



**ASX Announcement**

**Thursday, February 5, 2009**

## **RHG Unaudited Half Yearly Profit Guidance and General Update**

RHG Limited (previously known as RAMS Home Loans Group Limited) wishes to update the market on recent performance with unaudited profit guidance. RHG Limited expects to announce a consolidated half yearly net profit for the half year ended 31<sup>st</sup> December 2008, (after provision for tax), in the range of \$65 million to \$70 million.

We expect to lodge our Appendix 4D (half year report) with the ASX by the last week of February 2009.

### **Mortgage Book**

As at 31<sup>st</sup> December 2008, RHG had a mortgage book of \$9.07 billion. This is funded via term RMBS (\$3.15 billion)<sup>1</sup> and warehouse facilities (\$5.92 billion)<sup>2</sup>.

The market for RMBS remains all but closed for RHG. Over the previous 6 months we have had one further public bond reach a call date and we did not exercise our right to call this security. This has resulted in a higher margin being incurred.

RHG remains in discussion with its various warehouse providers in regards to future maturity dates, however a high level of uncertainty still remains in the current market which will likely result in the group selling further mortgages at par in repayment of facilities. Whilst warehouses have been rolled for periods ranging from 1 month to 12 months this has been at considerably higher margins than previously charged.

### **Other**

- We have extended our mortgage servicing contract with Unisys Credit Services Pty Limited for a period of three years, albeit at a higher cost.
- Due to rating agency actions our mortgage insurers have either been downgraded or placed on credit watch negative. As a result we have been required to supply further credit support, in the form of cash collateral, to some of our warehouses. Sub debt and cash collateral totals \$51.46 million. This amount is shown as cash in our consolidated balance sheet. The Directors believe these assets are unlikely to be fully recovered but under current accounting standards no provision for loss is permitted to be booked as losses must be incurred before any charge against P&L is permitted.
- Our level of arrears has increased as a percentage of the book, however we are confident that the collections process is operating within guidelines and is sufficiently staffed<sup>3</sup>. Therefore we do not expect arrears to have a material adverse effect on revenues over the next 6 months.

Given the continued uncertainty of warehouse funding and markets in general and the further need to support some of our warehouses with credit enhancements in the form of cash collateral, the Directors will not be recommending the payment of a dividend.

## Further media enquiries

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<sup>1</sup> Each RMBS may be repaid at the group's option at call date. Each RMBS transaction has been structured so that there is only limited recourse to the group in a default. If a RMBS transaction defaults and the related assets are liquidated, the primary impact for the group would be the potential loss of future income streams from excess spread and fee income. However the group does provide limited support in respect of the RMBS facilities by way of representations and warranties, the provision of limited credit support and undertaking a range of services. To the extent that the group breaches any of these representations or undertakings, the group may be exposed to further losses.

<sup>2</sup> Uncertainty continues to remain in the current market. Each warehouse facility has been structured so that there is only limited recourse to the group in a default. If a warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact for the group would be the potential loss of future income streams from excess spread and fee income and write off of deferred transaction costs. However the group does provide support in respect of the warehouse facilities by way of representations and warranties, the provision of credit support and undertaking a range of services. To the extent that the group breaches any of these representations or undertakings, the group may be exposed to further losses.

<sup>3</sup> The proportion of loans greater than 30 days in arrears has increased from 2.14% of the total book as at 30th June 2008 to 3.36% of the total book as at 31st December 2008.