FSA Group
AGM Presentation
25 October 2013

Agenda

1. Chairman's address
2. Executive Director's address
3. Ordinary business

Chairman's address

- A year of strong performance
- PAT of $10.8m up 26%
- Operating cash flow of $14m up 49%
- Dividend per share of 5c up 127%
- Bought back 7.7m shares on market
- In a strong financial position
- Well positioned for growth

Executive Director's address

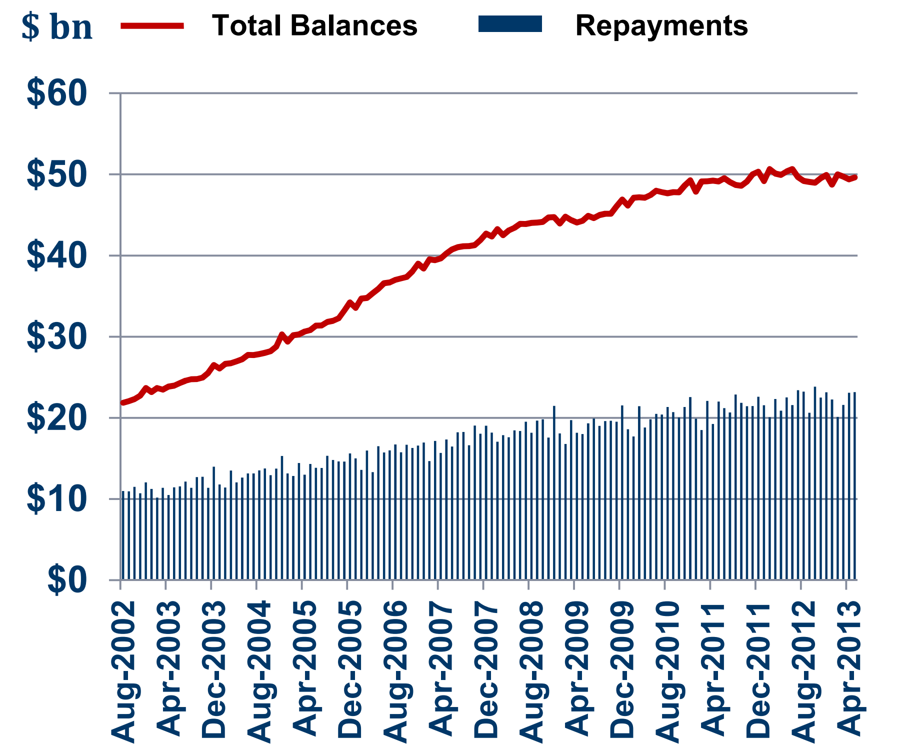
- Core division – Services
- Growth divisions – Home Loans and Small Business
- Financial results
- Strategy and Outlook
- Guidance and Capital Management

Core Division Services

What drives demand?

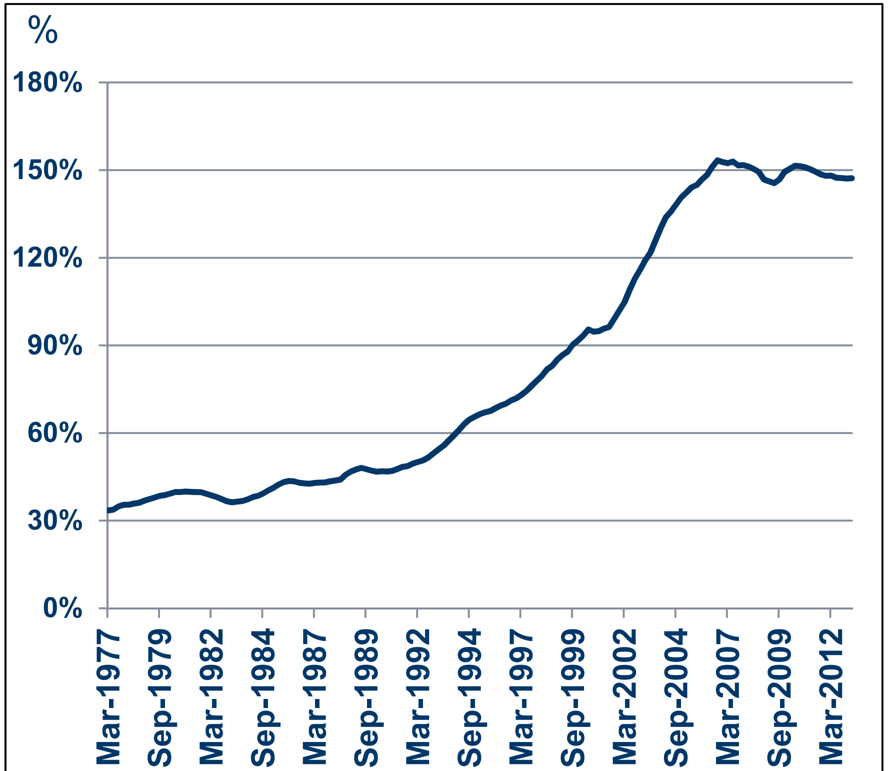
Levels of debt and ability to service

Credit Card Debt $bn



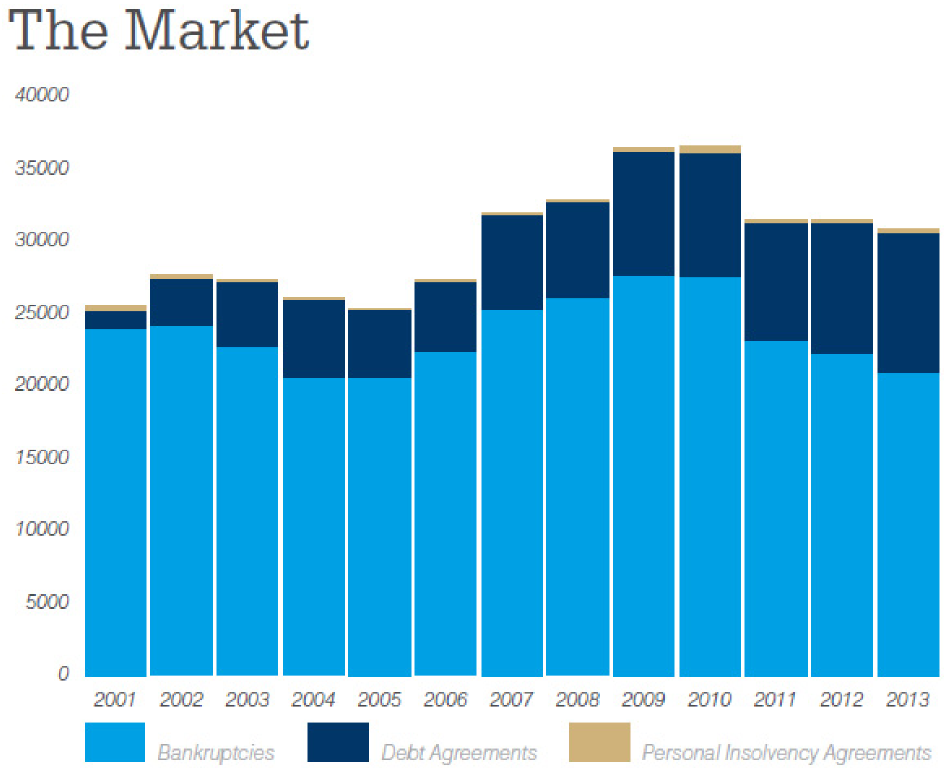
Source: RBA

Debt to Disposable Income %



Source: RBA

How does FSA assist?



Source: Insolvency and Trustee Service Australia

FSA assists individuals wishing to enter into a formal payment arrangement with their creditors through:

1. **Debt Agreement**
2. **Personal Insolvency Agreement**
3. **Bankruptcy**

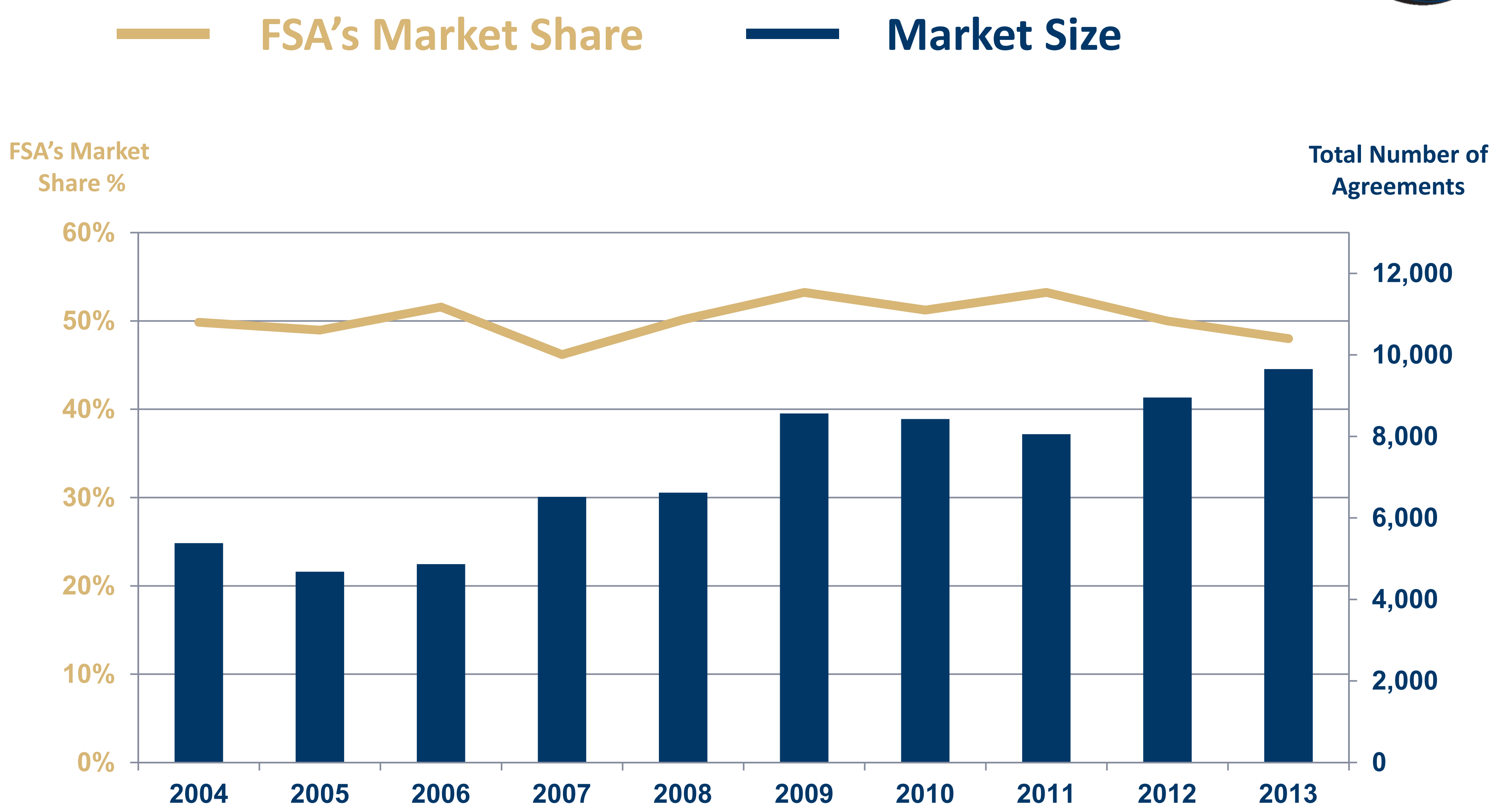
FSA is Australia's largest provider of debt solutions

FSA's Services division

Debt Agreements	Largest provider – market share 48%* Over 17,500 clients, owing $301m to creditors Low arrears, $79m paid to creditors in 2013 Superior returns to creditors compared to market Fee for service income, <u>delivering annuity cash flow</u>
Personal Insolvency Agreements and Bankruptcy	One of the largest providers Over 1,500 clients Fee for service income, <u>delivering annuity cash flow</u>

* Calculated using AFSA (formally ITSA) statistics

FSA is the leader in debt agreements



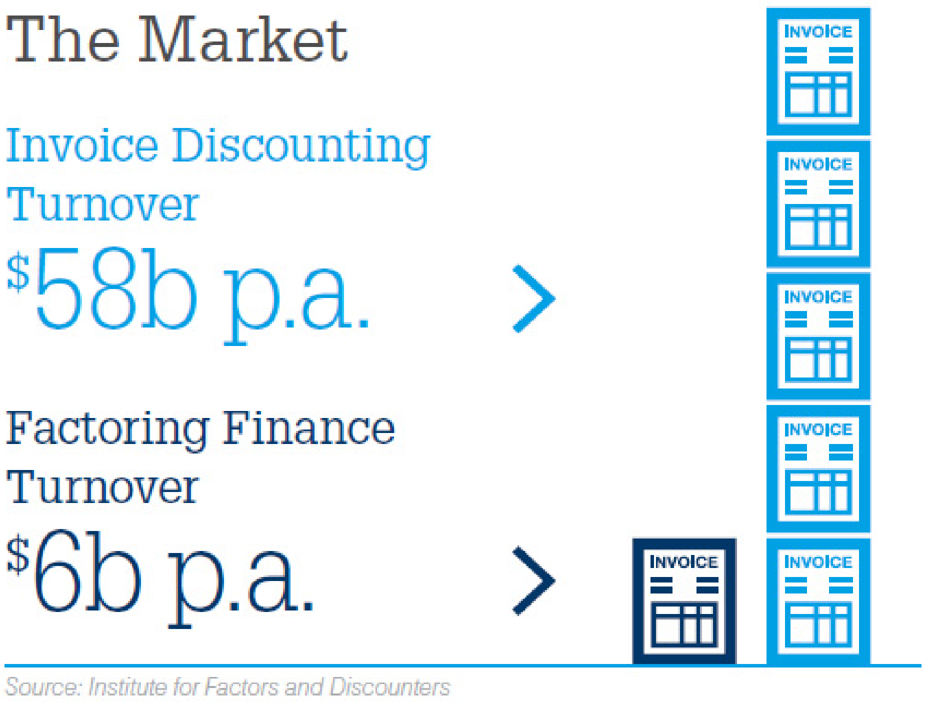
Growth Divisions
Home Loans and Small Business

Home Loans

FSA assists individuals with property, who are unlikely to conform to the lending criteria of banks, wishing to consolidate their debt

FSA is one of the few remaining non-conforming home loan lenders in the market

Small Business



FSA assists small to medium businesses with cash flow management by providing factoring finance secured against invoices

Loan Pools at 30 June

Home Loans	
Loan Pool Size	$221m
Average Loan Size	$233,000
Average Weighted LVR	67%
Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
>30 day arrears	3.22%

Small Business	
Loan Pool Size	$20m
Average Loan Size	$256,000
Average Weighted LVR	Ranges 55% to 65%
Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
>90 day arrears	4.75%

Funding

- Non-recourse funding of $250m
  - WBC Senior $230m
  - Institutional Mezzanine $20m
  - Renewed to October 2016
- FSA's balance sheet risk limited to 3% equity
- Lender's margin, delivering annuity cash flow

Funding

- Funding of $35m from WBC
- Renewed to June 2015
- FSA 15% equity
- Lender's margin, delivering annuity cash flow

Strategy: Home Loans & Small Business

Previously	**Develop a track record in lending** **Limit growth in loan pools until conditions improve**
Today	**Focus on growing loan pools**

Financial Results

PBT by division

	FY2011	FY2012	FY2013	%
Services	$10.6m	$11.6m	$11.7m	⬆ 1%
Home Loans	$4.2m	$4.1m	$5.1m	⬆ 24%
Small Business	$0.6m	($0.7m)	$0.8m	⬆ 211%
Other	($0.1m)	($0.1m)	$0.1m	-
Profit before tax	**$15.3m**	**$14.9m**	**$17.8m**	⬆ **19%**

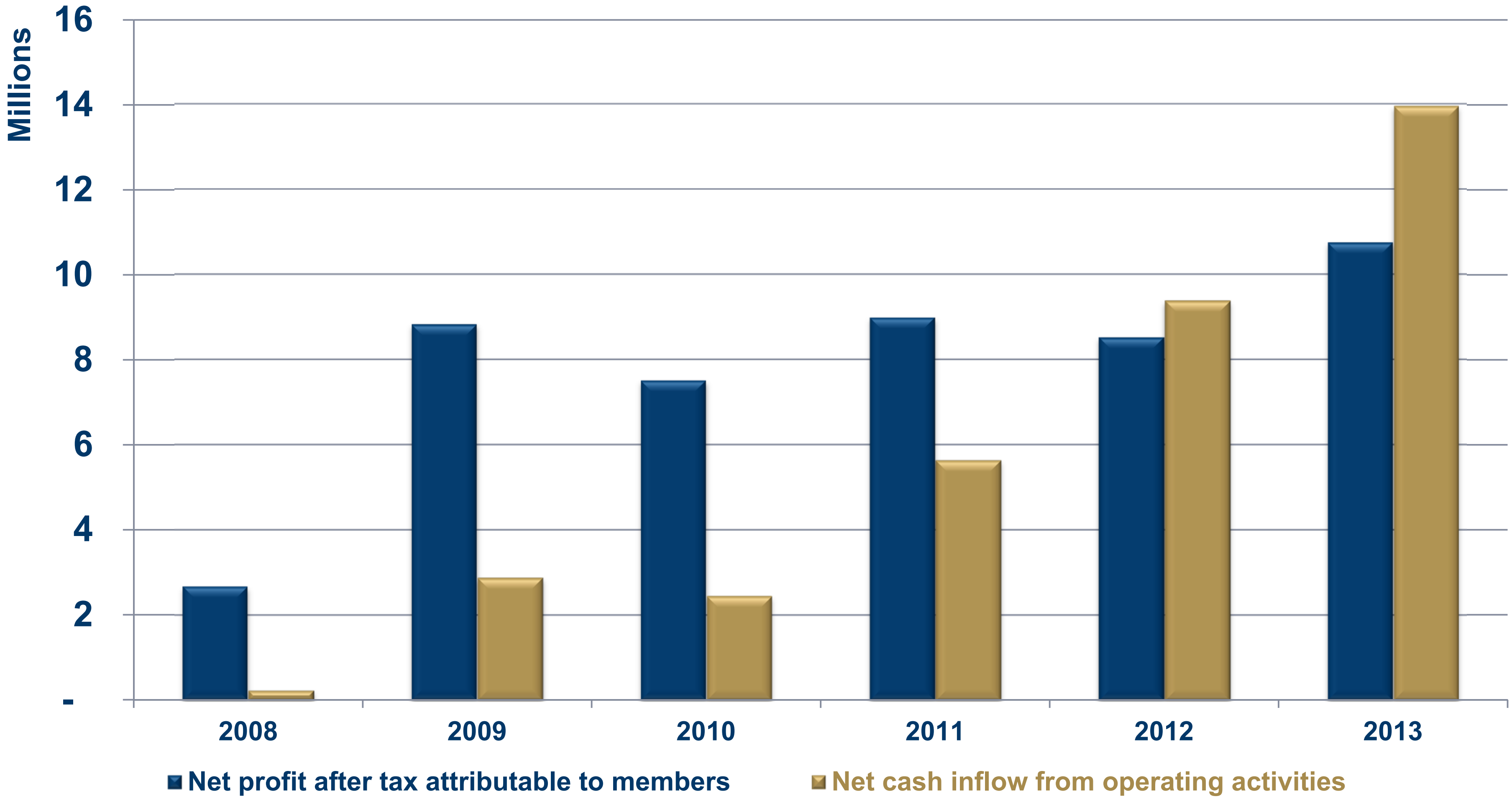
Home Loans pool	$229m	$232m	$221m
Small Business pool	$12m	$25m	$20m

Group financials

	FY2011	FY2012	FY2013	%
Revenue and income	$54.1m	$59.0m	$64.4m	⬆ 9%
Profit before tax	$15.3m	$14.9m	$17.8m	⬆ 19%
Profit after tax [1]	$9.0m	$8.5m	$10.8m	⬆ 26%
Operating cash flow [2]	$5.6m	$9.4m	$14.0m	⬆ 49%
NTA backing/share	34.9c	37.8c	42.3c	⬆ 12%
EPS basic	6.51c	6.27c	8.51c	⬆ 36%
Dividend/share	1.0c	2.2c	5.0c	⬆ 127%

1. Profit after tax attributable to members
2. Net cash inflow from operating activities

PAT compared with Operating cash flow



What's driving operating cash flow?

Long-term annuity income from an increased number of clients

	FY2010	FY2011	FY2012	FY2013	Avg client life (years)
Operating cash flow	$2.5m	$5.6m	$9.4m	$14.0m	
Debt Agreement clients	11,050	14,394	16,681	17,751	4.5 to 5
PIA/Bankruptcy clients	909	1,119	1,316	1,515	3
Home Loans pool	200m	229m	232m	221m	3 to 4
Small Business pool	10m	12m	25m	20m	2.5 to 3.5

Capital requirements for growth

Operating cash flow - $9.4m in 2012 and $14.0m in 2013

Investing cash flow - CAPEX around $500k pa (stable)

Business now generating around $12m a year in free cash flow

Future capital requirements to support loan pool growth

- Home Loans - $3.0m capital required for $100m increase in pool
- Small Business - $1.5m capital required for $10m increase in pool

Strategy and Outlook

Strategy and 3 year outlook

Services	**Maintain our leading position in a niche market**
Home Loans	**Growth in loan pool**
Small Business	**Growth in loan pool**
Opportunities	**Personal loans - Product trial in early 2014**

Guidance and Capital Management

Guidance and Capital Management

Profit Guidance	FY2012 PAT $8.5m FY2013 PAT $10.8m FY2014 PAT up 8% to 13%
Dividends	FY2012 - 2.2c FY2013 - 5.0c FY2014 - 5.25c to 6.0c, subject to trading performance
On Market Buy-Back	To continue with buy-back, subject to price

Investor Relations Contacts

Mr. Tim Odillo Maher	**Ms. Deborah Southon**
Executive Director	*Executive Director*
FSA Group Limited	FSA Group Limited
Level 3, 70 Phillip Street	Level 3, 70 Phillip Street
Sydney NSW 2000	Sydney NSW 2000
T: 02 9293 6054	**T:** 02 9293 6058
F: 02 9293 6032	**F:** 02 9293 6032
E: tmaher@fsagroup.com.au	**E:** dsouthon@fsagroup.com.au

Further information can be accessed from

fsagroup.com.au

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