimac to have an inhouse buffer against lower levels of lending in the prime mortgage space. Resimac expanded with a focus on higher risk mortgage lending products (termed specialist and non-conforming loans) and asset financing loans (such as secured small business, loans, auto loans and small trucks and equipment loans etc).

Nevertheless, our normalised net profit after tax for the FY 23 year fell by 29% to \$73.7million. The extreme competitive pricing conditions were sustained for the first two months of the FY 24 financial year. We remain hopeful that we will see a slowing in the intensity of competition and as a flow on, a slow but consistent improvement in the volume of new business emerging by second quarter calendar year 2024.

Our asset financing business remains small, but our objectives are to continue our growth by investing more capital directly into the business and should an attractive opportunity emerge, to grow via acquisition or merge. We have ambitious growth plans for asset finance for the period to FY 26 and beyond and we are increasingly confident our investment will prove to be very successful.

As always balancing our business strategy to ensure we right size the organisation to match the prevailing macroeconomic position, market trends and industry conditions remain of utmost importance. This aim has required painful decisions to be made, specifically to employee headcount and forced us to modify the time frames to achieve our objectives and to defer other plans for a future time.

This has led to a recasting of our culture to accommodate our changed annual growth targets to align the company with the overall economic environment. But key to the strategy, our ethical and corporate values are unchanged as does our commitment to matters of ESG.

We will operate for FY24 with a reduced headcount and with a drive to automate more comprehensively our business processes and rapidly expand the sophistication of workflow processing leading to full digitisation of the business. This includes the evaluation and early-stage adoption of AI and other tools to achieve full digitisation of Resimac by second quarter FY25.

Our drive to accelerate our productivity and efficiency is profound and we continue with targeting incremental investment of capital all of which is core, but again with a conservative measure of balance. Enterprise risk control is paramount encompassing credit asset management and operations. This is imperative given expectations of increasing concerns of the impact of cost of living pressures flowing to borrowers from prolonged higher rates of interest which we do not see being reduced until final quarter calendar year 2024 at the earliest.

Our financial position (as reflected in our financial statements and annual report), is strong. Our short and longer term funding position as shown in our financial statements and annual report remains in a leadership position amongst our near competitors, and our banking partnerships are managed astutely at all times. This demonstrates the value and success of our funding diversification policy we implemented three years ago.

As a consequence, our confidence for the 3 (to 5) year planning period initially to FY 2026, is high and our underlying plans for a growth focussed organisation are undiminished. Expanding our shareholder base also continues as a fundamental and integrated feature of our business strategy.

On behalf of my Director colleagues and the Resimac executive group team, I extend our congratulations and acknowledgement of the commitment and loyalties incessantly shown by all our team members during the course of the year to your company. FY 24 will prove to be another year of big challenges but our world class team of people possess the skills and aspiration desire to seize initiatives to ensure our FY24 results will demonstrate a continuation of our Group's success.

Warren J McLeland