



ASX Announcement

Monday 24 August, 2009

RHG Unaudited Profit Result, Profit Guidance for 2010 and General Update

Unaudited Profit for the year ended 30 June 2009

RHG Limited expects to announce a consolidated full year net profit for the year ended 30 June 2009, (after provision for tax), of \$120.0 million.

This profit result is unaudited and may be subject to change. Audited results should be available for release to the market shortly.

Profit guidance for the year ended 30 June 2010

Due to the mortgage book being in run down, RHG expects to see a materially lower profit for the year ended 30 June 2010 as well as further declines in future years. Whilst it is most difficult to accurately forecast next years results, RHG expects to report a net operating profit after tax for the 2010 financial year within the range of \$55 million to \$65 million¹.

Mortgage Book

As at 30 June 2009, RHG had a mortgage book of \$7.688 billion. This is funded via term RMBS (\$2.686 billion)² and warehouse facilities (\$5.002 billion)³.

Funding

During the year RHG was able to roll warehouse facilities, albeit at considerably higher margins payable to the warehouse providers, and with more onerous conditions. These conditions have included the need to provide further credit enhancement, such as subordinated debt and cash collateral and the purchase of some loans in arrears. The market for RMBS continues to remain closed to RHG Limited.

The Group 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 warehouse facility balances.

Unaudited Consolidated Balance Sheet of RHG Group

The consolidated balance sheet of RHG Limited per the Company's statutory accounts is a consolidation of the RHG Group entities and the mortgage funding Special Purpose Entities (SPEs). The mortgage funding SPEs are bankruptcy remote securitisation vehicles through which all mortgage receivables are funded. Whilst the Group may be a beneficiary of these SPEs and receive distributions, the Group does not own the assets of these entities.

The unaudited balance sheet of the RHG Group excluding the SPE's as at 30 June 2009 is as follows:

Unaudited Corporate Balance Sheet

	30-Jun-09 \$m
Assets	
Cash and cash equivalents	133.8
Cash Collateral lodged with warehouse providers	50.5
Subordinated debt	8.1
RHG impaired asset trust	60.0
Deferred transaction costs	36.2
Other assets	4.9
Due from SPEs	9.2
Plant and equipment	0.1
Total Assets	302.8
Liabilities	
Other provisions	1.2
Provision for impaired loans	4.9
Financial liability for broker trail commission	21.8
Other liabilities	2.5
Provision for income tax	38.5
Deferred tax liability	0.4
Total Liabilities	69.3
Net Corporate Assets	233.5

This balance sheet is unaudited and may be subject to change.

The corporate balance sheet includes a total of \$36.2 million of deferred mortgage and securitisation transaction costs in relation to origination of mortgages and establishment of funding on behalf of the Group's SPEs. The balance sheet excludes the value of future income that the Corporate entities may receive from the Group's SPEs.

Net Tangible Assets per Share

The net assets per share per the Company's accounts	72.17 cents
The net assets per share net of deferred transaction costs, subordinated debt, cash collateral & impaired asset trust (after tax)	38.65 cents

Other

- On the 22 July 2008 RHG announced to the market its intention to undertake an on market buy back of up to 10% of the Company's share capital over a 12 month period. On the 22 July 2009 the buy back ceased and RHG advised that the Company had purchased 30,731,189 shares, being 8.68% of issued capital. These shares have been cancelled.
- The financial statements have been prepared in accordance with current Income Tax legislation. As noted in the 2008 accounts RHG has a contingent asset due to proposed changes in the tax consolidation regime. The Company continues to view this as a contingent asset and therefore has not included this amount in this years results or the 2010 profit guidance.
- Due to rating agency actions during the course of the financial year the Company's mortgage insurers have either been downgraded or placed on credit watch negative. As a result the Company has been required to provide further credit support, in the form of cash collateral and / or subordinated debt, as well as repurchasing some loans to support some existing warehouse facilities. Similarly when facilities have been renewed more onerous conditions have been put in place requiring various levels of support. These amounts are shown as assets in the Company's consolidated balance sheet. The Directors believe these assets are at risk and are unlikely to be fully recovered. Under current accounting standards no provision for loss is permitted to be booked as losses must be incurred before any charge against profit is permitted.
- The Company's level of arrears has increased as a percentage of the book, however RHG is confident that the collections process is operating within guidelines and is sufficiently staffed⁴. Therefore the Directors do not expect arrears to have a material adverse effect on revenues over the next 12 months.

Dividend

Given the continued uncertainty of warehouse funding and markets in general and the further potential 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.

Future Outlook

In the foreseeable future RHG's focus will be on maximising the return on the assets the Group currently control. This is likely to result in a significant portion of the Group's cash reserves being applied to supporting our mortgage book.

Further media enquiries

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¹ A forecast involves RHG taking a view on risks and uncertainties and determining assumptions that will be outside the control of RHG. In determining profit guidance RHG has had to make estimates of the spread between the cash and BBSW rate, the actions of our various warehouse providers, the outlook for the economy and the effect on the real estate market, the speed of prepayments of the mortgage book & the remaining product mix, actions by Government authorities

such as change in taxation or regulation. Given these risks and uncertainties, undue reliance should not be placed on this profit guidance.

² 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.

³ 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, including the loss of credit enhancements.

⁴ The proportion of loans greater than 30 days in arrears has increased from 2.14% of the total book as at 30 June 2008 to 2.70% of the total book as at 30 June 2009.