Firstmac.
Experience you can rely on

Credible and secure

Our competitive spirit for service excellence and product innovation has helped our customers and partners achieve their goals.

With more than 35 years of experience offering home and investment property loans, Firstmac is a leading Australian owned financial institution.

We've also developed expertise in investment management, and market our flexible range of financial products to Australian consumers direct and via a national distribution network of third parties.

We've held an Australian Financial Services Licence (AFSL 290600) since 2004, which authorises us to deal in and provide financial product advice to retail and wholesale clients.

Firstmac has been integral in the evolution of the mortgage market into a more competitive environment.

And with our knowledgeable team of people, our long-term business strategy and substantial infrastructure, plus a commitment to building strong relationships with partners and customers alike, you can be sure we're here for the long haul.

Solid funding

Firstmac self funds its mortgages through the issue of highly rated Australian bonds as part of our securitisation program.

Since 2003 we've publicly issued over $14.8 billion of Residential Mortgage Backed Securities (RMBS) and currently manage around $8 billion in mortgages.

'Strong' S&P servicer ranking

When it comes to managing home loans, Firstmac has earned the highest possible Standard & Poor's (S&P) servicer ranking of 'Strong'. Our outlook is 'Stable' and we remain on S&P's global select service list.

This ranking reflects our high level of servicing competence supported by qualified staff, financial stability and commitment to risk management and quality assurance.

Each year S&P reviews Firstmac's capability to grow, plus our ability to service and maintain our loan portfolio and implement initiatives to improve our operations. To request a copy of the S&P ranking report, call us on 13 12 20.

At a glance

More than 35 years experience offering home and investment property loans

Expertise in investment management

Proudly Australian owned

Successful securitisation program since 2003

'Strong' Standard & Poor's servicer ranking

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Our RMBS issuance history

Firstmac has publicly issued over $14.8 billion of RMBS since 2003.

Through our RMBS program we currently manage the collections accounts of 21 different securitisations trusts averaging around $177 million in cash, which is invested in highly rated (investment grade) Asset-Backed Securities.

As the Manager of these trusts, Firstmac determines the split of investments, taking into account the need for liquidity, maximising return on funds and adhering to the restrictions on investment.

The cash and investments held in the securitisation trusts are the repayments of borrowers, as well as the required liquid investments of the trusts.

The cash is available for borrowers to redraw on their mortgages; in addition the cash is required to make monthly interest and capital payments to investors, as well as expense payments to service providers of each securitisation trust.

Every investor in Firstmac RMBS trusts have been paid on time the amount of interest that they expected to receive and every investor has also received their entire initial investment back as expected.

To request more detailed information about the performance of Firstmac RMBS call us on 13 12 20.

Firstmac RMBS trust	Public issue (A$M)
Bond Series 1-2003	$350
Bond Series 1-2004	$500
Bond Series 2-2004	$500
Bond Series 1-2005	$520
Bond Series 2-2005	$600
Bond Series 3-2005	$450
Bond Series 1PP-2006	$270
Bond Series 1C-2006	$400
Bond Series 1E-2006	$51
Bond Series 1E-2006	$813 (€500)
Bond Series 1-2007	$781
Bond Series 1E-2007	$861
Bond Series 1E-2007	$478 (€300)
Bond Series 2-2007	$250
Bond Series 1-2008	$173
Bond Series 2-2008	$600
Bond Series 1-2009	$625
Bond Series 2-2009	$470
Bond Series 1-2010	$416
Bond Series 1-2011	$176
Bond Series 2-2011	$300
Bond Series 1-2012	$300
Bond Series 2-2012	$440
Bond Series 1-2013	$500
Bond Series 2-2013	$400
Bond Series 1-2014	$750
Bond Series 2-2014	$700
Bond Series 3-2014	$700
Bond Series 1-2015	$1,000
Bond Series 2-2015	$500
Bond Series 1-2016	$500
Rounded up total million	**$14,870 billion**

What is RMBS?

Residential Mortgage Backed Securities (RMBS) are a type of Note or Bond that is secured by a pool of residential mortgages. An RMBS Note is typically registered on Austraclear, a clearing and settlement system used in capital markets, and is able to be traded in the secondary market.

An RMBS transaction will usually be issued in two or more separate tranches based on the priority of principal and interest payments. An example of how a A$500 million (fully mortgage insured pool) transaction might be structured is

Tranche name	Tranche size A($M)	Typical Category	Expected life	Typical margin (over BBSW* 1 month)
A	$450	Category 1	3 years#	1.30%
AB	$35	Category 1	5 years#	2.20%
B	$15	Category 2	5 years#	4.00%
	$500			**1.44% WAM****

* Bank Bill Swap rate
** Weighted Average Margin
# A typical RMBS transaction includes an option for the issuer to buy-back the RMBS at face value once the underlying mortgage pool is repaid down to an agreed percentage (often 10%) of the original pool size. The RMBS note and underlying mortgages have a maximum legal term of up to 30 years. The expected life is determined based on forecast mortgage discharge speeds and issuer buy-back action.

Category is a Firstmac assessment of the counterparty's ability to meet its financial commitments. In the example above, the Category 2 for the B Class notes is dependent on the rating of the underlying mortgage insurer. The Trust investments in RMBS will have a minimum risk assessment of Category 3.

Importance of RMBS and competition

Australian RMBS bond issues are an important funding tool that allow small lenders to compete directly with large lenders.

The introduction of RMBS in Australia enabled competition against the major banks to flourish, to the benefit of home buyers.

As at the end of September 2011, the total amount of RMBS issued by Australian institutions and outstanding was approximately $151 billion*.

Of the top 15 issuers during the third quarter of 2011, Firstmac was ranked 13.

Top 15 firms by RMBS outstandings*

Rank	Institution
1	Westpac Banking Corporation
2	National Australia Bank Ltd
3	Suncorp-Metway Ltd
4	Members Equity Bank Pty Ltd (SMHL)
5	ING Bank (Australia) Ltd
6	Commonwealth Bank of Australia
7	St.George Bank Ltd
8	Bendigo and Adelaide Bank Ltd
9	Challenger Mortgage Management Pty Ltd
10	AMP Bank Ltd
11	Macquarie Securitisation Ltd
12	Bank of Queensland Ltd
13	**Firstmac Limited**
14	Bank of Western Australia Ltd
15	Resimac Ltd

*Source: Standard and Poor's, Australian RMBS Performance Watch as at 30 September 2011

Whether principal and interest is paid on an RMBS note partly depends on whether the underlying borrowers default on the loans held by the RMBS trust. If the underlying borrower does default on their loan, the following steps will usually occur:

- Possession taken of the residential property
- Sale of the residential property
- Any shortfall is submitted as a claim to mortgage insurers
- If mortgage insurers are unable to pay the claim (for example deteriorated financial capacity arising from extreme adverse financial conditions) then the shortfall would be absorbed by the net interest margin of the RMBS trust
- If the net interest margin is insufficient then the cash reserve, if any, would be used to meet the short fall
- If the cash reserve is insufficient then the principal of the lowest Tranche notes is reduced
- If the lowest Tranche note is insufficient then the principal of the next lowest Tranche note is reduced
- If that Tranche note is insufficient then the principal of the next lowest Tranche note is reduced and so on

The highest Tranche notes will have a lower interest rate because of their security position at the top of the principal and interest priority order. The lower Tranche notes will have a higher interest rate because of their security position in the principal and interest priority order.