



ASX and Media Release

Tuesday, October 2, 2007

RAMS announces restructure of business

Sale of brand name and distribution business to Westpac

RAMS Home Loan Group Ltd (ASX:RHG) today announced a restructuring of its business with the sale of its brand name and its distribution business to Westpac Banking Corporation for \$140 million.

In addition, Westpac will provide up to \$2 billion of financing to fund new business and to refinance a proportion of RAMS' outstanding US XCP (extendible commercial paper) program. The sale of the brand and distribution business is subject to approval at a shareholder meeting planned for late November.

RHG directors have unanimously recommended the restructuring to shareholders, and intend to vote their shares in support of this proposal, in the absence of a superior proposal.

RHG chairman John Kinghorn said RHG and Westpac late last night signed a share acquisition agreement for the distribution business and the RAMS name, one of the leading brands in the Australian mortgage industry.

Subject to RHG's shareholder approval and the terms of the agreement, the sale is expected to complete in January 2008. A summary of the agreement's key terms is attached.

The RAMS distribution business includes 92 RAMS Home Loan Centres operated by 53 franchisees and agreements with all major broker aggregator groups.

The \$140 million sale price will be reduced by future trailing commission for RAMS' franchise network, estimated at \$15 million, which will be determined on completion.

As a result of the transaction RHG will remain a listed entity, continuing to service and amortise the existing loan book and all new business settled up to and including 14 November 2007.

"The RHG board unanimously believes that in the absence of a superior offer, the Westpac offer represents the best outcome for RHG shareholders," Mr Kinghorn said.

"This restructuring provides for the RAMS brand and distribution business to continue, under Westpac's control.

"The directors have formed a view, as a result of the continuing and prolonged severe dislocation of credit markets, that the future funding of the business is uncertain. In consultation with their

advisors, the directors have considered a number of options and believe this proposal to be the most appropriate, in the current circumstances.

“The offer price for the distribution business and the RAMS brand name demonstrates the trust and customer satisfaction that RAMS has built up over the past 12 years.

“The board believes this sale will provide security for our franchisees and support for the RAMS brand.”

Apart from the change of name, there will not be any changes for existing RAMS customers arising from the restructuring. During the transitional period, customers will still be able to call 13 RAMS for assistance with loan enquiries.

Existing and new customers will be updated regarding service arrangements following the completion of the acquisition – but maintaining service quality will be a priority.

RHG is not anticipating any redundancies for staff, as it is contemplated that existing staff will either move to Westpac with the sale or be retained by RHG. RHG’s Chief Executive Officer Greg Kolivos will be retained by Westpac to oversee the transition.

Under transitional arrangements, Westpac, if customary conditions are met, will provide up to \$500 million in funding, via a new warehouse facility, for mortgages settled from 15 November, 2007 until the formal completion of the acquisition. Westpac will effectively own the new mortgages that it funds under the transitional arrangements. Funding will cease if shareholder approval is not obtained.

Under the terms of the transaction, Westpac has committed to become the cornerstone investor in a syndicate to refinance \$6.122 billion of short-term debt in the form of the US XCP program. Westpac will fund up to \$1.5 billion of the refinancing, subject to various funding program conditions and RHG shareholders approving the transaction.

Mr Kinghorn said: “Westpac’s agreement to become a cornerstone investor in a syndicate to refinance our US XCP program is important for our investors. There is no certainty that sufficient liquidity will return to global credit markets by February 2008. Westpac’s cornerstone investment should assist RHG’s refinancing initiatives.”

Following the completion of the restructuring, RHG will retain the existing loan book, which as at 31 August, 2007, was \$14.5 billion, funded as to \$4.317 billion via warehouse facilities, as to \$4.027 billion via RMBS, and as to \$6.122 billion via the US XCP program.

On 15 August 2007 the XCP program was extended into a refinancing period of 180 days. RHG is continuing to market a new RMBS issue of \$250 million which is expected to be priced later this week. RAMS’ warehouse facilities are scheduled to expire at various dates throughout 2007 and 2008 as follows:

Maturing Date	Limit \$m
19 November 2007	1,250
30 November 2007	500
31 December 2007	250
1 April 2008	1,000
2 May 2008	400
19 May 2008	750
18 June 2008	1,000

RAMS is currently working towards the refinancing of the warehouse facilities which fall due prior to the end of November 2007.

The restructuring will be detailed in an Explanatory Memorandum which is expected to be available to shareholders by late October. This Explanatory Memorandum will include an Independent Expert's Report. Deloitte has been appointed as the Independent Expert to report as to whether the transaction is in the best interests of RHG shareholders.

RHG is advised by Credit Suisse and Mallesons Stephen Jaques.

Interest Rate Rise

RHG's Chief Executive Officer Greg Kolivos announced today that RAMS would increase its full doc variable interest rates by 15 basis points, effective immediately, with low-doc variable lending rates rising by 30 basis points. The increase brings RAMS into line with many other Australian lenders, who have recently made similar increases.

The rise will affect all existing and prospective RAMS variable rate customers.

Further information

A media briefing will be held at 12 noon today, October 2, at Credit Suisse, Level 31, Gateway Building, 1 Macquarie Place, Sydney.

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Contacts

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Investors

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Annexure

Share Acquisition Agreement summary

The parties to the Share Acquisition Agreement (“**SAA**”) are RAMS Home Loans Pty Limited (“**Vendor**”), RAMS Home Loans Group Limited (“**RHG**”) and Westpac Banking Corporation Limited (“**Westpac**”).

Under the SAA, Westpac will acquire the entire issued share capital in RAMS Franchising Pty Limited (“**RFPL**”) from the Vendor.

On completion of the SAA, which is scheduled to take place on 4 January 2008, RFPL will hold all of the assets related to RAMS mortgage origination, processing and settlement of loans business.

The purchase price under the SAA is \$140 million which is to be adjusted for franchisee trailing commissions and inter-company payables and debts.

In addition, Westpac has agreed to provide up to \$2 billion of funding, \$500 million in respect of a warehouse facility to fund new business written after 15 November 2007 and subject to various funding program conditions and RHGS shareholders approving the transaction \$1.5 billion to contribute towards the refinancing of the RAMS Group’s extendible commercial paper programme, due no later than 12 February 2008.

Westpac will be responsible for all costs in connection with mortgage origination, processing and settlement of loans from 15 November 2007 and will receive the full margin from such loans.

Conditions precedent to completion

The conditions precedent to completion of the sale and purchase include:

- (a) Approval of the transaction by RHG shareholders;
- (b) APRA has given all clearances or authorisations;
- (c) Westpac being satisfied with the findings of its due diligence enquiries by 16 October 2007;
- (d) Westpac agreeing with certain franchisees their entitlement to trailing commissions;
- (e) Execution by the parties of a term sheet for the \$500 million warehouse facility being provided by Westpac, referred to above;
- (f) Arrangements being in place with the RAMS Group’s mortgage servicer Unisys Credit Services Limited, such that franchisees will be able to access information in relation to loans existing prior to completion of the SAA;
- (g) The Independent Expert concluding that the transaction is in the best interests of RHG shareholders; and
- (h) Westpac being satisfied (up to the time that a commitment for the warehouse funding is signed, no later than 15 November 2007) that the RAMS Group has sufficient funding in place to maintain its mortgage origination, processing and settlement business.

Deal protection

RHG has agreed to customary “no-shop” and “no-talk” provisions, subject in the case of the “no-talk” to the fiduciary obligations of directors to consider any superior proposals.

No break fee is payable by RHG.

Non-compete

RHG has agreed that the RAMS Group will not engage in a business competing with the business proposed to be sold to Westpac and the RAMS group will change its name.

Termination events

Westpac may terminate the SAA if:

- (a) the RHG board withdraws its recommendation to shareholders to approve the transaction;
- (b) RHG and the Vendor conduct their business in such a way as to have materially negative impact on the business, brand and existing customer base;
- (c) a material warranty is breached in a material way;
- (d) there is a material adverse change in the assets, liabilities, financial position, profitability or prospects of the business being sold or in RFPL; and
- (e) there is a failure to obtain consent to the transfer of certain contracts.