FY17 H1 Results Presentation

31 January 2017

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Leadership in the credit impaired consumer segment…

Credit Corp Group

	ANALYTICS & DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY & COMPLIANCE
Core Australian / NZ debt buying	• Largest database • History of pricing accuracy	• Highest asset turnover [1] • Lowest cost to collect [2]	• No adverse orders or undertakings • Low complaint rate • $1.2bn in ongoing repayment arrangements
Australian / NZ lending	• Leverage knowledge of consumer • Up-front loss provisioning • Analytical monitoring	• Automated decisioning • Collection strength	• APRs below cap applicable to mainstream credit • Regulatory upside - no 'payday loans'
USA debt buying	• Adapted knowledge to US environment • Large market opportunity	• 35% productivity improvement over pcp in H1 FY17 • Sizeable operation ready to take advantage of improved conditions	• Low regulator complaint rate • Strong client audit outcomes

- **Long-term growth**
- **ROE 16% - 18%**
- **Low gearing**

1. H1 FY17 annualised ratio of cash collections from PDLs to average PDL carrying value of 1.3x
2. H1 FY17 ratio of cash costs of the Debt Ledger Purchasing segment to collections of 36%

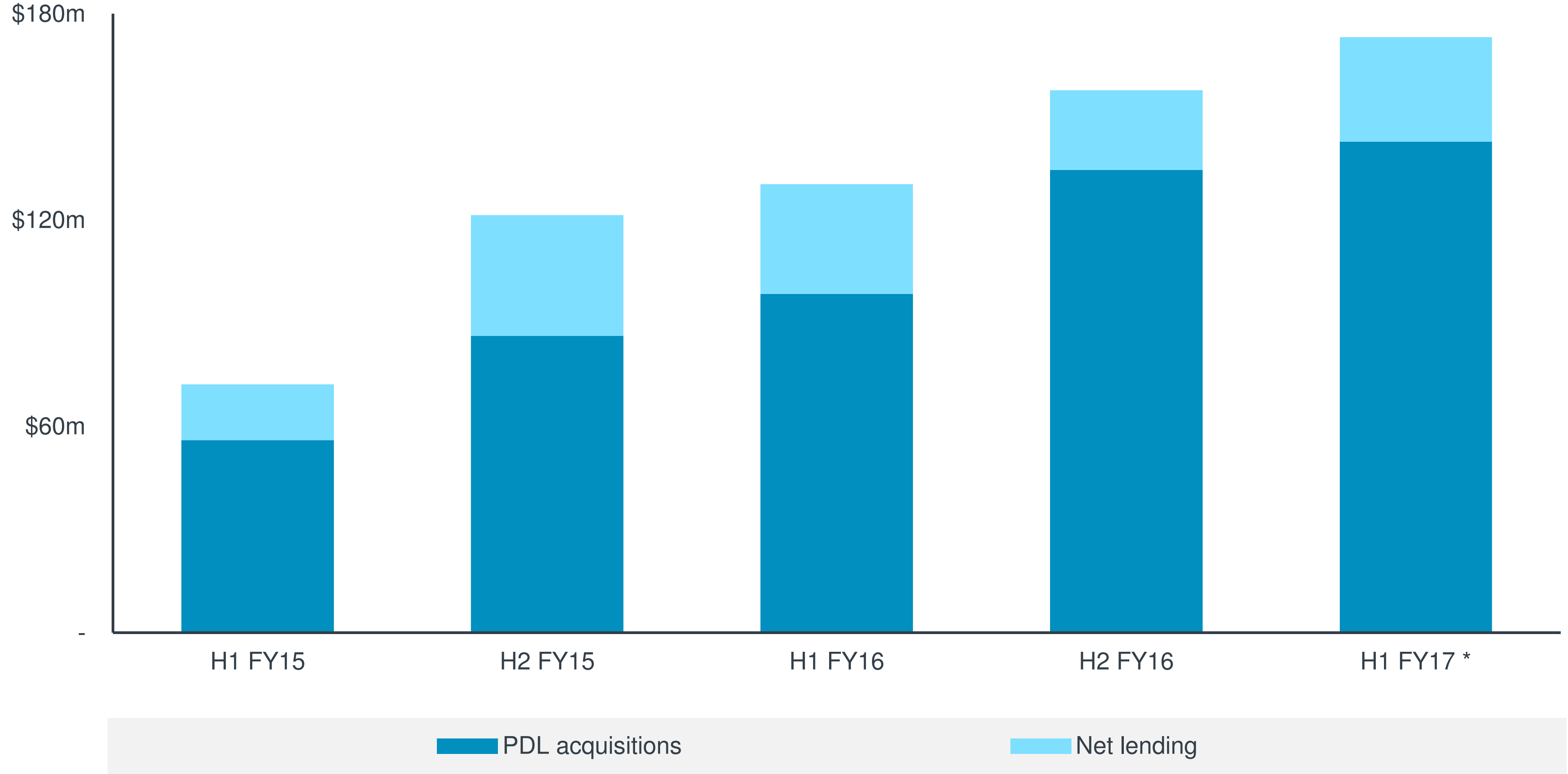
…continues to produce strong earnings growth…

H1 FY17 financial results

	H1 FY17	H1 FY16	$ Change	% Change
Debt buying[1]	$99.4m	$86.1m	+ $13.3m	+ 15%
Lending	$29.7m	$26.1m	+ $3.6m	+ 14%
Total revenue	**$129.1m**	**$112.2m**	**+ $16.9m**	**+ 15%**
Debt buying	$22.0m	$19.8m	+ $2.2m	+ 11%
Lending	$3.2m	$1.4m	+ $1.8m	+ 129%
NPAT	**$25.2m**	**$21.2m**	**$4.0m**	**+ 19%**
EPS (basic)	**53.5cps**	**45.7cps**	**+ 7.8cps**	**+ 17%**
Dividend	**27.0cps**	**23.0cps**	**+ 4.0cps**	**+ 17%**

1. Debt buying includes agency activities

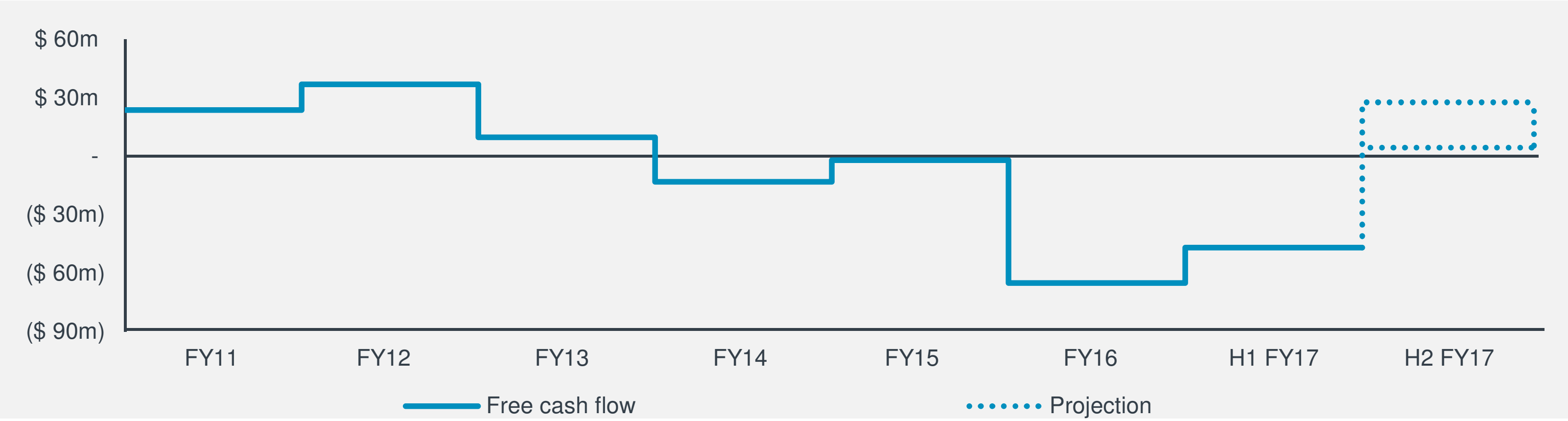
...and opportunistic levels of investment to underpin future growth



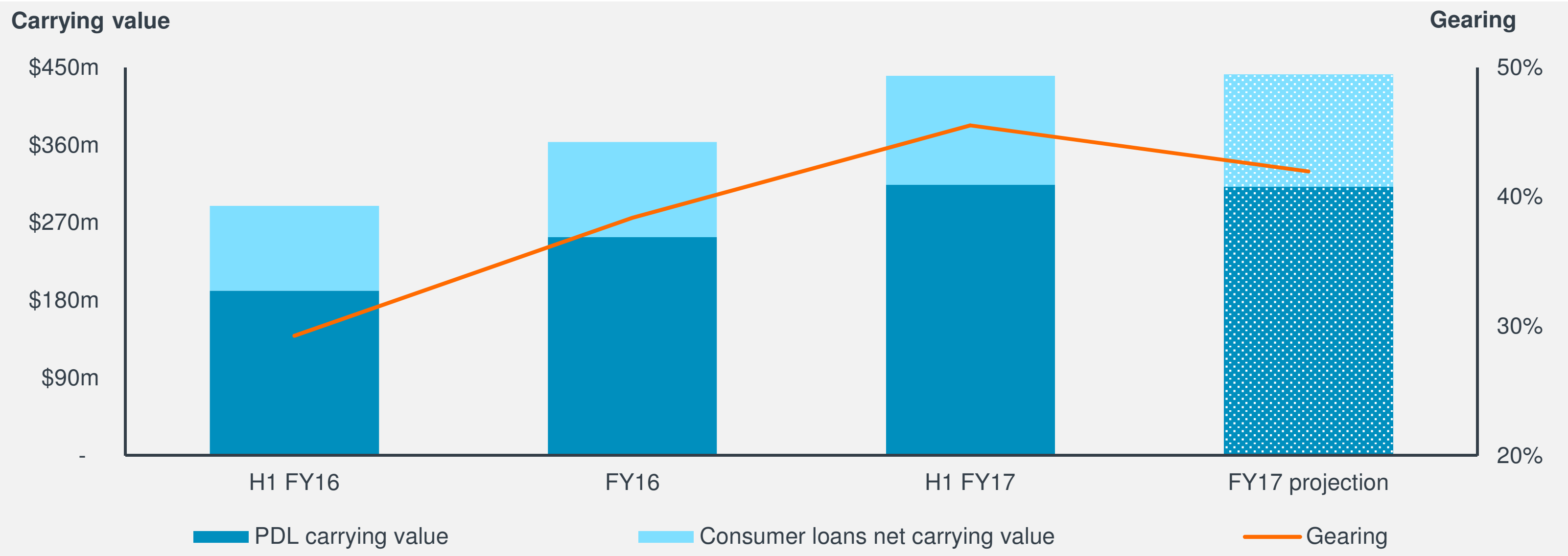
* Includes one-off NCML acquisition

Investment will moderate in H2 positioning CCP for future opportunities

- Return to positive net operating (free) cash flow



- Reduced gearing / increased investment capacity



PDL market remains competitive but there are some signs of easing

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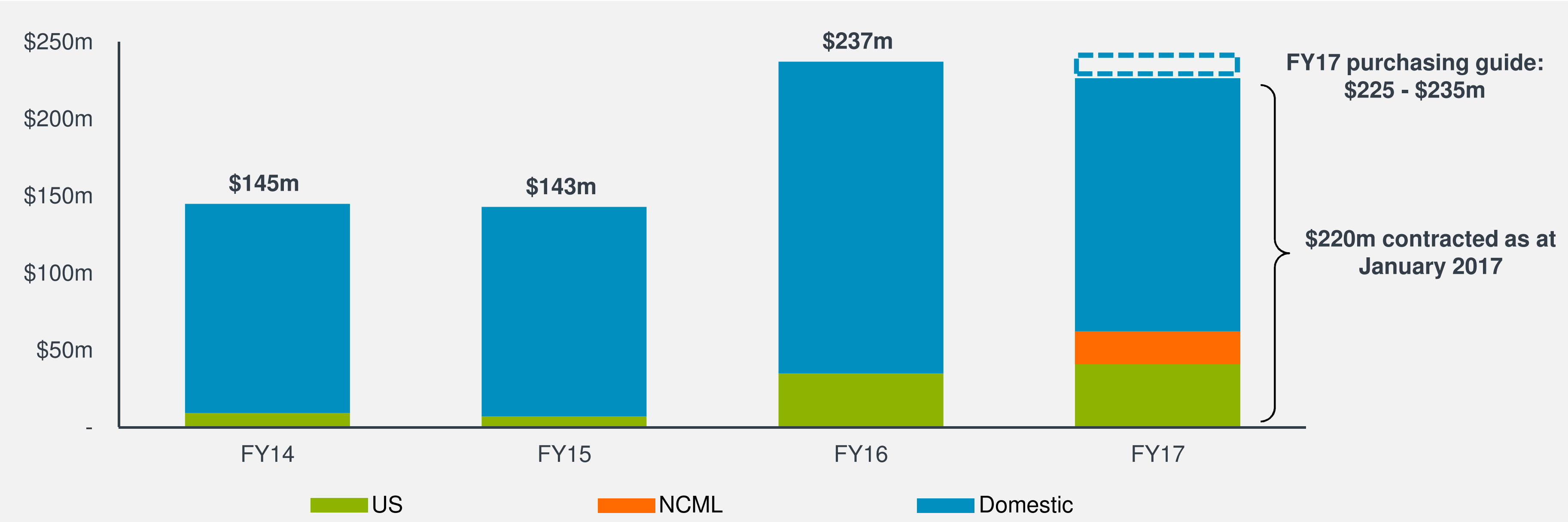
- Pricing remains strong
  - Listed competitors guiding for increased purchasing in FY17
  - Loss of some of Credit Corp's forward flow volume during H1
  - Reduced win-rate on one-off sales over pcp
- Some signs of easing ahead
  - Credit issuers reporting increased unsecured loss rates [1]
  - Renewal of some forward flows at reduced prices
- Limited contested volume during H2 reflected in full year purchasing outlook



1. CBA FY16 results presentation consumer personal loan arrears increased from 1.34% at Jun-15 to 1.46% at Jun-16
WBC FY16 results presentation consumer personal loan arrears increased from 1.47% at Sep-15 to 1.82% at Sep-16

Debt purchasing metrics remain strong

Pricing accuracy and returns on track

- Total cumulative collections above aggregate expectations
- Total collections up 12% over pcp
- Collections life cycle on track with 6% increase in collections from purchases made more than 2 years ago

(Refer to Appendix charts 2 and 3)

Productivity maintained

- H1 FY17 productivity in line with pcp

(Refer to Appendix chart 4)

Expanded productive capacity

- Total debt buying operations staff up by 7% over H1 to 1,174 FTE

(Refer to Appendix chart 6)

Arrangement book growth

- Face value of accounts under arrangement increased by 5% over the period to $1.2bn
- Payments under arrangement represent 77% of collections

(Refer to Appendix chart 5)

Continued strong loan book growth…

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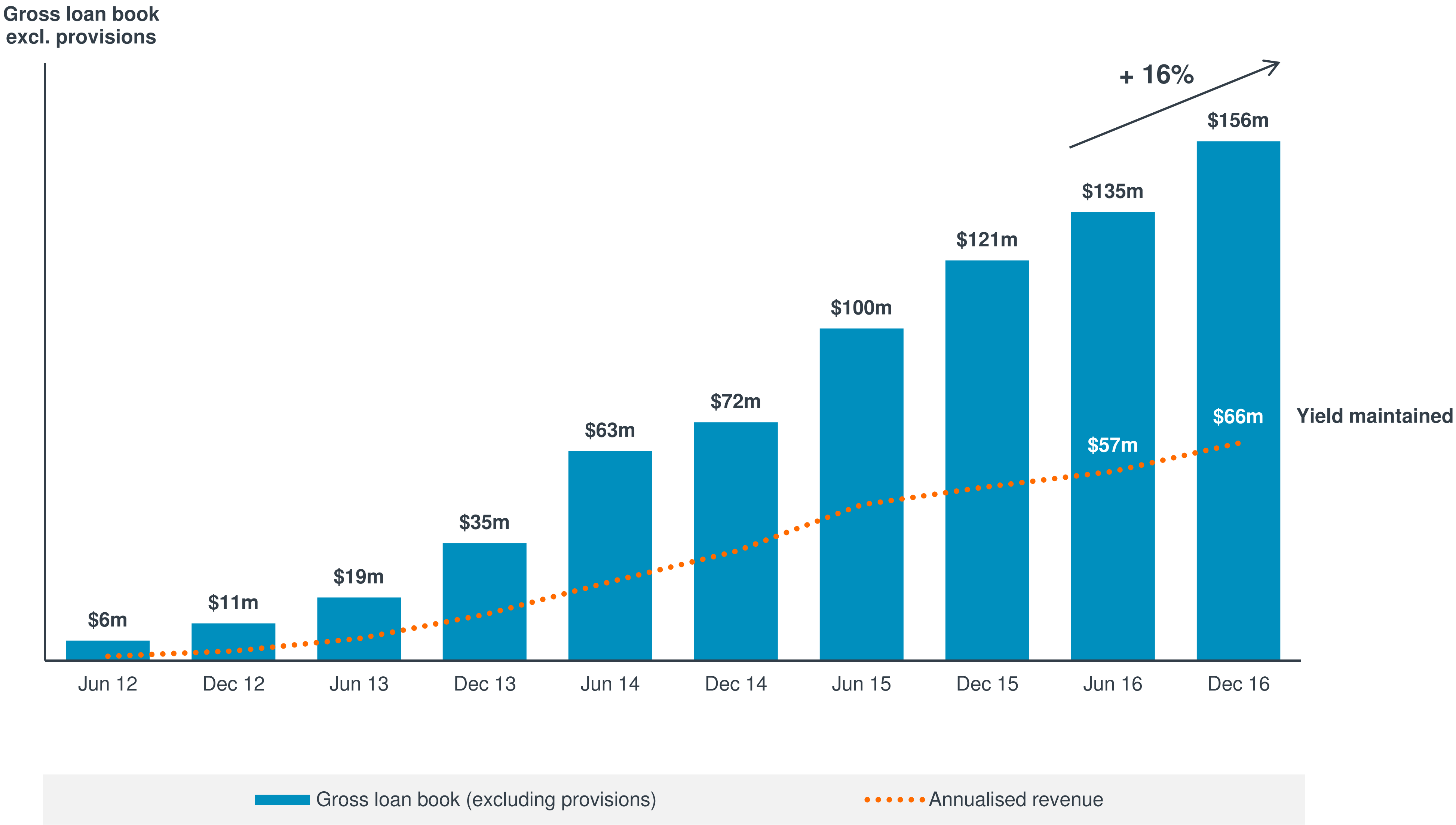
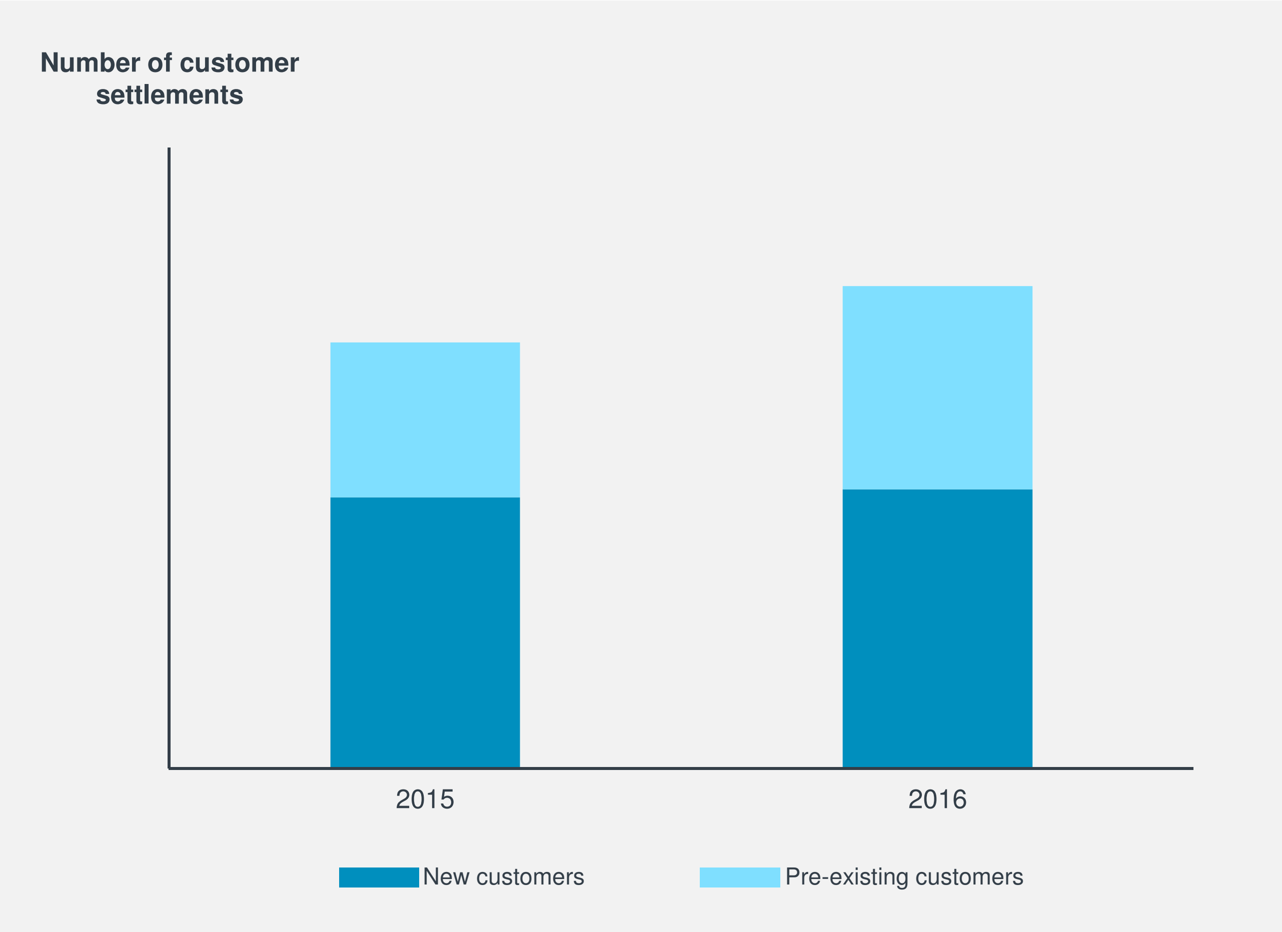


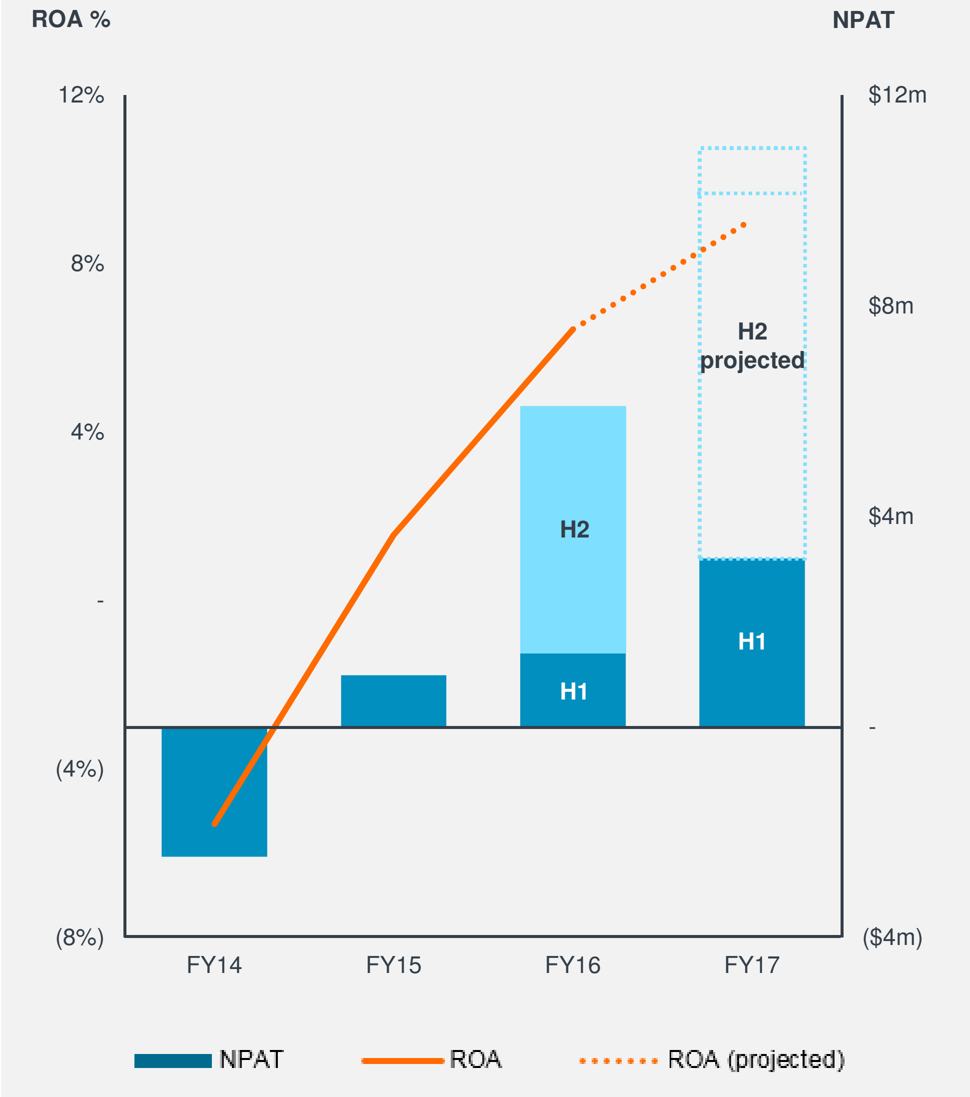
...driven by strong customer acquisition and enlarged customer base

- New customer acquisition ahead of prior calendar year
- Enlarged customer base delivers increased returning customer volume



Loan book growth drives increasing profitability

- Seasonally lower book growth in H2
- Lending NPAT higher in H2
  - Lower marketing costs
  - Lower upfront loss provision expense
- FY17 returns improving towards pro-forma
  - On track to achieve pro-forma return in FY18



US market conditions continue to improve

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- Competitors report improved returns

	Calendar 2016			
	Q1	Q2	Q3	Implicit price change (Q1-Q3)
PRAA purchasing multiple [1]	1.90x	2.05x	2.10x	10% ↓

- Supply conditions set to improve
  - Increase in credit card delinquency rates for the first time since GFC
  - Charge-off rates increased from 2.89% (Q1 2015) to 3.07% (Q3 2016) [2]
- Regulatory clarity proceeding
  - Proposed rules expected to be issued by June 2017

1. Portfolio Recovery Associates Group (NASDAQ: PRAA) Form 10-Q for the quarters ended 31 Mar 16, 30 Jun 16 and 30 Sep 16
2. "Charge off rate on credit card loans (all commercial banks)", FRED (Federal Reserve Economic Data) Economic Research, https://fred.stlouisfed.org/series/CORCCACBS

Operational capacity increasing and performance improving

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- Credit Corp positioned to benefit as market conditions improve
  - Strong compliance credentials established [1]
- Operational capacity on track
  - Current headcount 152
  - Objective to grow to 170-180 by year end
- Improved performance
  - H1 FY17 productivity 35% higher than pcp
  - Marginal contribution improved significantly with H1 losses less than half of pcp
  - On track for incremental breakeven during H2

1. Low complaint rate per collector of 0.11 based on CFPB complaint metrics

Updated FY17 Guidance

	Updated Nov 2016	Updated Jan 2017
PDL acquisitions	$195 - $215m	**$225 - $235m**
Net lending	$35 - $45m	**$35 - $45m**
NPAT	$53 - $55m	**$53 - $55m**
EPS (basic)	112 - 116 cents	**112 - 116 cents**

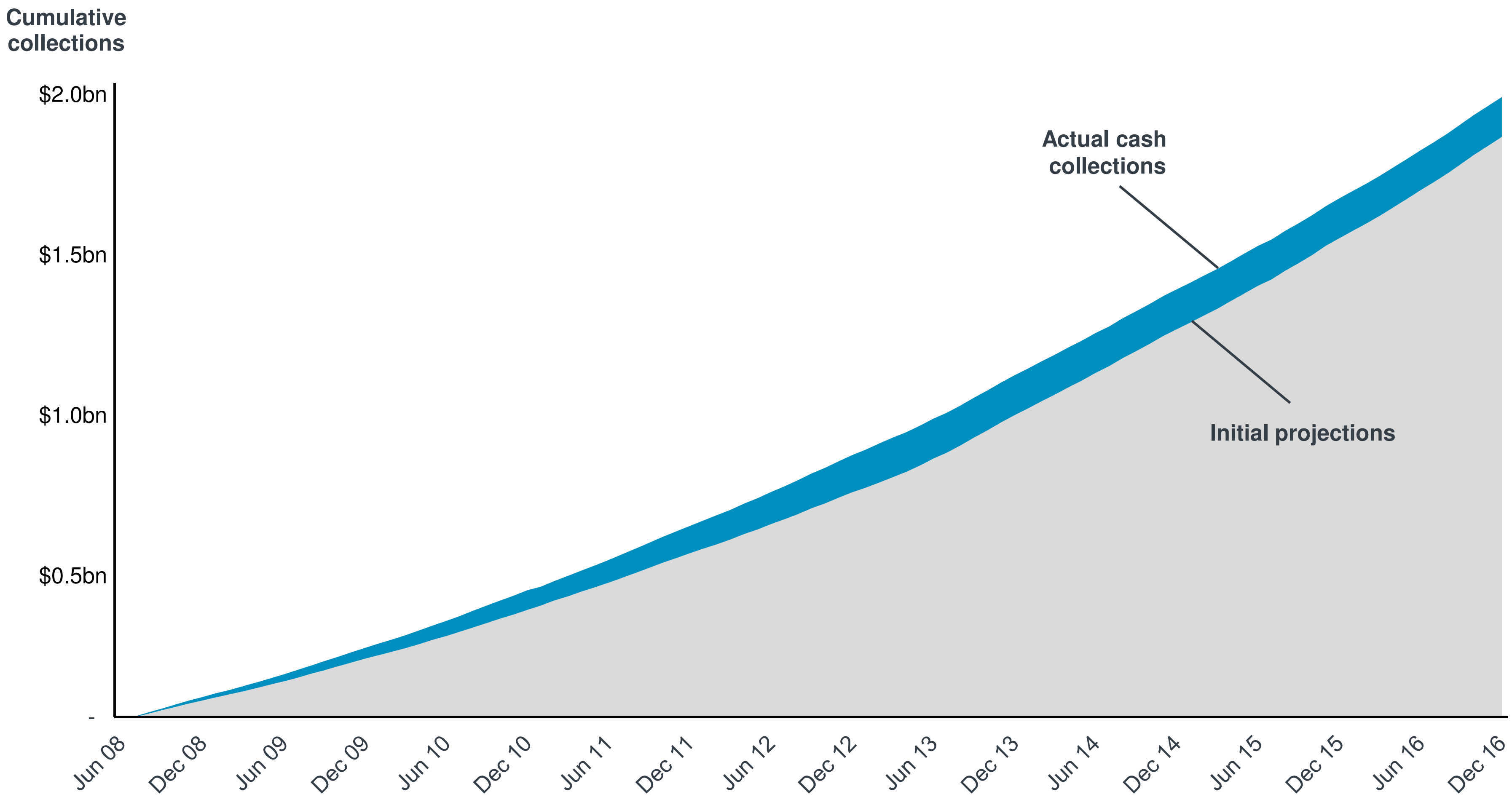
Questions

Appendix

Chart 1: Operating cash flows and gearing

	Dec 16	Jun 16	Dec 15	Jun 15
Operating cash flow	$133.1m	$112.1m	$116.9m	$98.6m
PDL acquisitions	($148.5m)	($135.0m)	($101.4m)	($83.4m)
Net lending	($30.4m)	($23.2m)	($31.9m)	($34.8m)
Capex	($1.0m)	($0.7m)	($1.3m)	($0.5m)
Net operating (free) cash flow	**($46.8m)**	**($46.8m)**	**($17.7m)**	**($20.1m)**
PDL carrying value	$314.5m	$253.3m	$191.5m	$164.9m
Consumer loans net carrying value	$125.9m	$110.4m	$98.1m	$79.3m
Net borrowings	$200.5m	$139.6m	$84.7m	$58.5m
Net borrowings / carrying value (%)	**45.5%**	**38.4%**	**29.2%**	**23.9%**

Chart 2: Operational metrics - pricing discipline and accuracy



* For all PDLs held at June 2008, initial projections represent the forecast at June 2008

Chart 3: Operational metrics - collection life-cycle

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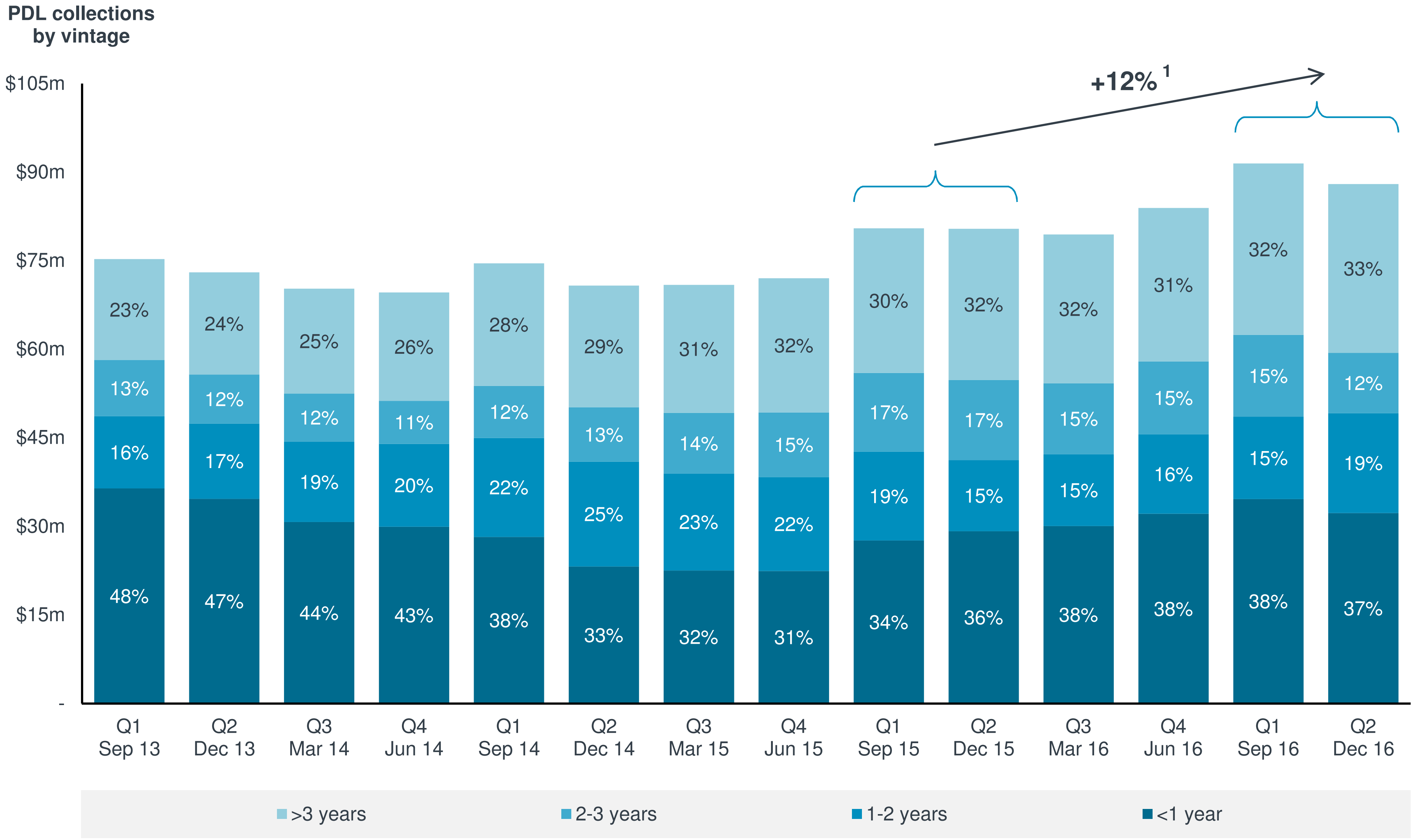


1. 12% growth on p.c.p. (H1 FY17 vs. H1 FY16)

Chart 4: Operational metrics - productivity

Debt purchase productivity (direct collection staff only)

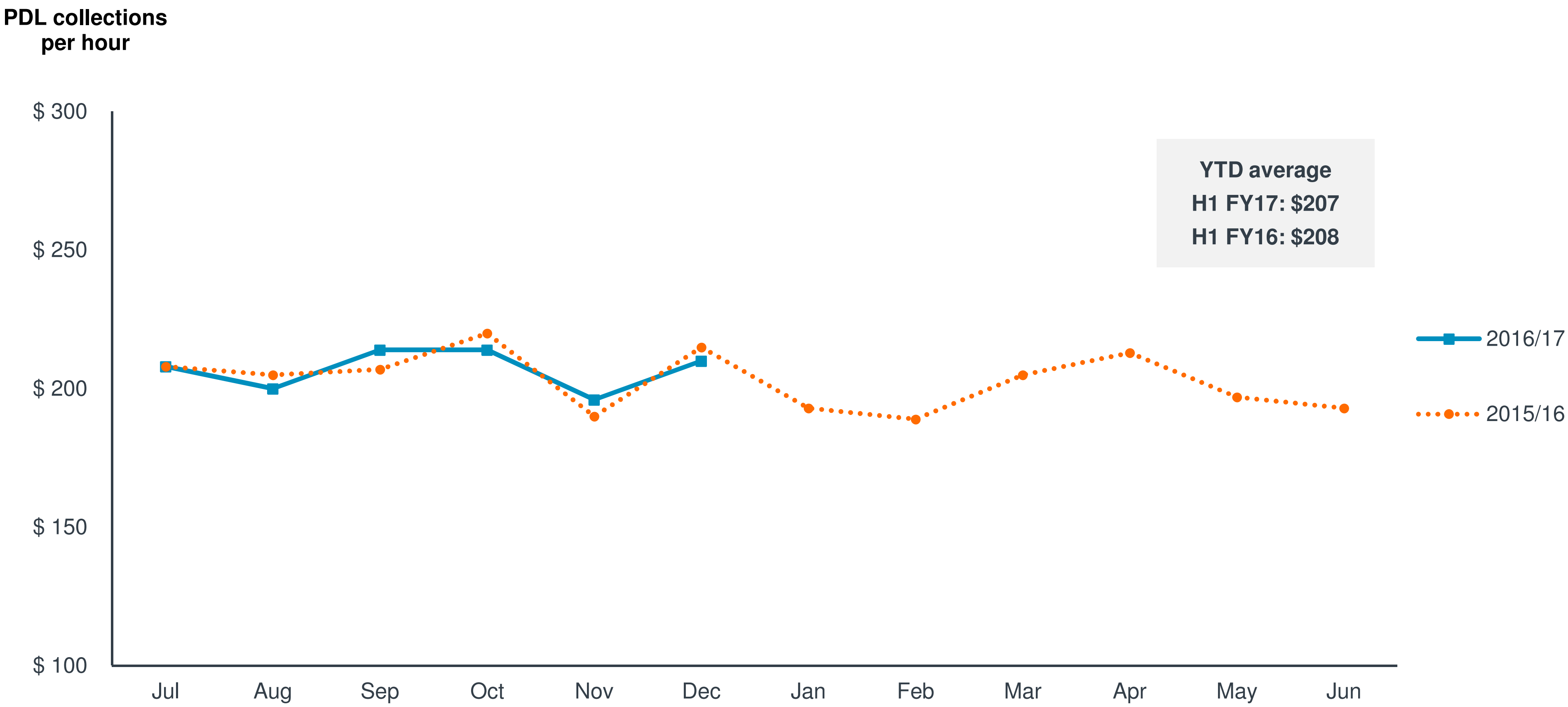
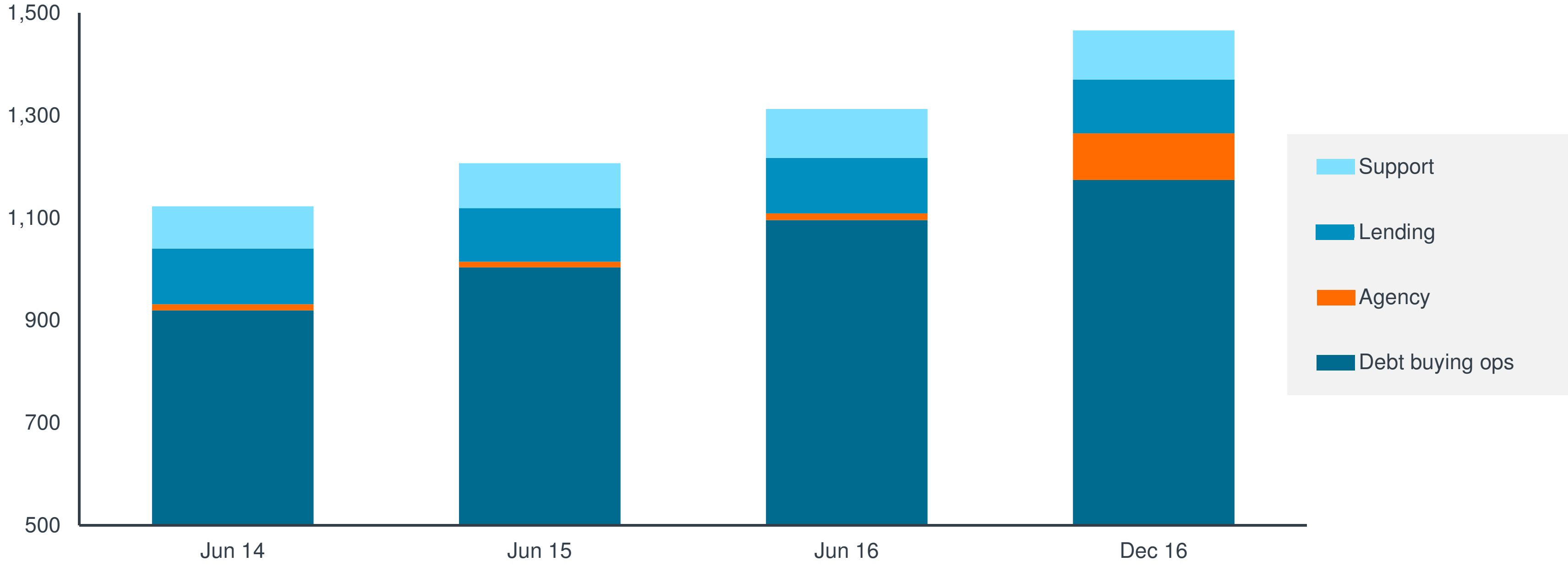


Chart 5: Operational metrics - payers base

Total portfolio	Dec 14	Jun 15	Dec 15	Jun 16	Dec 16
Face value	$4.8bn	$4.9bn	$5.1bn	$5.3bn	$5.7bn
Number of accounts	698,000	703,000	687,000	673,000	699,000
Payment arrangements					
Face value	$963m	$1,044m	$1,099m	$1,171m	$1,235m
Number of accounts	125,000	133,000	139,000	147,000	151,000
% of PDL collections	**73%**	**75%**	**76%**	**78%**	**77%**

Chart 6: Operational and total headcount

Period end headcount (FTE)



Function	Jun 14	Jun 15	Jun 16	Dec 16
Debt buying operations	919	1,004	1,096	1,174
Agency	12	11	13	91 *
Lending	109	104	108	105
Support	82	88	96	96
Total	**1,122**	**1,207**	**1,313**	**1,466**
Support %	7%	7%	7%	7%

* Reflects NCML acquisition in September 2016