



Financial Overview

MARKET UPDATE



Topics to cover

- Building scale in AU Cards – financial metrics
- Funding: APS 120 impact and funding facilities update
- Targeting cost to income ratio improvements
- FY18 Headwinds / Tailwinds



Scale with a measured approach to risk - 3 years

Metric	FY17 Forecast	Steady state at scale	Major drivers of change
Closing Receivables	~\$487m	\$1.0bn	Doubling of receivables balance through new product offering (MasterCard and existing seller base)
Cash NPAT	~\$10m	~\$35m	• Increased receivables base (particularly interest bearing) • Interest free vs interest bearing mix reverting to target levels • Improved cost efficiencies driven by scale and technology
Return on Equity	~10%	20%+	• Scale will deliver funding structure efficiencies • Securitisation funding possible at scale • Profitability and funding efficiencies driving ROE



APS 120 revisions - FXL is well placed with limited impacts and some positives

New regulations

Revised standard will come into force 1 January 2018

New capital minimums

ADIs are required to hold minimum levels of capital against securitisation investments

Impact on borrowers

Impacts non-bank financial institutions that have secured facilities with ADIs

Impact on FXL

Flexi has been working hard to ensure that any impact is limited with new facilities underway that will actually improve funding costs and reduce capital support



Over the past 6 months we have sought to make our funding facilities more efficient

Australian Cards

New funding facility is in progress that will allow for lower funding costs and lower capital support levels. Work commencing to structure term securitisations

Certegy

Rationalisation of existing facility and possibly two term securitisations pa.

NZ Cards

More programmatic issuance with up to two term securitisations pa.

Commercial leasing

Further improvements are in progress to align structures to the developments within the commercial business

Banking facilities

Rationalisation of transactional banking facilities



Targeting cost to income ratio improvements - less than 40% in 3 years

Ambition to reduce cost to income ratio to <40% within 3 years

- Platform simplification and alignment
- Shared service model with functions rationalised to optimal locations
- Process improvement and automation

Capex requirement to facilitate cost efficiencies likely to remain at current levels of \$30-35m per annum.



FY18 Headwinds and Tailwinds

Headwinds

Certegy margin compression



Continued investment in Ireland and Oxipay



Lag between investment and efficiency dividend



Costs of integrating and simplifying business

Tailwinds

Strong book growth in cards turning into strong revenue growth



Significant cost out opportunities throughout the business which simultaneously improve customer experience



Revenue opportunities also exist in brand rationalisation, cross and upsell



Increasing market access through open loop