

Half Year FY22 Results

All values in \$NZD unless stated otherwise

Contents

- 1. 1HFY22 Financial Highlights & Upgraded FY22 Guidance**
- 2. Why 100% consumer-direct (B2C) wins**
- 3. Growth initiatives**
- 4. Appendices**

All amounts in this presentation are denominated in \$NZD unless otherwise stated

1HFY22 Financial Highlights

The 100% direct difference

Group loan book

\$557m

+19% (Dec 2020 \$468m)



AU loan book (A\$)

\$185m

+83% (Dec 2020 \$101m)



Cash NPAT

\$1m

Consistency (\$1m Dec 2020)



Net Interest Margin

13.1%

+220bps (Dec 2020 10.9%)



Net Lending Margin

9.3%

+210bps (Dec 2020 7.2%)



Group 90+ day arrears

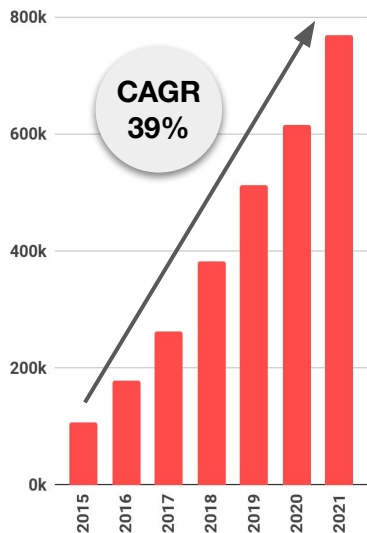
0.46%

-14bps (Dec 2020 0.60%)



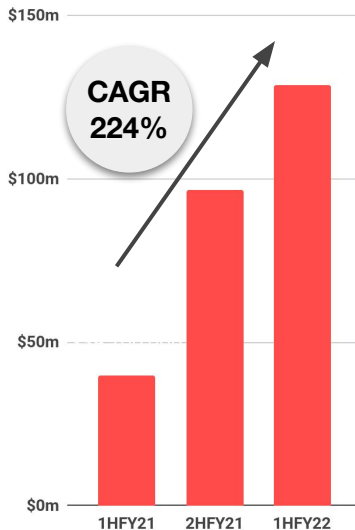
Rapid growth across all key business metrics

1. Account acquisition



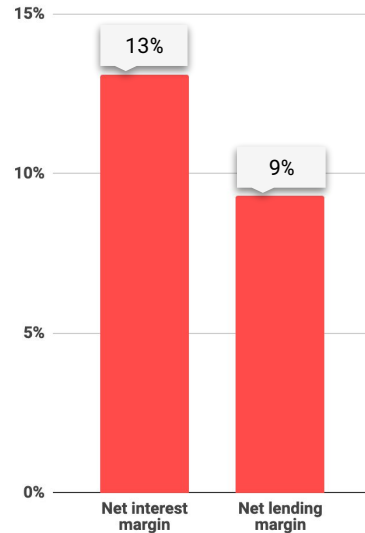
Powerful consumer-direct acquisition engine. Over 769k customer accounts have been added to our Stellare® platform.

2. New loan originations



High growth of new customer originations powered by our Stellare® platform.

3. Superior net margins



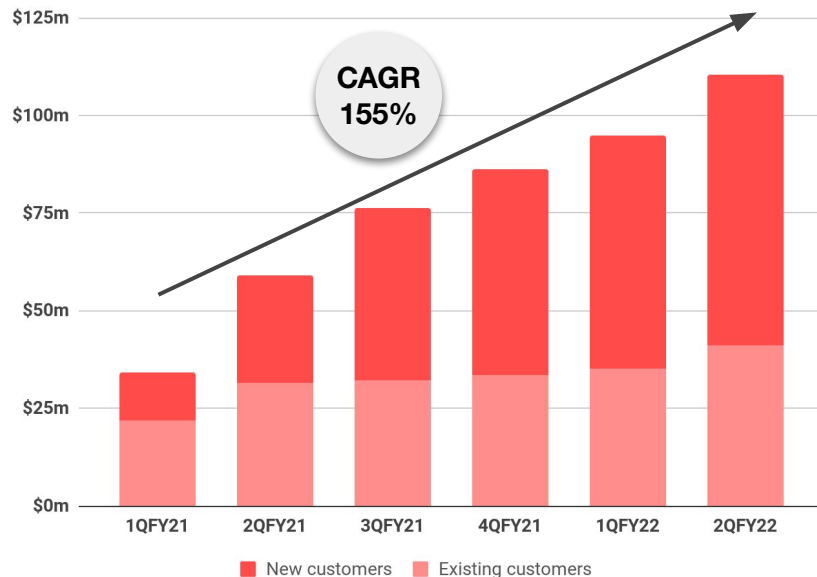
Superior net interest margin and net lending margin demonstrate portfolio quality, benefit of 100% consumer direct and existing customer growth

New originations grow 224% on marketing scale up post IPO

New customer loan origination growth fuels receivables book growth

- Significant growth in loan originations continues
- 58% of new customer loan originations now come from Australia (42% New Zealand)
- New customer loan originations are a lead indicator of future originations/earnings as these customers later return for future needs
 - on average, every customer takes >2 loans
- Australian loan book on track to exceed New Zealand loan book in ~12 months
- Average loan size originated of ~\$24,000

Group loan originations



Loan book growth led by Australia expansion

Continued growth in 1HFY22, led by strong AU originations

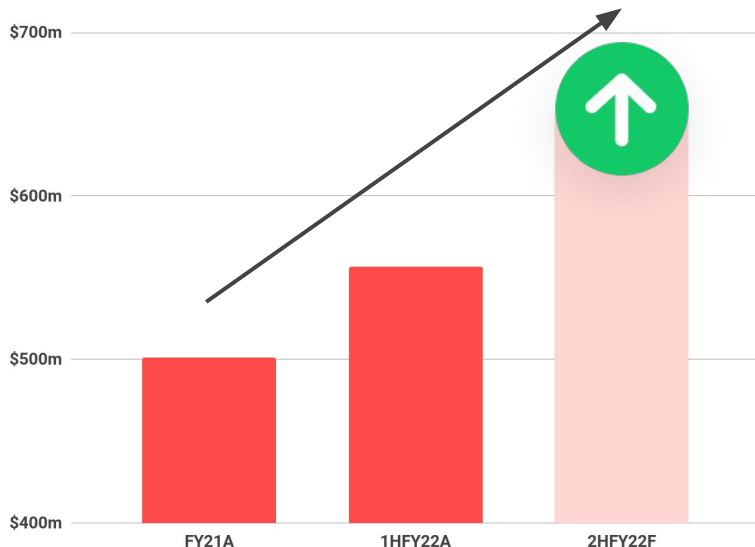
- Record period end \$557m Group loan book, representing 22% growth on 2HFY21 (annualised)
- Growth driven predominantly by 50% growth in Australian loan originations on 2HFY21, from targeted direct marketing and improved customer retention rates
- New Zealand limited book growth due to COVID restrictions and significant NZ regulatory changes

February 2022

\$600m

Group Loan Book as at late February 2022

Group loan book



Harmony upgrades FY22 market guidance

	FY21A	1HFY22A	FY22F	Change v pcg
Loan book	\$501m	\$557m	>\$650m prev. >600m	 >30%
Revenue	\$79m	\$43m	>\$92m	 >16%
Net lending margin	6.8%	9.3%	>8.3% prev. >7.0%	 >150bps
Cash NPAT	(\$0.4m)	\$0.7m	Profitable	

Harmony forecasts its transition to warehouse funding to be ~90% complete by 30 June 2022 (83% at 31 January 2022).

FY21A, 1HFY22A and FY22F based on pro-forma financials.

FY22F assumes COVID-19 lockdown restrictions in Australia and New Zealand do not have a material impact on originations or repayments, and a 1.07 AUD/NZD exchange rate.

Harmony exceeds its Nov 2020 IPO potential

	KPI	Dec 21	Oct 20	Change
Australian replication of consumer-direct (B2C) Stellare credit and marketing models	Significant Australian loan book growth	A\$185m	A\$98m	89% increase
Transition of funding from peer-to-peer to warehouses/ABS	Reducing Harmony capital required	~6%	~12%	Halving capital required/ Doubling ROE
	Diversify funding	4 warehouses (3 of "Big 4" banks) 1 ABS program	2 warehouses (2 of "Big 4" banks) No ABS program	2 new warehouses + ABS program
	Reduce Cost of funds	340bps	660bps	320bps reduction
Leading economics	Net Interest Margin Net Lending Margin	13.1% 9.3%	10.4% 6.8%	270bps improvement 250bps improvement
Profitability	Drive scalability of Stellare Platform	\$1m Cash NPAT	Losses	HMY now profitable
Continuous data led innovation	- Revolutionary behaviour-based scorecards 1.7 and 1.8 in Australia and New Zealand driving higher conversion and lower losses - Enhanced product flexibility, introducing a 7 year loan term - Funnel enhancements, responding to major changes in New Zealand lending regulations			

Why 100% consumer direct (B2C) wins

Largest 100% online consumer-direct (B2C) personal lender across Australia & New Zealand

The long term value of consumer-direct

Our unique strategy is to create direct relationships with consumers 100% online, at scale, then nurture them to create high value now and into the future. To do this Harmoney combines data, technology and digital marketing like no other.

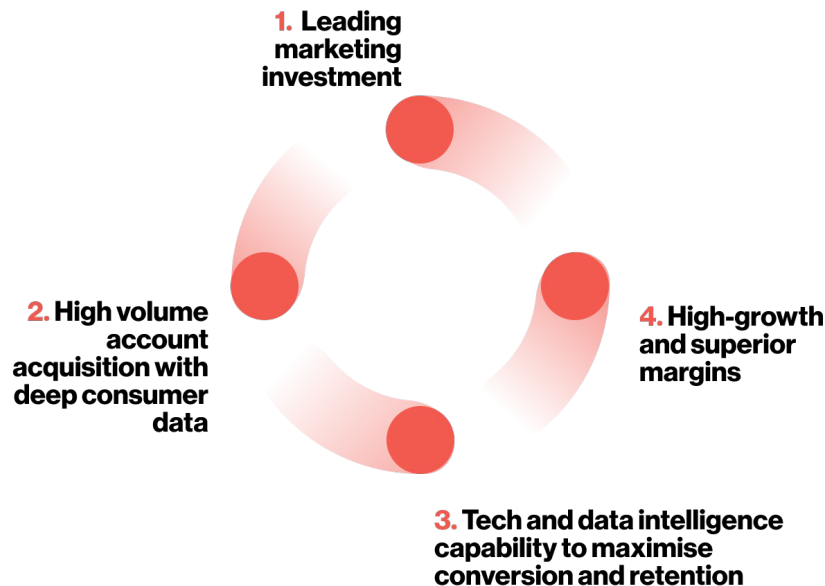
STELLAR

Market leading consumer-direct loan originations

\$2.5 Billion

Total loans funded at 31 December 2021

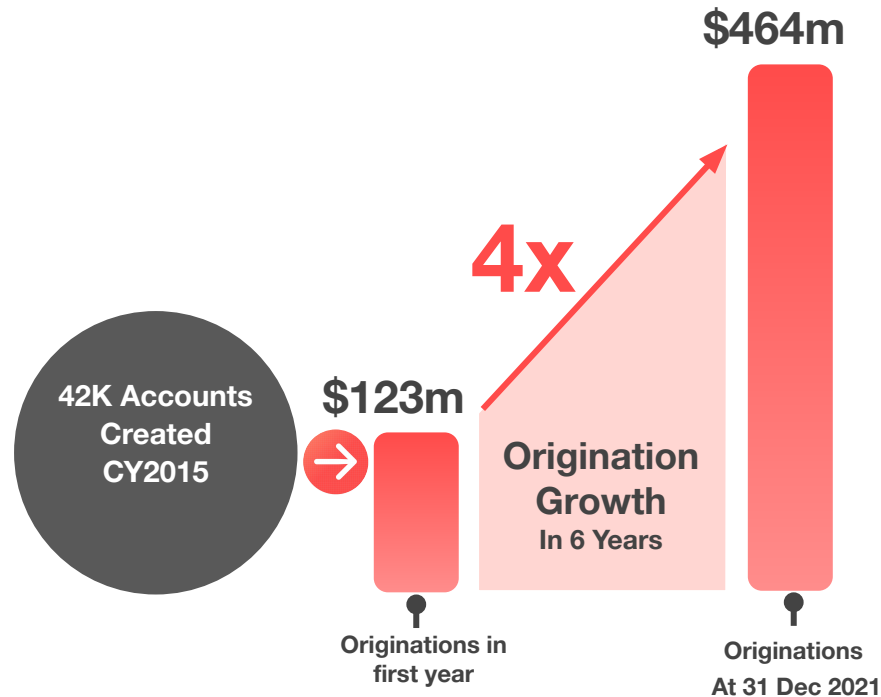
Harmoney growth flywheel



The consumer-direct (B2C) multiplier effect

Meeting customers evolving needs

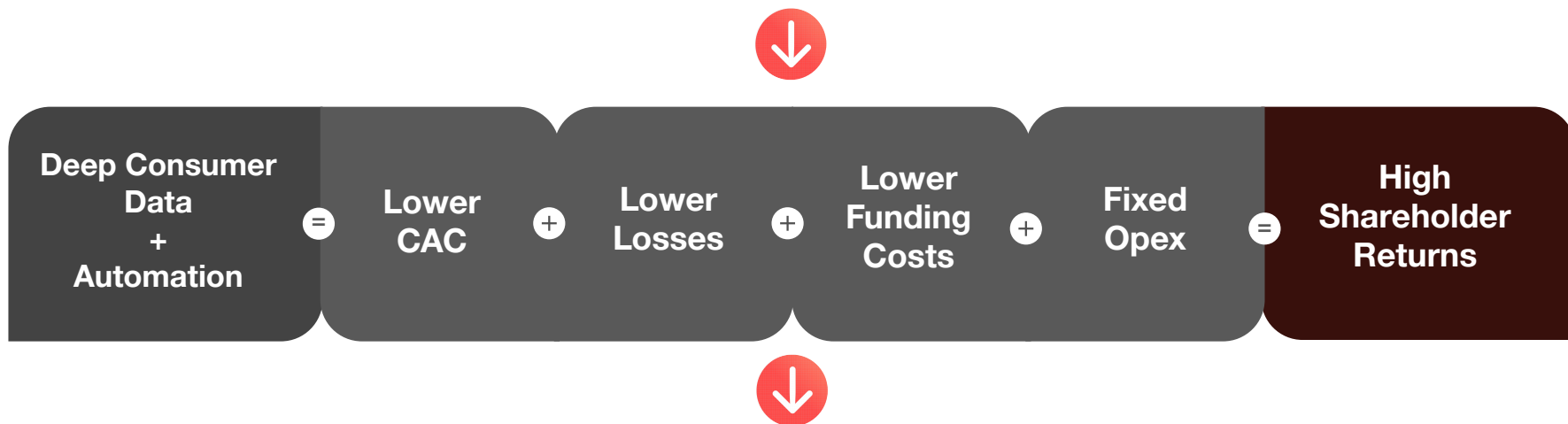
- With a consumer-direct (B2C) relationship, Stellare® targets customers for remarketing campaigns; offering the right solution for the customer at the right time
- The multiplier effect in action:
 - 42K accounts from 2015 originally created \$123m in year one loan originations.
 - Six years later, these same accounts contributed \$464m, a 4x increase in loan originations
- This multiplier effect is only just getting started for Harmoney in the Australian market



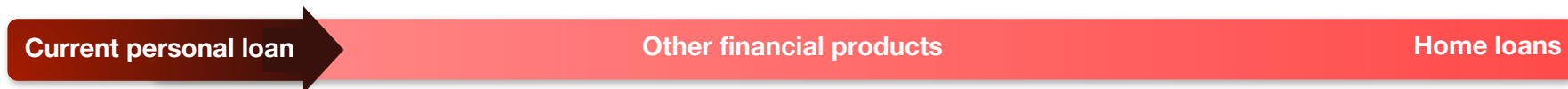
Above diagram has been adjusted to reflect only incremental loan originations from customer accounts created in CY2015

Why 100% consumer-direct (B2C) wins

Consumer-direct market tailwinds



Growth opportunities of consumer-direct model



- **More Aussies signed up for their personal loan via online than via phone, branch, broker combined**

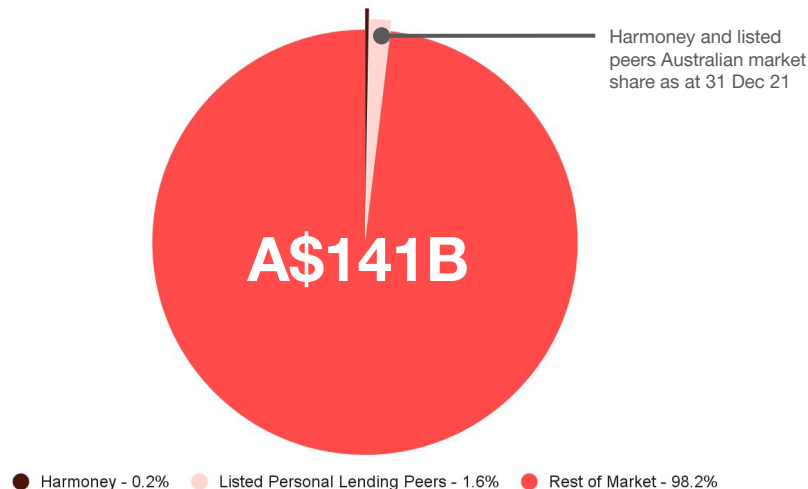
Google, Kantar Shopping Pulse, May 2021.

Market Size: Harmony & listed peers <2% Australian personal lending market

Huge market opportunity

- The Australian personal lending market represents an enormous growth opportunity as consumers move online.
- The vast majority of personal lending is still provided by banks and traditional lenders.
- Consumers are gravitating to purchasing and conducting financial services online.
- Personal lending is for many purposes, e.g. home, car, life events, small business and consolidation of these.
- Harmony's deep data focuses its marketing and funding on the most attractive opportunities.

Australian personal lending (Dec 2021)



1. A\$141Bn at December 2021 source RBA, 'D2 Lending And Credit Aggregates - Credit; Other personal', which covers all personal credit (non-business, non-housing/mortgage), incl. e.g. personal loans, car loans and credit cards.

2. Listed personal lending peers comprise Wisr, MoneyMe & Plenti with receivables balances sourced from December 21 market trading updates.

Consumer-direct means deep consumer data

Broker: Limited data

Broker/intermediary models offer limited consumers and data to build smart credit and marketing platforms.

Direct: Deep data

Harmony has much deeper consumer data. 7 years of consumer data from over **470,000+** loan applications totalling over **\$7.6 billion** in loan applications.

Deep data + A.I.

Consumer data plus machine learning in the Stellare[®] platform builds smarter credit decisions and smarter digital advertising, which efficiently grows Harmony’s loan originations.

Stellare's automated loan application process facilitates rapid scalability

Fully automated loan applications are 66%

Straight-through-processing (STP) measures the ratio of loans that complete a fully automated loan application process (no human intervention).

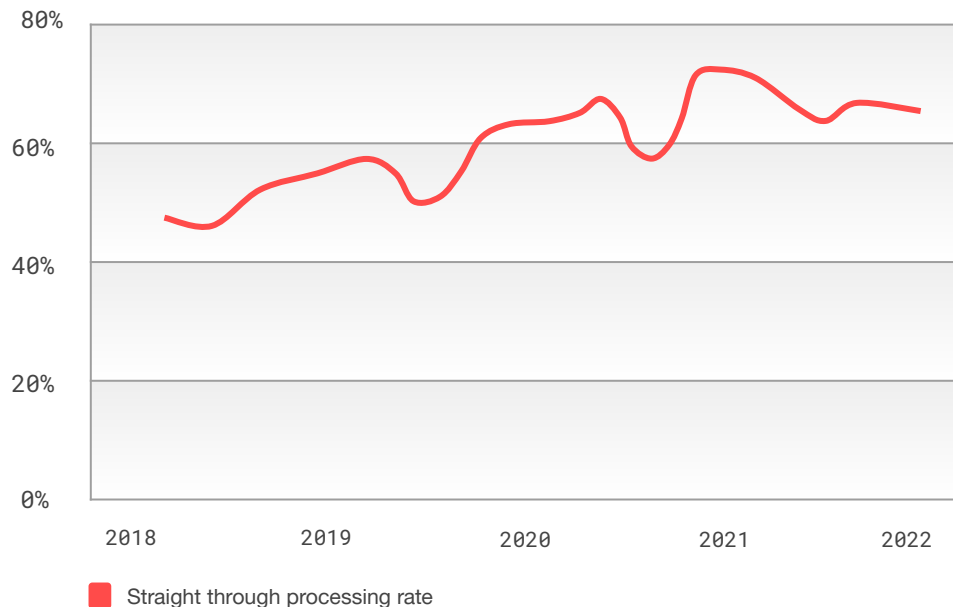
Our STP settings can be temporarily adjusted to apply conservative settings as needed, such as when releasing a new scorecard, or where the macro conditions warrant a conservative approach.

Fully automated loan applications

66%

6 month average Jul - Dec 21

S T E L L A R E



■ Straight through processing rate

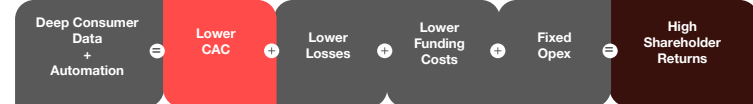
Customer acquisition proven in NZ - now driving Australian growth

Proven acquisition model

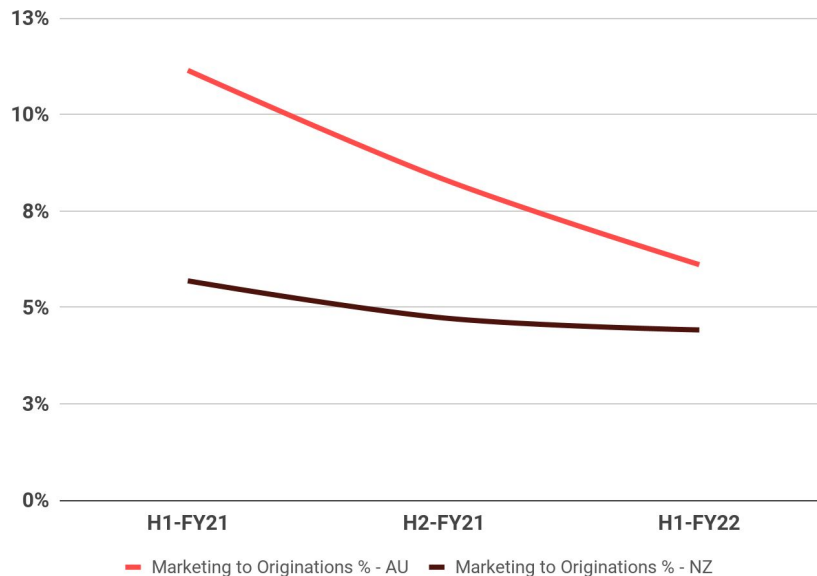
- The Stellare[®] marketing model outbids competitors for target consumers, real-time feedback refines targeting, driving down CAC.
- The consumer-direct relationship then drives CAC lower as existing customers return for future needs, at ~\$0 CAC i.e. ~\$0 CAC to originate 2nd, 3rd, 4th... loan.
- Proven in New Zealand and now replicating in Australia, as Stellare[®] learns and existing customer base grows.

<5%

Acquisition Cost to originations ratio
in New Zealand



CAC reducing over time



How does Stellare's integration with Google work?



STELLARE
CLV Value \$

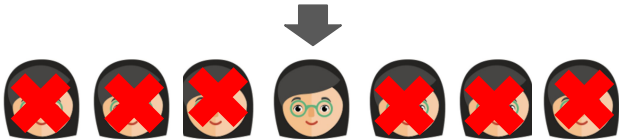


Google's smart bidding algorithm



Anticipates next auction & bid price for prime consumers

Harmoney's advertising is seen by targeted high value consumers leaving the competition to their expensive shotgun strategy.



Efficient, accurate and optimised customer acquisition

Deep Consumer Data + Automation	=	Lower CAC	+	Lower Losses	+	Lower Funding Costs	+	Fixed Opex	=	High Shareholder Returns
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Harmoney

GENERALISED TARGET PROFILE BASED ON CUSTOMER LIFETIME VALUE

Google

STELLARE

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MACHINE LEARNING FEEDBACK LOOP TO IMPROVE RESULTS

Globally, Google has more than 1 billion daily users.

PROFILE MATCHED AUDIENCE

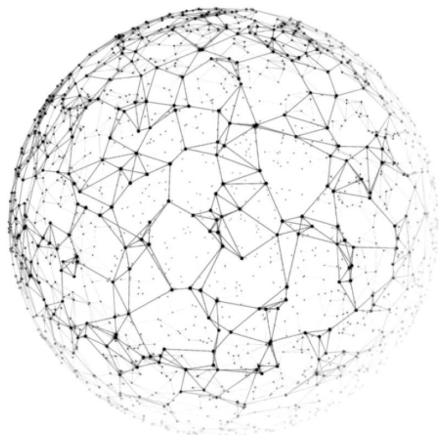
AUTOMATED AND OPTIMISED AD PLACEMENT AND CREATIVE

Prototyping
Meta

Globally, Facebook has more than 1.93 billion daily users.

Deep data refines Libra scorecards

Extensive rich data fuels our proprietary technology



S T E L L A R E



7 yrs

Rich customer application history

769k

People have joined Harmony

\$7.6b

Personal lending enquiry

\$2.5b

Funded loans

Billions

Of data points

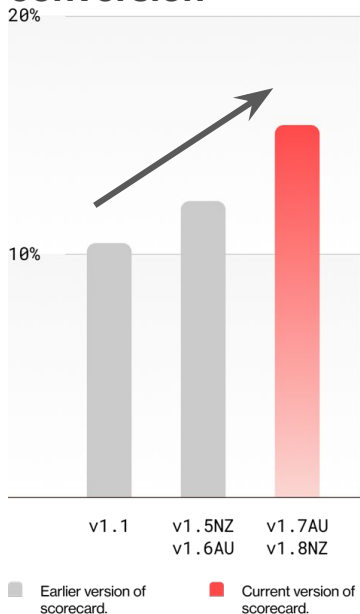
0.46%

31 Dec 21 90+ days arrears

Libra: Harmony's behavioural data powered credit decisioning engine

STELLARE

Stellare® Libra 1.7/1.8: better-than-ever conversion

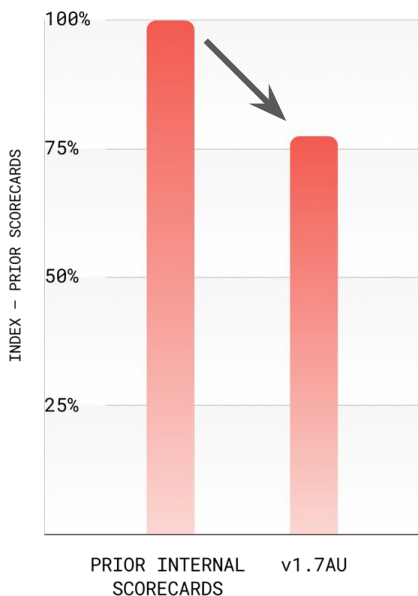


Bureau credit scores are too generic to be solely relied on for sophisticated pricing and personalised rates. Particularly for significant customer segments – like Millennials – who can have very thin credit files. Most importantly, our data tells us there are much better predictors of creditworthiness.

Libra's behaviour-based scorecard learns from data acquired through Harmony's 470,000+ completed loan applications. For version 1.7/1.8, Libra incorporates 100+ pD (probability of default) predictor data points identified through behavioural analysis.

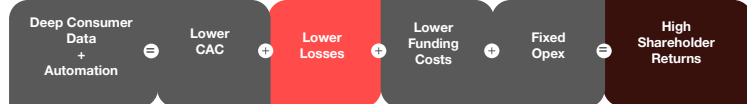
Libra 1.8 went live in NZ in mid-June 2021. Early results show similar trend to Libra 1.7 in Australia.

Stellare® Libra 1.7: ~25% better credit performance



Early analysis of arrears for loans scored under Libra 1.7 (released February 2021) shows improved performance when compared to prior scorecards at the same point in time.

We expect further performance improvements in future Libra releases as our innovative behavioural scorecard matures.



Continual Libra improvements lead to the best performance ever



Group arrears & losses performance

Group arrears and losses continue to perform ahead of expectation and are at historical lows.

Implemented Libra 1.7 in Australia in Feb 2021 and Libra 1.8 in New Zealand in June 2021, showing improved credit performance, through improvements in arrears and early defaults.

1H FY22 Group Loss Rate

3.8%

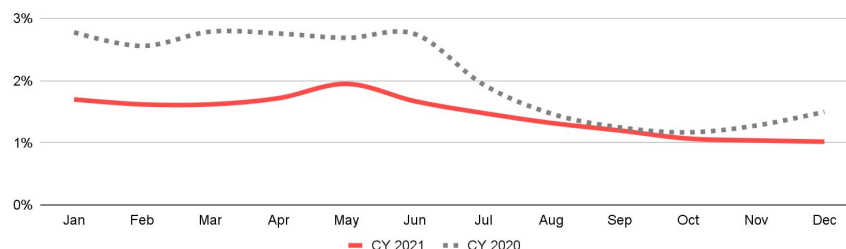
As % of avg. principal

Group 90+ Days Arrears

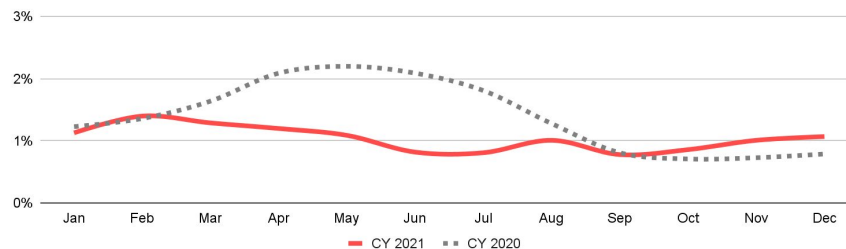
0.46%

As at 31 Dec 21

Arrears in Australia & New Zealand



New Zealand Arrears 61+ Days



Australia Arrears 61+ Days

28 FEBRUARY 2022

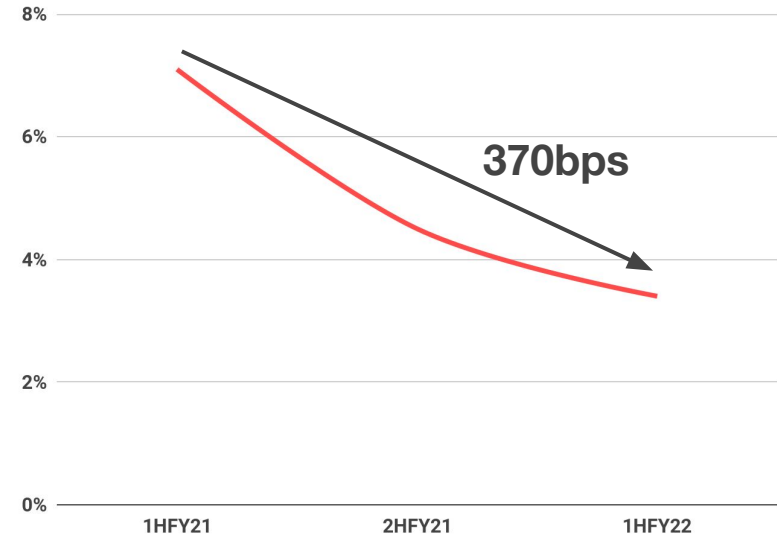


Libra's accuracy rewarded with funding diversity, lower cost of funds and increased return on equity

~\$300m undrawn funding capacity

- Consistent low loss rates have attracted funding from 3 of the “Big 4” banks, bringing cost of funds down 370bps in last 18 months
- A\$105m securitisation completed in Oct 21, weighted average interest rate of 1.45% + hedged base rate
- Return on equity has doubled since our inaugural securitisation as ~50% less capital now required in Harmony warehouses
- Transition to warehouse funding continues to lower funding costs, loan book now 83% warehouse funded
- A\$20m corporate debt facility executed in December 2021 to further support loan book growth

Average funding rate



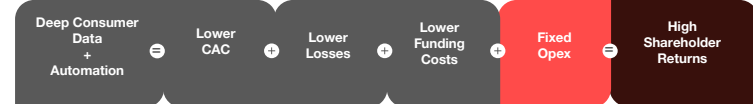
Scalability powered by automation

- Automation powers operating cost efficiencies
- 100% online application with 66% of applications completed without human intervention
- Credit officers remain six, while annual originations have grown 300%
- Upgraded FY22 guidance - Forecast 30 June 22 loan book of >\$650m

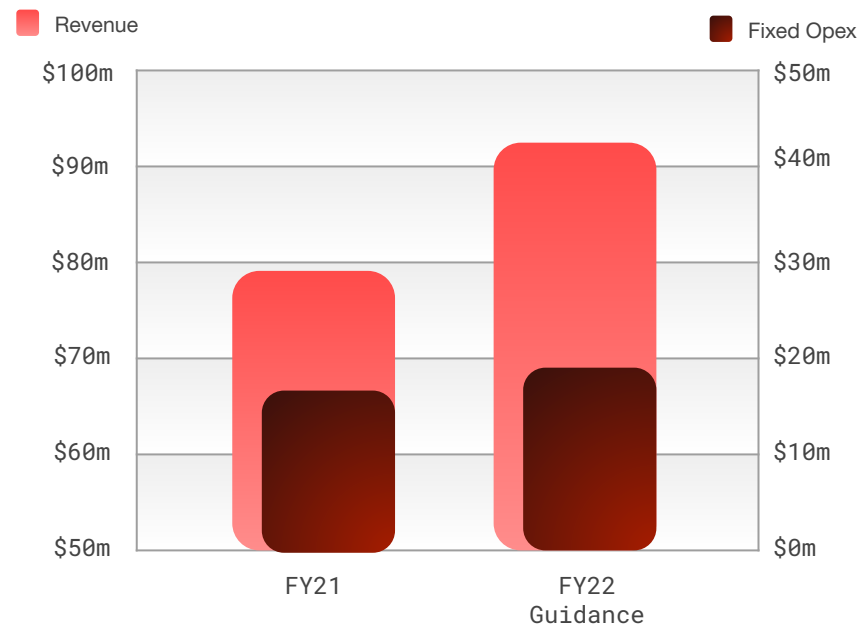
Cash NPAT

Positive

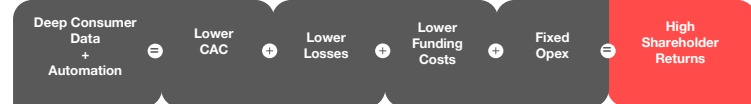
Pro-forma FY22 Guidance



Revenue grows materially faster than opex



\$1billion average loan book expected to generate ~\$45m Cash EBITDA



Indicative model

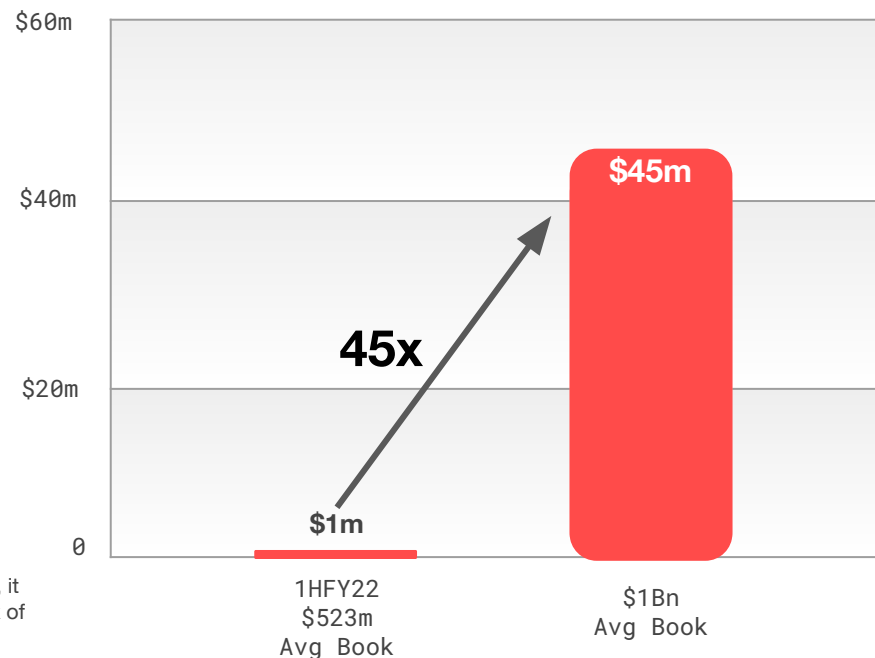
	FY21	1HFY22	At \$1b Average Book	
	\$m	\$m	~\$m	~% Avg Book
Revenue	79	43	160	16%
Net lending margin	33	24	100	10%
Marketing opex	16	11	30	3%
Fixed opex	21	12	25	2.5%
Normalisation	(4)	-	-	-
Cash EBITDA	0	1	45	4.5%

FY21 & 1HFY22 are pro-forma results

Net lending margin = revenue less interest expense and actual losses incurred

Disclaimer: This is an indicative model of Harmony's business with an average loan book of \$1b, it is not a forecast but instead represents an illustrative model extrapolated to an average loan book of \$1b and may vary due to changes in a range of underlying assumptions or economic factors.

Cash EBITDA



Growth initiatives

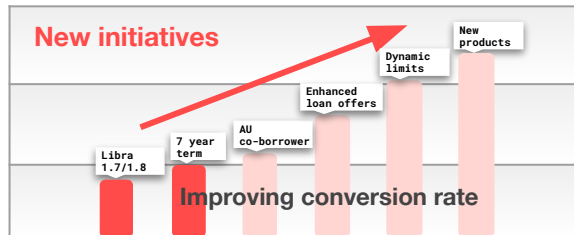
Harmony's growth initiatives - three areas of focus

1. Australian expansion



- Australian 'personal loan' Google search market is 9x New Zealand.
- Australian conversion expected to replicate NZ.
- Expanding consumer direct marketing channels e.g. Meta partnership.
- Brand awareness launch in late 2022.

2. AU/NZ conversion gains



- 7 year loan now live in AU/NZ
- Major functionality releases in 2022 improving conversion.
- Vertical focus - targeting our core verticals.
- Co-borrower in AU in 2022.
- Meta partnership - Stellare first party data integration to power advertising across Facebook / Instagram.

3. Enhanced & new products

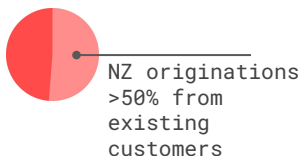
Harmony

- Enhancing our existing product with the 'Ultimate Personal Loan'
- Deliver value beyond the personal loan into new products and segments 'Product for Everyone'
- Optimise product opportunities by using deep data, speed to market which is enabled by the Stellare[®] platform.

1. Australia direct \$1b+ p.a. opportunity on replicating New Zealand's growth and repeat business

New Zealand

Existing customers generate >50% of originations, as longer established, highly satisfied, direct customer base return for further needs



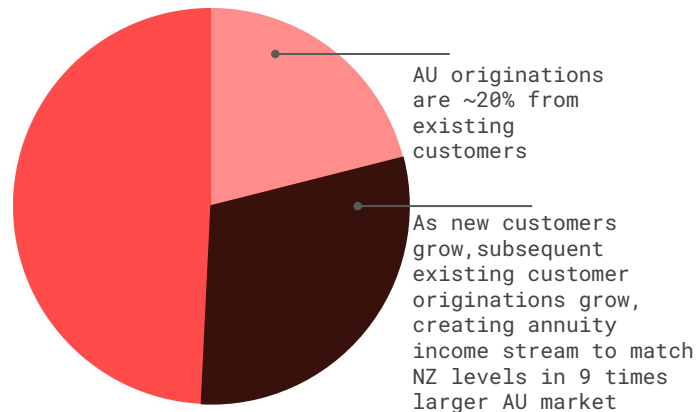
New Zealand ~7 years of operations

● New customers ● Existing customers

Australia

Existing customers generate ~20% of originations as customer base grows, future annuity stream to replicate NZ in 9 times larger market

**Australian opportunity.
Market is 9x size of NZ.**



Australia ~3 years of operations

2. Conversion improvements alone can rapidly grow our loan book

Quality of accounts attracted to Harmoney represents untapped potential to convert credit worthy customers through initiatives focused on engagement and nurturing (~81,000 alone in H1 FY22).

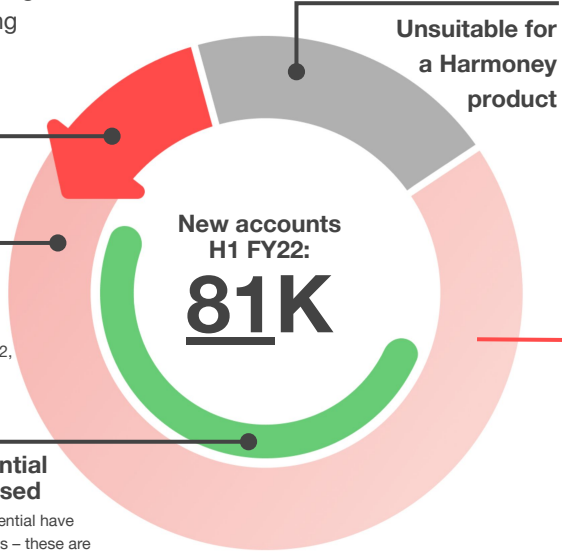
Funded loans

Untapped potential: ~55,000 credit worthy accounts in H1 FY22

Of 81,000 new accounts created H1 FY22, 80% (~55,000 accounts) could be targeted with initiatives to increase conversion.

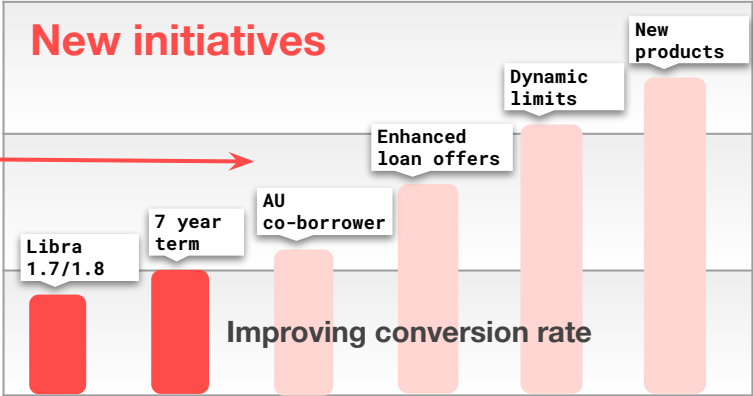
~32,000 of untapped potential have had bank data analysed

A significant portion of the untapped potential have shared their bank transaction data with us – these are customers with intent.



Our journey to offering lending to more customers.

With our current strong rate of account creation, continual improvements in our conversion rate through ongoing Libra scorecard development and new features to improve affordability and flexibility, we are in a position to accelerate origination growth.



3. Our data superiority drives new products: beyond personal loans to personal lending

Data advantage

We will use our data advantage to identify opportunities and build product experiences that fit customer goals and lifestyles.



The ultimate personal loan

Strategy

- Redesign the personal loan to fit the customer's objectives – move beyond personal loan to personal lending.
- Increased flexibility: e.g. multi-drawdown, line of credit, goal-setting tranches.
- Money in minutes.

Outcome

- Moving from one product to more enduring “**always-on**” limit product, increasing retention and customer lifetime value.
- Flexibility increases market share beyond the traditional personal loan market.



A product for everyone

Strategy

- Delivering value **beyond the personal loan** into new segments (auto, SME), products, or financial tools.
- Targeting new consumers and the untapped potential of existing accounts

Outcome

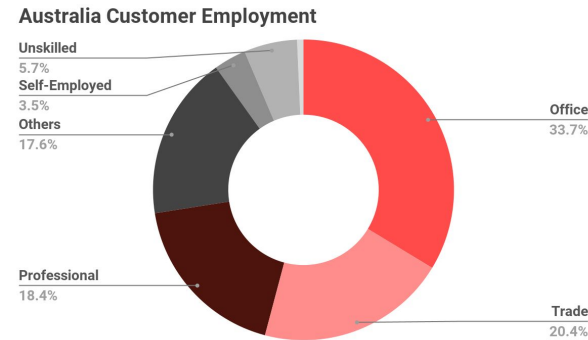
- **Increase conversion & CLV** through enhanced customer fit lowering CAC
- Higher retention as the customer relationship moves beyond the personal loan.

Appendices

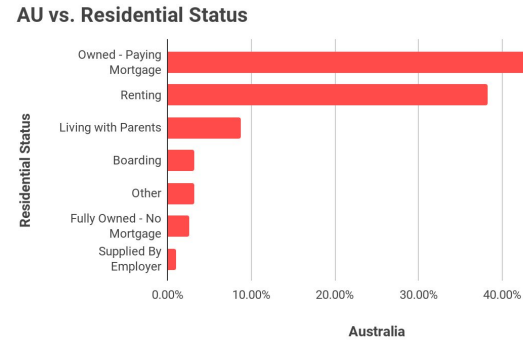
AU\$185m Australian portfolio.

Building a high skill high value customer base.

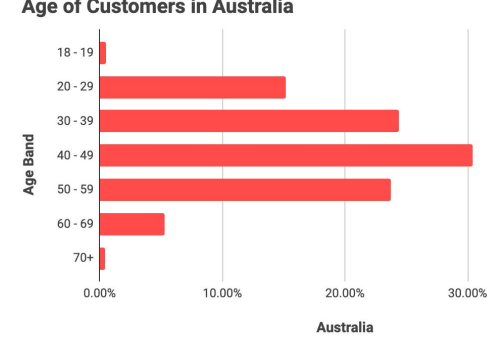
Employment status



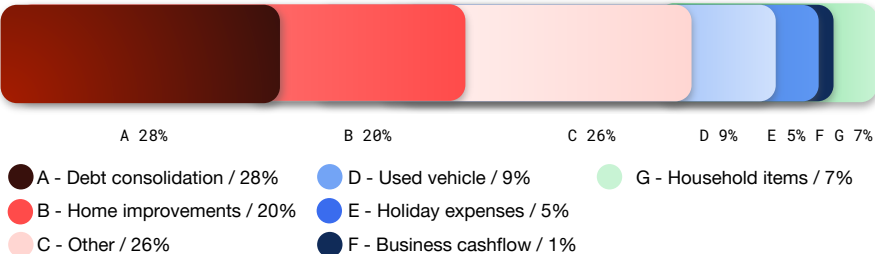
Property ownership



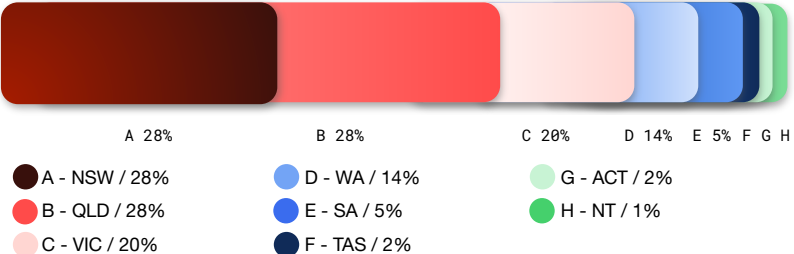
Age of borrowers



Loan purpose



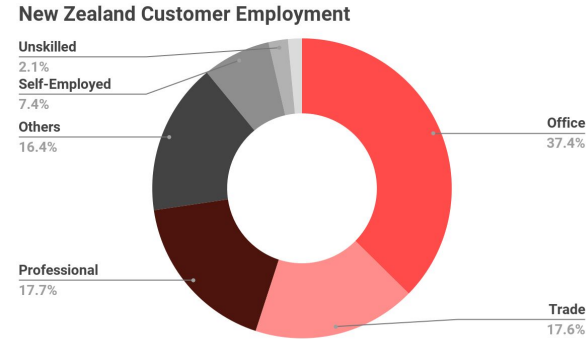
Region



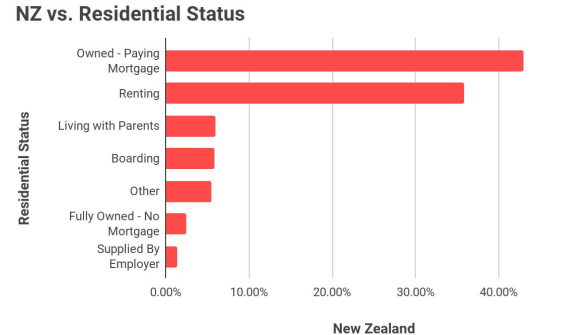
NZ\$363m portfolio.

Building a high skill high value customer base.

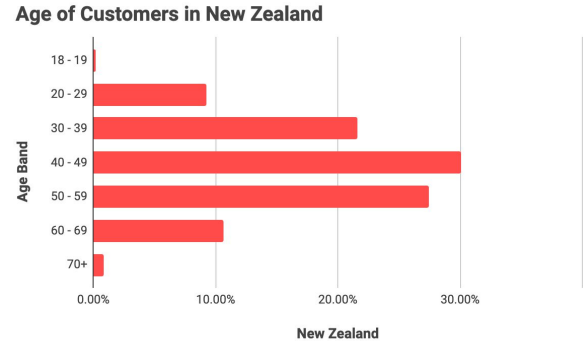
Employment status



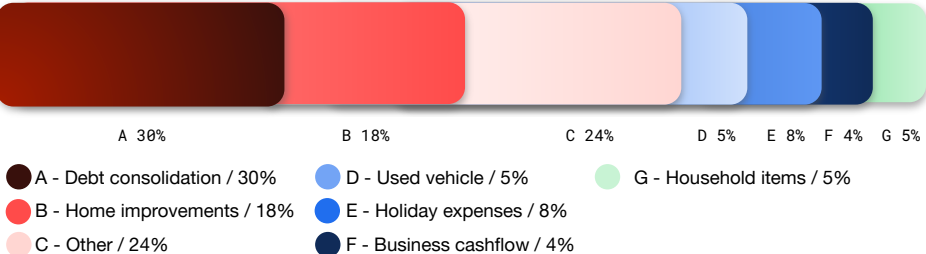
Property ownership



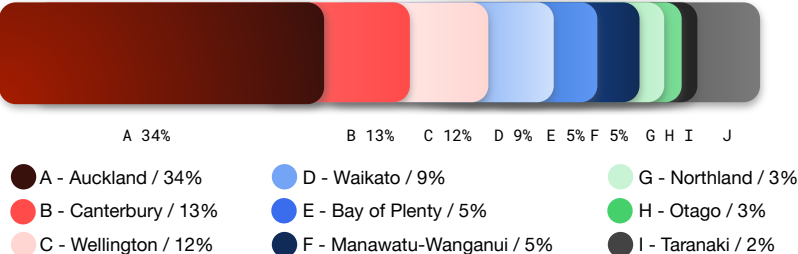
Age of borrowers



Loan purpose



Region



Profit and loss (pro forma and statutory reconciliation)

	6 months ended 31 December 2021 Pro forma \$'000	6 months ended 31 December 2020 Pro forma \$'000
Interest income	42,611	41,535
Other income	-	19
Total income	42,611	41,554
Interest expense	8,430	15,644
Incurred credit losses	9,968	8,710
Net lending margin	24,213	17,200
Movement in expected credit loss provision	(2,730)	(1,828)
Net lending margin after loss provision	26,943	19,028
Marketing expenses	10,666	6,365
Verification and servicing expenses	2,389	2,156
Net operating margin	13,888	10,507
Personnel expenses	5,097	4,177
Share based payment expenses	1,467	3,916
Technology expenses	2,025	1,633
General and administrative expenses	2,961	4,306
Depreciation and amortisation expenses	714	410
Total indirect expenses	12,264	14,442
Profit / (Loss) before income tax	1,624	(3,935)
Income tax (expense) / benefit	(454)	1,101
Profit / (Loss) after income tax	1,170	(2,834)
Non-cash and other normalisation adjustments		
Movement in expected credit loss provision	(2,730)	(1,828)
Share based payment expenses	1,467	3,916
Depreciation and amortisation expenses	714	410
IPO Expenses	-	3,163
Income tax impact of adjustments	154	(1,585)
Cash NPAT	775	1,242

	6 months ended 31 December 2021 NPAT \$'000	6 months ended 31 December 2020 NPAT \$'000
Pro forma	1,170	(2,834)
Recognition of peer-to-peer funded loans	(6,713)	(9,317)
Other	-	70
Tax adjustment	454	1,593
Statutory	(5,089)	(10,488)

Cashflow

	6 months ended 31 December 2021 \$'000	6 months ended 31 December 2020 \$'000
Cash flows from operating activities		
Interest received	30,857	14,751
Interest paid	(6,572)	(4,136)
Other income	(1,068)	4,044
Payments to suppliers and employees	(23,138)	(16,063)
Net cash generated / (used in) by operating activities	79	(1,404)
Cash flows from investing activities		
Net advances to customers	(149,566)	(77,291)
Payments for intangibles and equipment	(2,816)	(2,130)
Net cash (used in) investing activities	(152,382)	(79,421)
Cash flows from financing activities		
Net proceeds from finance receivables borrowings	122,341	67,082
Net proceeds / (repayment) of debt financing	6,372	(10,693)
Net proceeds from issue of convertible notes	4,248	-
Net proceeds from share issue	-	67,550
Principal element of lease payments	(533)	(478)
Net cash generated by financing activities	132,428	123,461
Cash and cash equivalents at the beginning of the period	76,464	34,779
Net (decrease) / increase in cash and cash equivalents	(19,875)	42,636
Effects of exchange rate changes on cash and cash equivalents	(701)	429
Cash and cash equivalents at the end of the period	55,888	77,844

Balance sheet

	31 December 2021	30 June 2021
	\$'000	\$'000
Cash and cash equivalents	55,888	76,464
Trade and other assets	2,616	1,894
Finance Receivables ¹	455,223	310,196
Expected credit loss provision	(18,152)	(15,375)
Property and equipment	262	642
Intangible assets	5,915	3,455
Deferred tax assets	11,490	11,490
Derivative financial instruments	223	-
Total assets	513,465	388,766
Payables and accruals	9,114	7,324
Borrowings	424,141	291,541
Provisions	8,478	13,405
Lease liability	162	717
Derivative financial instruments	-	85
Total liabilities	441,895	313,072
Net assets	71,570	75,694
Share capital	131,559	131,399
Foreign currency translation reserve	(137)	564
Share based payment reserve	1,414	216
Cash flow hedge reserve	223	(85)
Accumulated losses	(61,489)	(56,400)
Equity	71,570	75,694
Total group loan book ²	556,662	500,934

¹ Includes warehouse funded loans only

² Includes warehouse and peer-to-peer funded loans

Key operating and pro forma financial metrics

	6 Months ended 31 December 2021	6 Months ended 31 December 2020	Change %
Loan book value and growth			
Total originations (\$'000)	205,169	93,099	120%
New customer originations (\$'000)	128,692	39,701	224%
Existing customer originations (\$'000)	76,477	53,398	43%
Loan book (period end) (\$'000)	556,662	468,186	19%
Loan book (average) (\$'000)	523,060	477,042	10%
Average interest rate (%)	16.30%	17.40%	(110bps)
Average funding rate (%)	3.40%	6.70%	(330bps)
Net interest margin (%)	13.10%	10.90%	220bps
Net lending margin (%)	9.30%	7.20%	210bps
Loan book quality			
Incurred credit loss (\$'000)	9,968	8,710	14%
Incurred credit loss to average loan book (%)	3.80%	3.70%	10bps
Provision rate (%)	4.60%	5.70%	(110bps)
Productivity metrics			
Marketing to origination ratio	5.20%	6.80%	(160bps)
Verification & servicing to origination ratio	1.20%	1.90%	(70bps)
Personnel to income ratio	12%	10%	2%
Technology to income ratio	5%	4%	1%
General and administrative to income ratio	7%	4%	3%

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