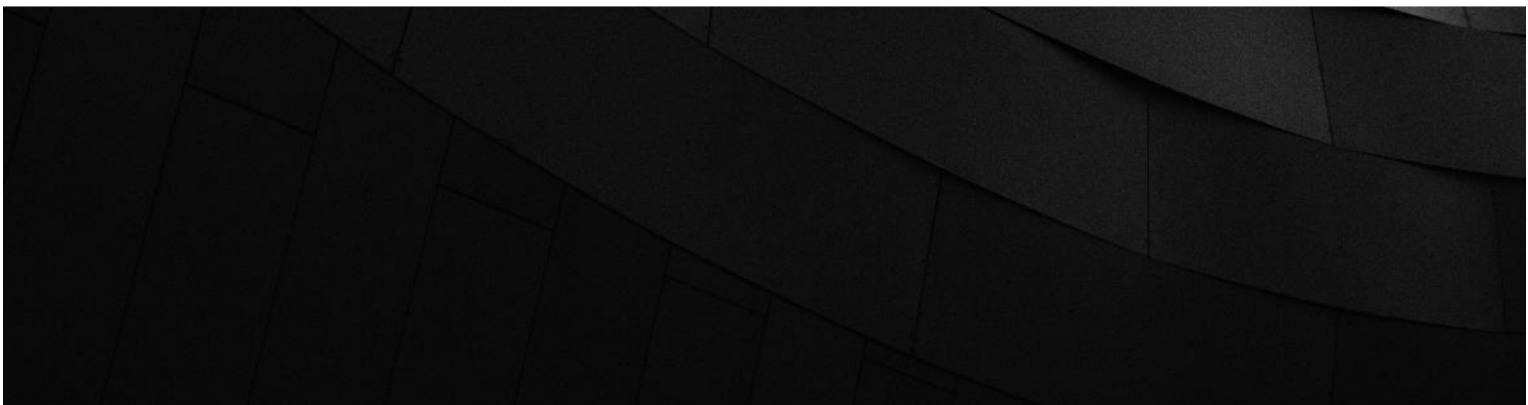


NCPA

SMALL AMOUNT CREDIT CONTRACT
RESEARCH REPORT

SEPTEMBER 2018



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KEY FINDINGS

Typical SACC customers are mid 30's and are employed

- The average age of male customers who entered into a SACC in the 2017/18 financial year was 36, while the average age of female customers who entered into a SACC in the financial year was 37, both largely unchanged compared to previous financial years.
- In the 2017/18 financial year, close to two in three (64.4%) customers who entered into a SACC were employed, down from 80.6% in the previous financial year.

SACC loan approval rate increased back to levels near record highs

- In the 2017/18 financial year, 61.5% or more than three in five SACC applications were approved, up from 39.5% in the previous financial year. The approval rate increased back to approach levels experienced in the 2013/14 or 2014/15 financial year.
- In the 2017/18 financial year, there were 839,036 new SACCs entered into, with \$532.6 million advanced, compared to 567,910 new SACCs entered into and \$538.5 million advanced in the previous financial year.

Average size of a SACC was \$635

- The average size of a new SACC entered into in the 2017/18 financial year was \$635, down from \$948 in the previous financial year.
- The average length of contracts entered into for SACCs in the 2017/18 financial year was 114 days, down from 162 days in the previous financial year.

Multiple-contract customers pertained to a small minority

- The average number of SACC per customer in the financial year was 1.30, down from 1.66 in the previous financial year.
- In the 2017/18 financial year, 86,808 SACCs, or approximately one tenth (10.3%) of all SACCs, were entered into where a customer with an existing SACC was advanced further funds, compared to 96,691 and 17.0% respectively in the previous financial year.

There were fewer consumer group contacts and dispute cases pertaining to SACCs

- In the 2017/18 financial year, there were 321 contacts from consumer representative groups pertaining to SACCs or 3.8 contacts for every 10,000 SACCs entered into, compared to 466 and 8.2 respectively in the previous financial year.
- In the 2017/18 financial year, there were 535 new IDR cases or 6.4 cases for every 10,000 SACCs entered into, compared to 974 and 17.2 respectively in the previous financial year.
- In the 2017/18 financial year, there were 240 new EDR cases or 2.9 cases for every 10,000 SACCs entered into, compared to 110 and 1.9 respectively in the previous financial year.

The sector continues to be highly compliant

- During the 2017/18 financial year, there was one ASIC compliance audit pertaining to SACCs and/or MACCs. There was also one ASIC licence condition without enforceable undertaking and one ASIC agreement without enforceable undertaking.

METHODOLOGY

CoreData, in consultation with NCPA, designed the questionnaire for this research.

CoreData independently collected the data between July and August 2018. NCPA members submitted data through a dedicated email inbox managed by CoreData. NCPA only has access to the aggregate-level data and does not have access to the individual submissions.

There were a total of seven submissions from Australia's major providers of consumer credit, including Cash Converters, Money3 and Nimble, which together make up an estimated 70% of the industry's total gross revenue.

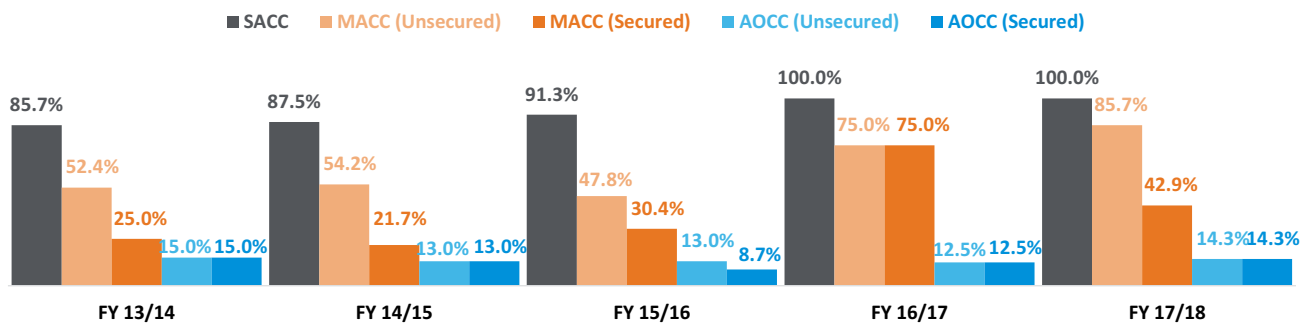
Data was collected on Small Amount Credit Contracts (SACCs) and Medium Amount Credit Contracts (MACCs), which make up more than 95% of all loans provided by providers of consumer credit and pertain to the 2017/18 financial year.

Data from the 2013/14, 2014/15, 2015/16 and 2016/17 financial years were collected in previous years and are included in this report where appropriate to form a rich longitudinal picture of the consumer credit industry.

Analysis of the data collected was undertaken independently by CoreData.

BUSINESS OVERVIEW

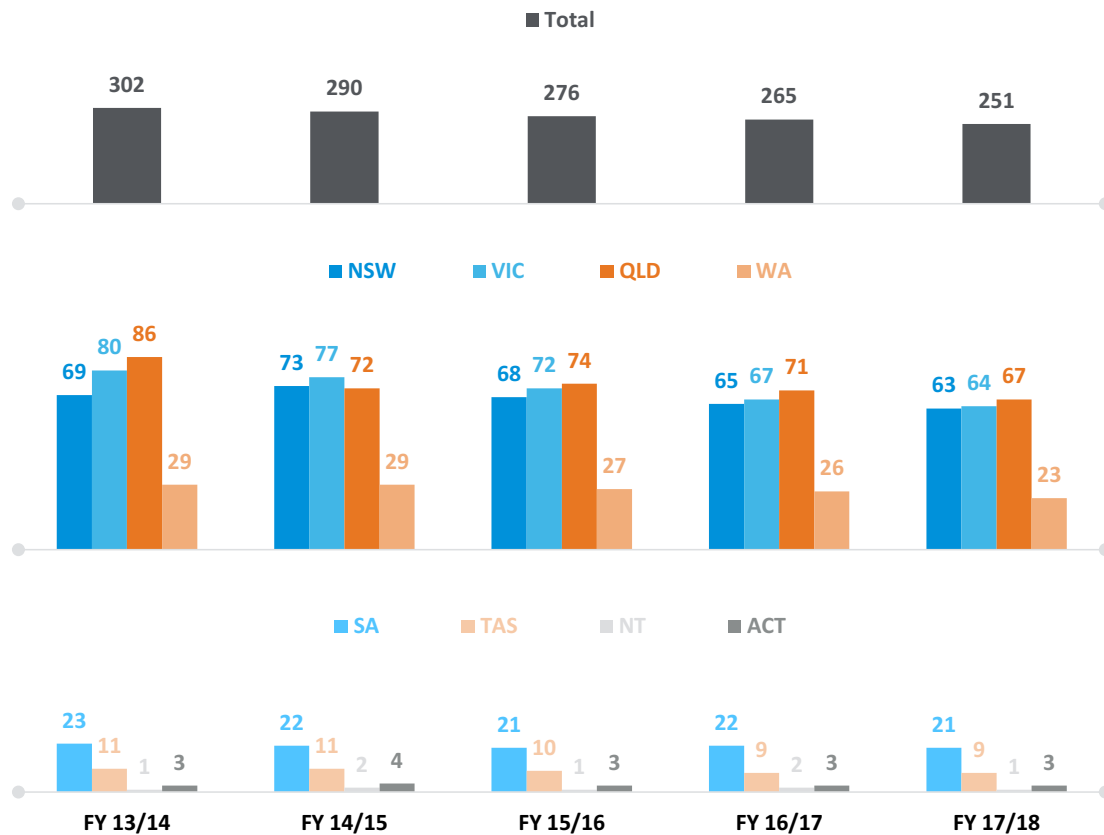
Type of loans provided



Question: For the financial year, what type of loans did you provide?

SACCs remain the most commonly offered loan type, while MACCs are becoming more commonly offered over the past few financial years.

Number of retail locations across Australia

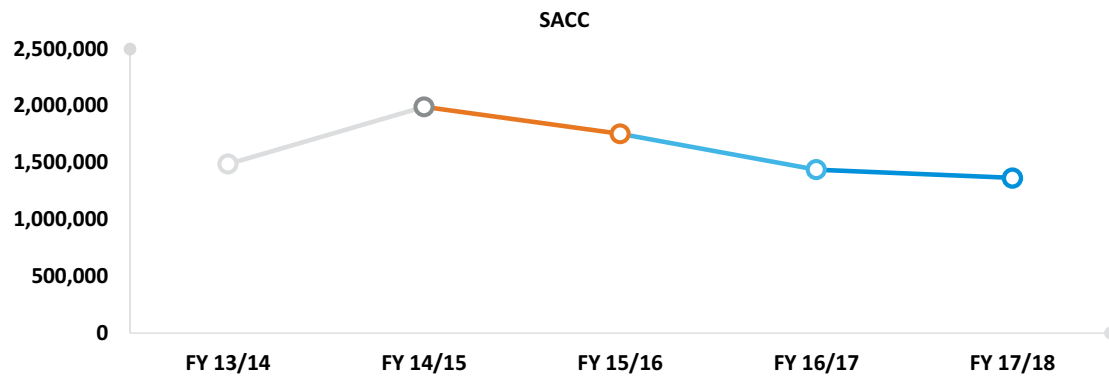


Question: For the financial year, how many retail locations which provided SACCs and/or MACCs did you have in each of these states / territories?

The number of retail locations nationwide has been in a steady downtrend over the past three financial years to reach 251 at the end of the 2017/18 financial year, compared to 265 at the end of the 2016/17 financial year and 276 at the end of the 2015/16 financial year.

LOAN STATISTICS

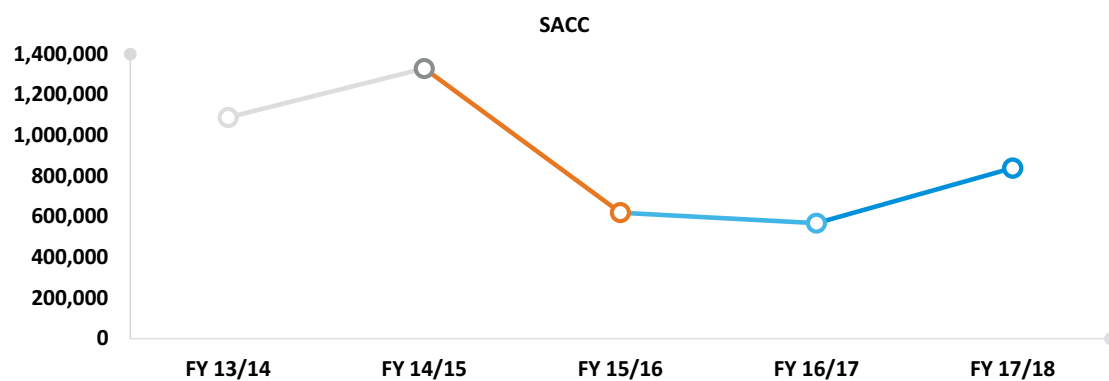
Number of SACC applications



Question: For the financial year, what was the total number of applications received for each loan type?

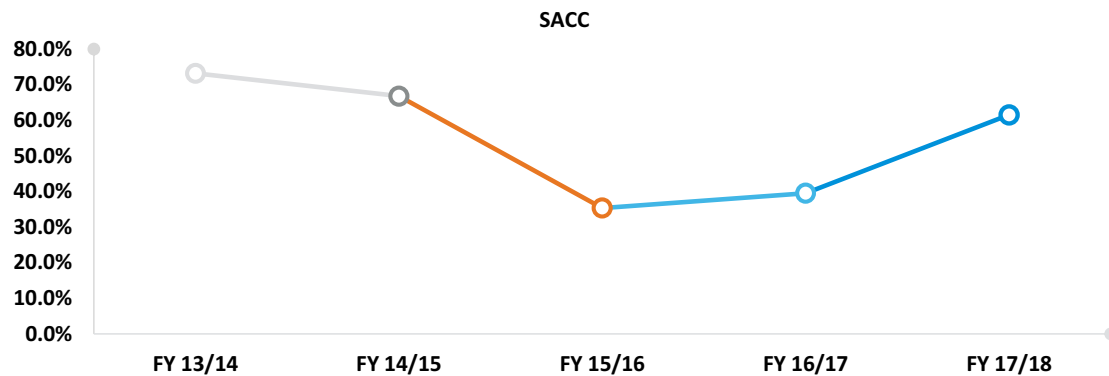
The number of SACC applications has been in a steady downtrend but has stabilised. In the 2017/18 financial year, there were 1,364,666 SACC applications, down from 1,438,013 in the previous financial year.

Number of SACC applications approved



Question: For the financial year, out of the applications for each loan type, what was the number of new contracts entered into with new or previous customers? (do not include extra advances made to existing customers with current loans)

Loan approval rate – SACCs

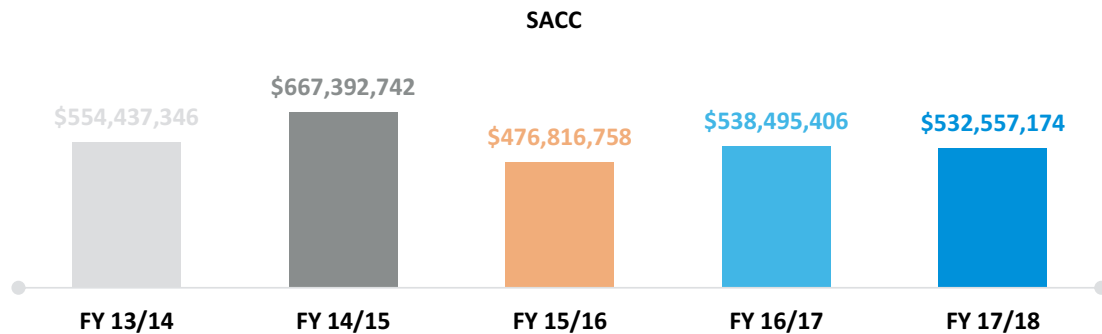


Question: For the financial year, out of the applications for SACCs/MACCs, what was the number of new contracts entered into with new or previous customers? divided by For each quarter, what was the total number of applications received for SACCs/MACCs?

In the 2017/18 financial year, there were 839,036 SACC applications approved, up from 567,910 in the previous financial year.

SACC loan approval rate sat at 61.5% for the 2017/18 financial year, up from 39.5% in the previous financial year.

SACC credit advanced

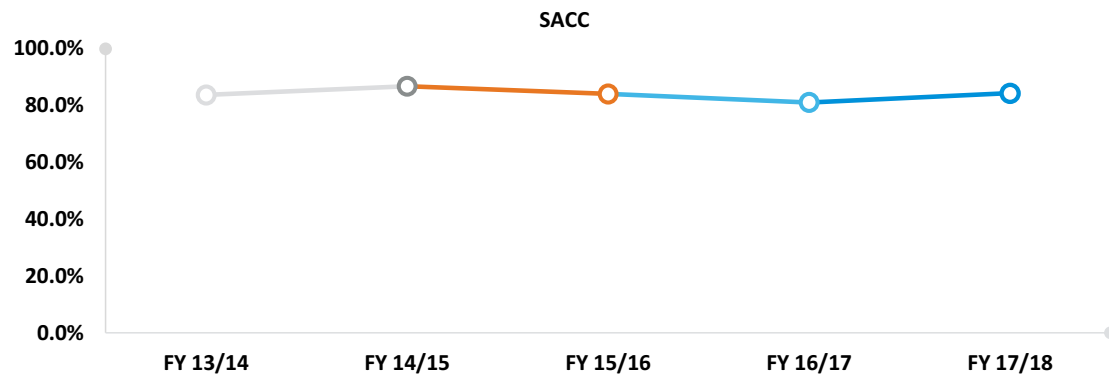


Question: For the financial year, what was the total dollar amount of SACC and/or MACC credit advanced to your customers through the following channels? (i.e. what was the total amount of credit advanced)

In the 2017/18 financial year, total SACC credit advanced was \$532.6 million, on par with \$538.5 million in the previous financial year.

Using data on the number of SACCs approved and the amount of SACC credit advanced, it was calculated that the average size of a new SACC entered into in the 2017/18 financial year was \$635, down from \$948 in the previous financial year.

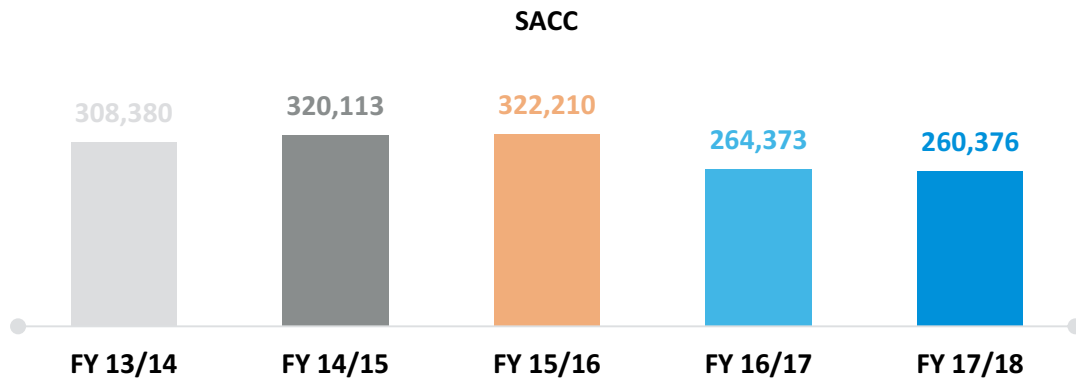
Proportion of SACC repayments met



Question: 1 minus For the financial year, what was the total number of failed or dishonoured repayments for SACCs/MACCs? divided by For the financial year, what was the total number of repayments expected for SACCs/MACCs?

Using data on the total number of expected repayments and the total number of failed or dishonoured repayments, it was calculated that in the 2017/18 financial year, 84.3% of all SACC repayments were met, up slightly from 81.1% in the previous financial year.

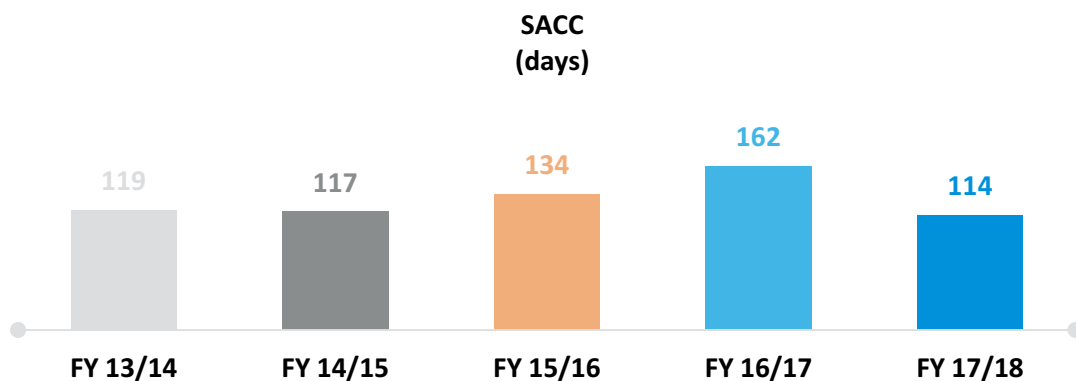
Number of active SACCs at quarter end



Question: At the end of the financial year, what was the total number of active loans for each loan type?

There were 260,376 active SACCs at the end of the 2017/18 financial year, on par with 264,373 at the end of the previous financial year.

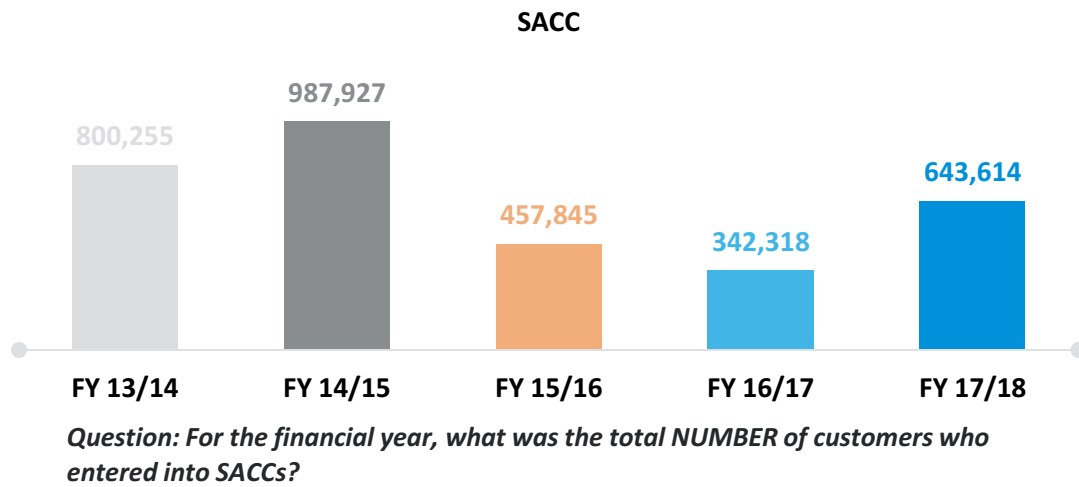
Average length of SACC (days)



Question: For the financial year, what was the average length of contract entered into for each loan contract type?

The average length of contracts entered into for SACCs in the 2017/18 financial year was 114 days, down from 162 days in the previous financial year.

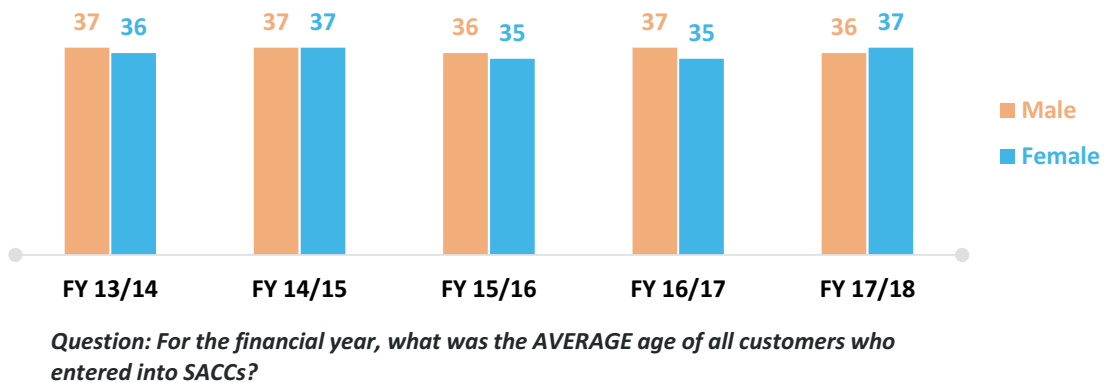
Number of customers who took out a SACC



In the 2017/18 financial year, there were 643,614 customers who entered into a SACC, up from 342,318 in the previous financial year.

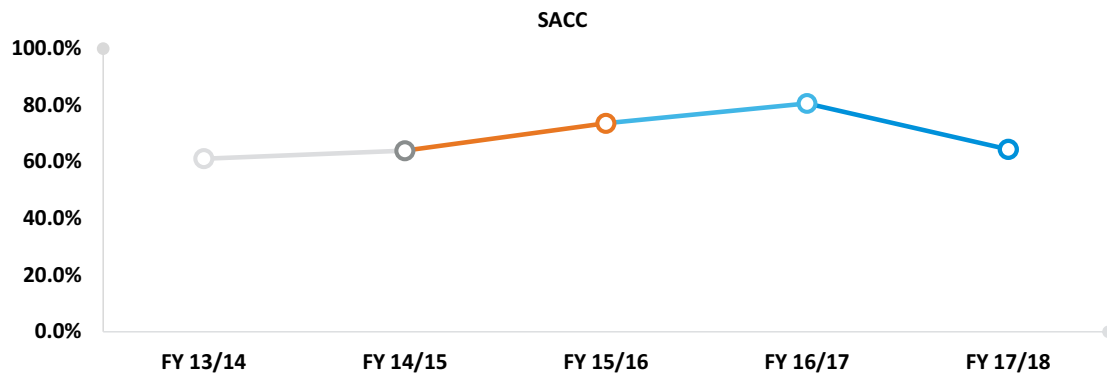
Using data on the total number of SACCs entered into and the number of customers who entered into a SACC, it was calculated that the average number of SACC per customer in the financial year was 1.30, down from 1.66 in the previous financial year.

Average age of SACC customers



The average age of male customers who entered into a SACC in the 2017/18 financial year was 36, while the average age of female customers who entered into a SACC in the financial year was 37, both largely unchanged compared to previous financial years.

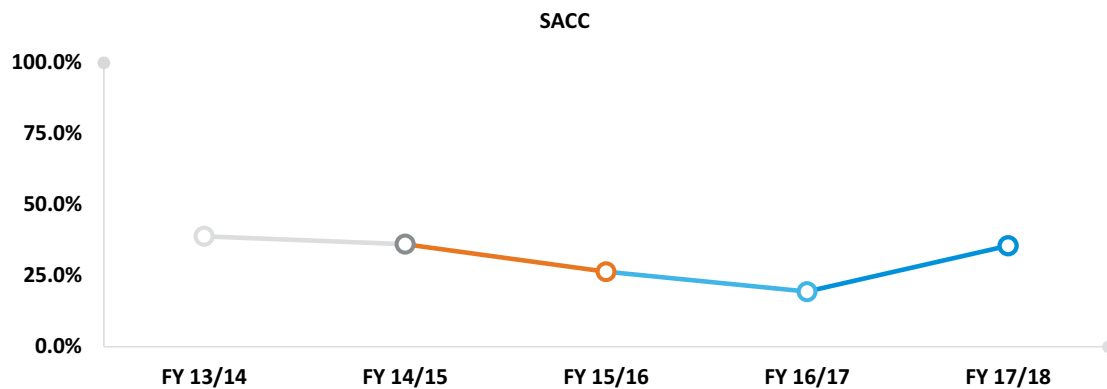
Proportion of employed SACC customers



Question: For the financial year, what was the total NUMBER of customers who received some or all of their gross income through paid employment of any kind (including self-employment) when they entered into SACCs/MACCs? divided by For the financial year, what was the total NUMBER of customers who entered into SACCs/MACCs?

In the 2017/18 financial year, close to two in three (64.4%) customers who entered into a SACC were employed and received some or all of their gross income through paid employment of some kind, including self-employment, down from 80.6% in the previous financial year.

Proportion of SACCs which triggered the PEA provision

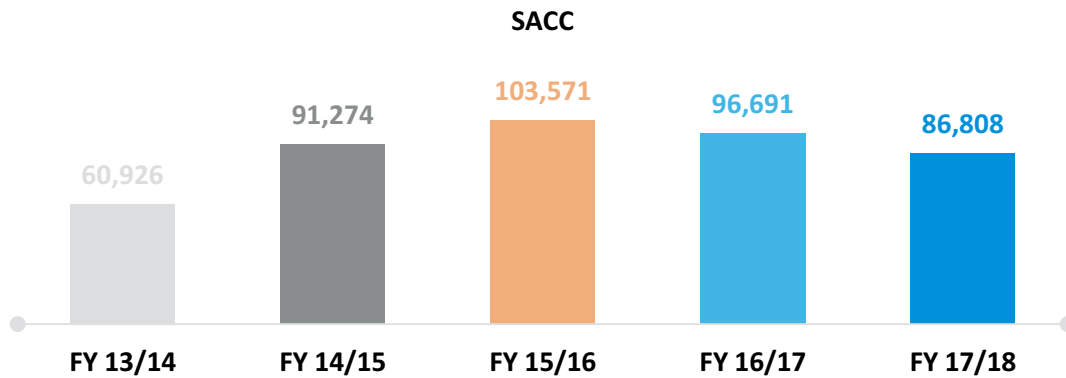


Question: For the financial year, how many SACCs were entered into where the Protected Earnings Amount (PEA) provision was triggered? divided by For the financial year, out of the applications for SACCs, what was the number of new contracts entered into with new or previous customers?

In the 2017/18 financial year, one in three (35.6%) new SACCs triggered the PEA provision, up from 19.4% in the previous financial year.

The average annual gross income of customers who entered into a SACC who were not subject to the PEA provision in the 2017/18 financial year was \$37,624.

Multiple-SACC instances as a proportion of all new SACCs



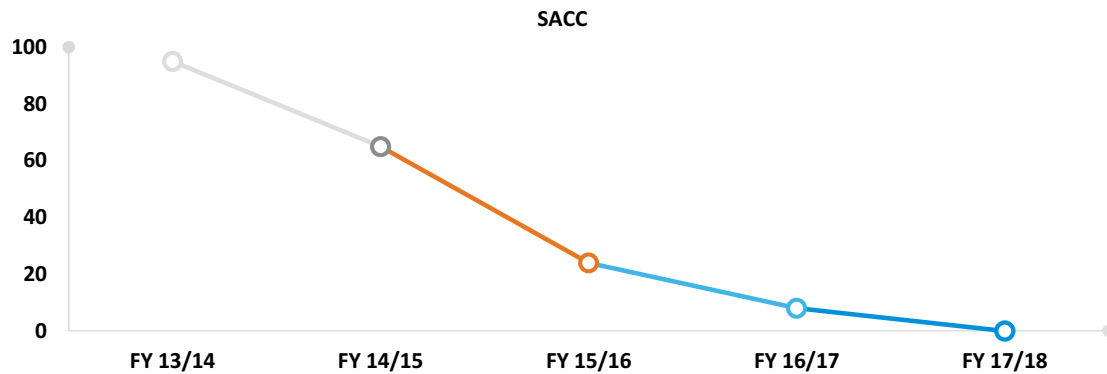
Question: For the financial year, what was the number of contracts entered into for each loan type where a customer with an existing loan of the same type was advanced another loan?

In the 2017/18 financial year, 86,808 SACCs, or approximately one tenth (10.3%) of all SACCs, were entered into where a customer with an existing SACC was advanced further funds.

In the previous financial year, 96,691 SACCs, or approximately one sixth (17.0%) of all SACCs, were entered into where a customer with an existing SACC was advanced further funds.

BAD DEBT

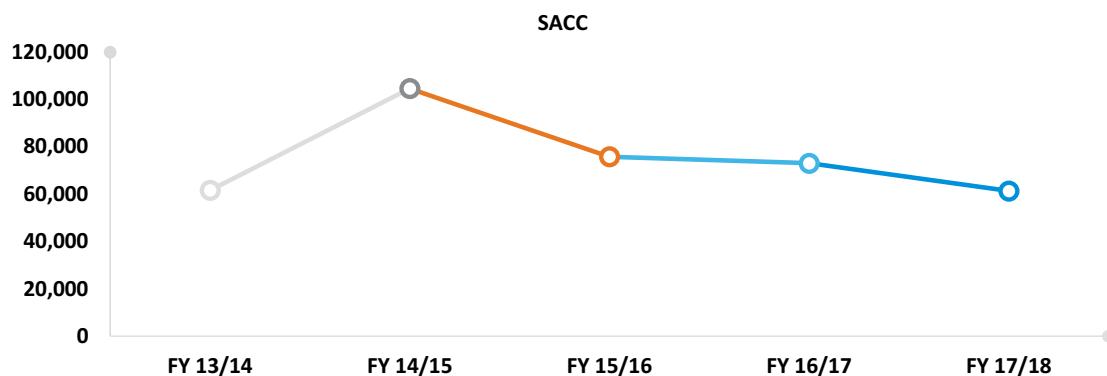
Bankruptcy applications lodged to recover SACC bad debt



Question: For the financial year, how many bankruptcy applications did you lodge to attempt to recover bad debt for the following loan types?

There was no bankruptcy application lodged to recover SACC bad debt in the 2017/18 financial year, compared to eight in the previous financial year.

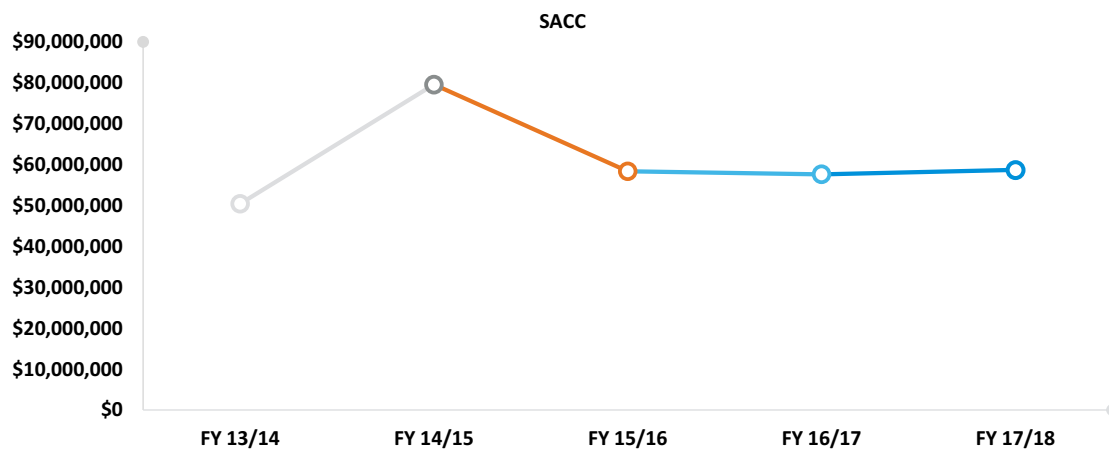
Number of SACCs written off as uncollectable



Question: For the financial year, what was the total number of contracts written off as uncollectable, (i.e. you decided the contract had become a bad debt)?

In the 2017/18 financial year, 59,598 SACCs were written off as uncollectable, down from 73,048 in the previous financial year.

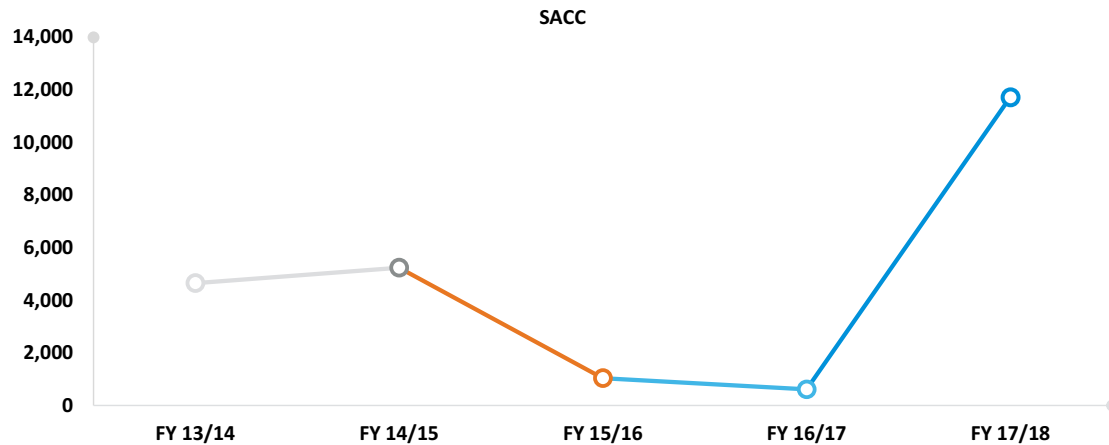
Dollar amount of SACCs written off as uncollectable



Question: For the financial year, what was the total dollar amount of contracts which were written off as uncollectable including any remaining principal plus all unpaid Fees and Charges (including interest in relation to MACCs)?

In the 2017/18 financial year, \$58.7 million was written off as uncollectable SACCs, on par with \$57.6 million in the previous financial year.

Formal applications for hardship

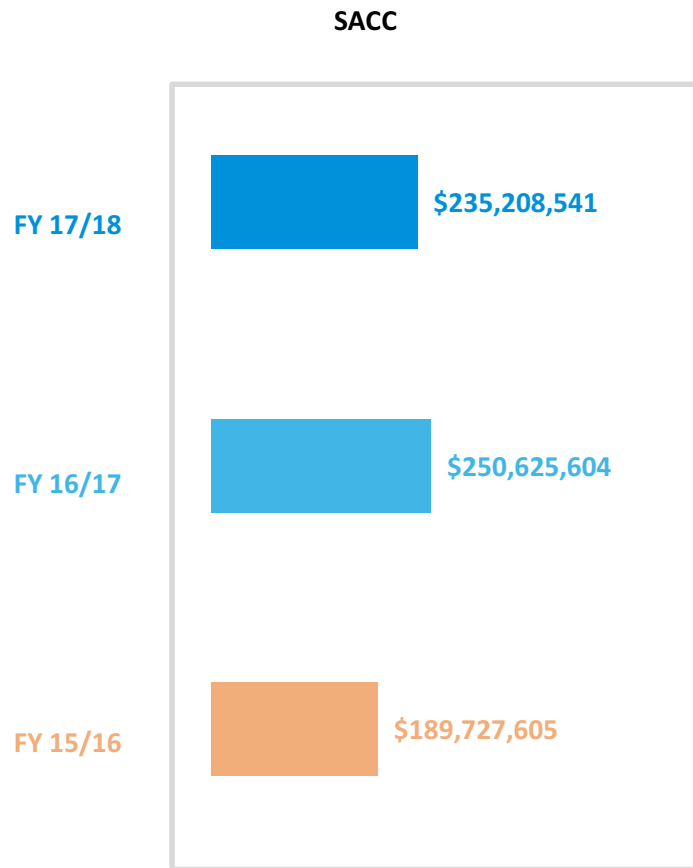


Question: For the financial year, how many formal applications for hardship did you receive from customers for the following loan types?

In the 2017/18 financial year, there were 11,725 formal hardship applications in relation to ACCs, substantially higher than 614 in the previous financial year.

FINANCIALS

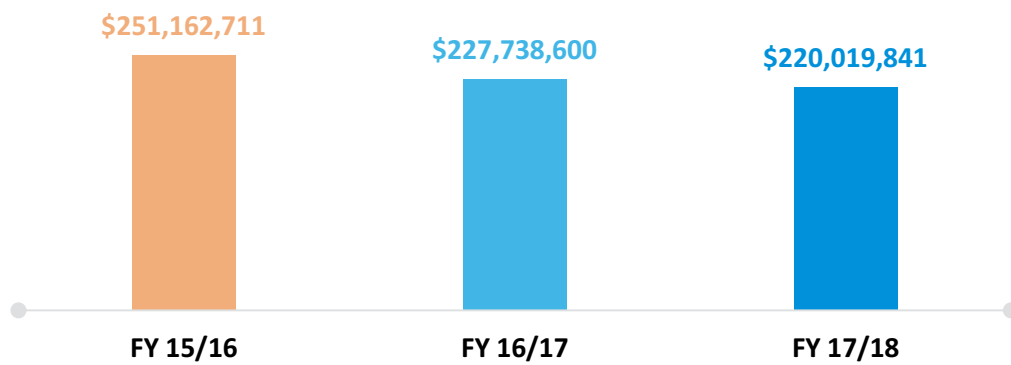
Size of loan book – SACCs



Question: At the end of the financial year, what was the closing balance (including all Fees, Charges, and including Interest for MACCs) for the following loan types? (This amount is after deductions for write offs processed during the year.)

The estimated size of SACC loan book across all consumer credit providers in the industry was \$235.2 million at the end of the 2017/18 financial year, down from \$250.6 million at the end of the previous financial year.

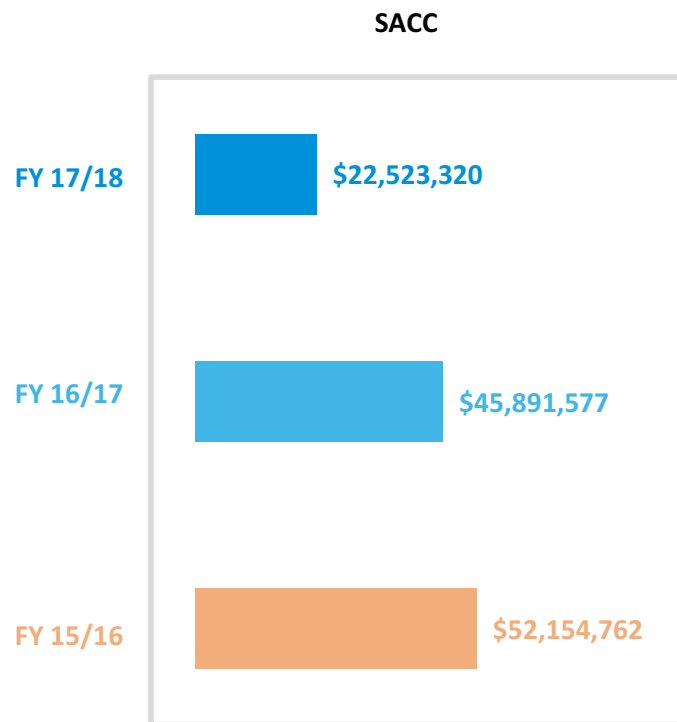
Gross revenue – SACCs



Question: For the financial year, what was your Total Gross Revenue from all SACCs broken down into these categories?

For the 2017/18 financial year, total gross revenue from all SACCs was \$220.0 million, down slightly from \$227.7 million in the previous financial year.

EBIT – SACCs

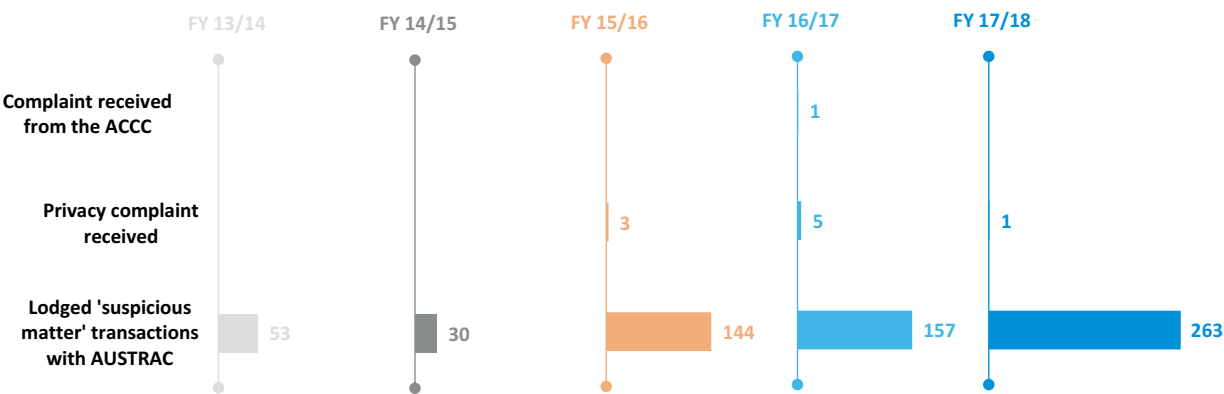


Question: For the financial year, what was your EBIT for the following loan types (i.e. Earnings Before Interest and Taxes)?

Earnings before interest and taxes (EBIT) from all SACCs for the 2017/18 financial year was \$22.5 million, up from \$45.9 million in the previous financial year.

COMPLIANCE

Incidence of events

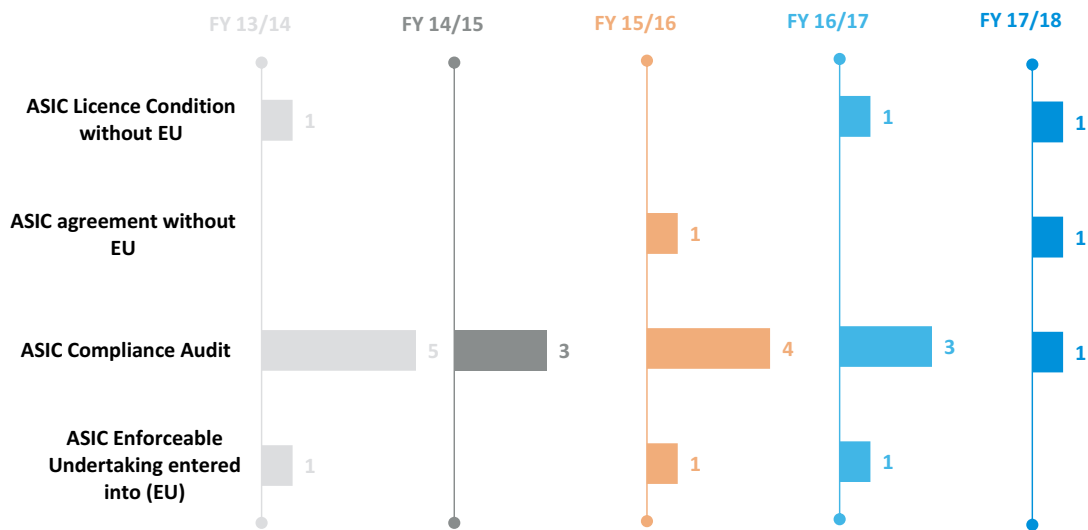


Question: For the financial year, how many times did the following events pertaining to SACCs and/or MACCs occur?

In the 2017/18 financial year, providers lodged 263 ‘suspicious matter’ transactions pertaining to SACCs and/or MACCs with AUSTRAC, up from 157 in the previous financial year.

In the 2017/18 financial year, there was one privacy complaint received and there was no complaint received from the ACCC, compared to five and one respectively in the previous financial year.

For each quarter, how many times did you have contact from ASIC for any of the following matters pertaining to SACCs and/or MACCs?

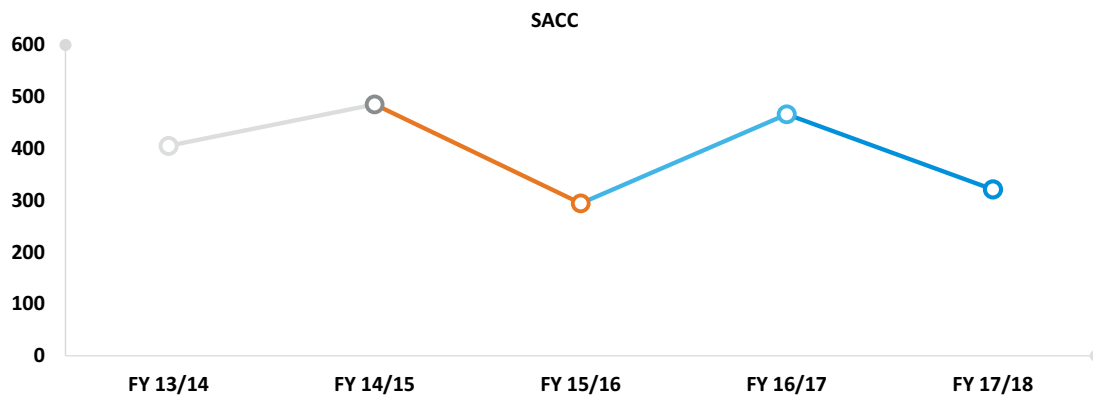


Question: For the financial year, how many times did you have contact from ASIC for any of the following matters pertaining to SACCs and/or MACCs? (only new issues the financial year and not repeated contact about an existing issue)

During the 2017/18 financial year, there was one ASIC compliance audit pertaining to SACCs and/or MACCs. There was also one ASIC licence condition without enforceable undertaking and one ASIC agreement without enforceable undertaking.

In the previous financial year, there was one ASIC enforceable undertaking entered into, three ASIC compliance audits and one ASIC licence condition without enforceable undertaking.

Contacts from consumer representative groups – SACCs

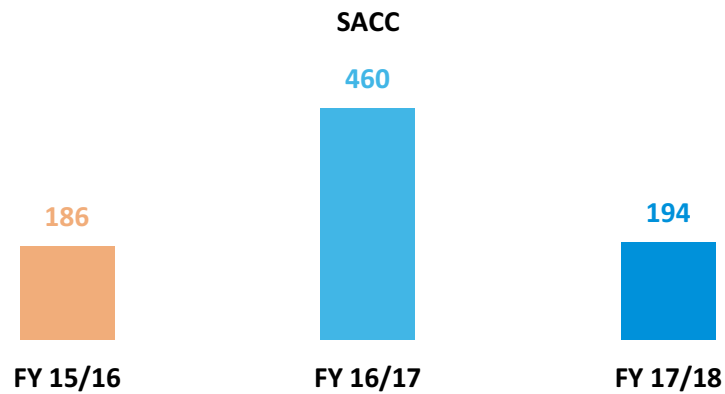


Question: For the financial year, how many contacts for new issues pertaining to each loan type did you have from a consumer representative (i.e. Legal Aid, Financial Counselling Australia, CALC, CCLC, etc.)?

In the 2017/18 financial year, there were 321 contacts from consumer representative groups pertaining to SACCs, down from 466 in the previous financial year.

As a proportion of all new SACCs entered into in the financial year, there were 3.8 contacts per 10,000 SACCs, down from 8.2 in the previous financial year.

Contact from credit repair companies – SACCs



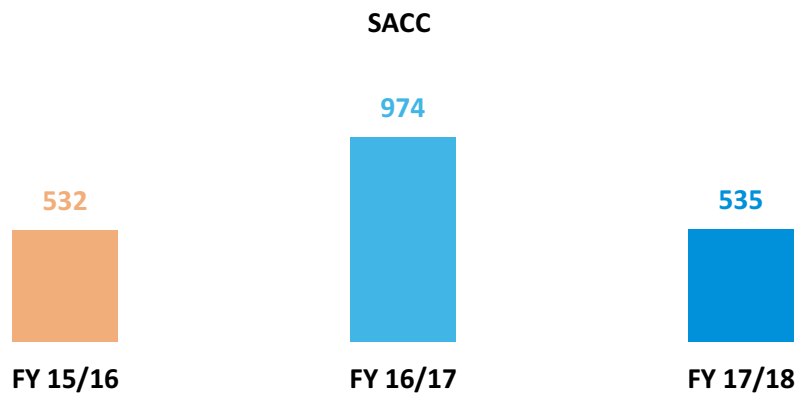
Question: For the financial year, how many times were you contacted by a Credit Repair company to remove a Default Listing pertaining to each loan type?

In the 2017/18 financial year, there were 194 contacts from credit repair companies to remove a default listing pertaining to SACCs, down from 460 in the previous financial year.

As a proportion of all new SACCs entered into in the financial year, there were 2.3 contacts per 10,000 SACCs, down from 8.1 in the previous financial year.

DISPUTE RESOLUTION

New SACC IDR cases recorded on IDR register

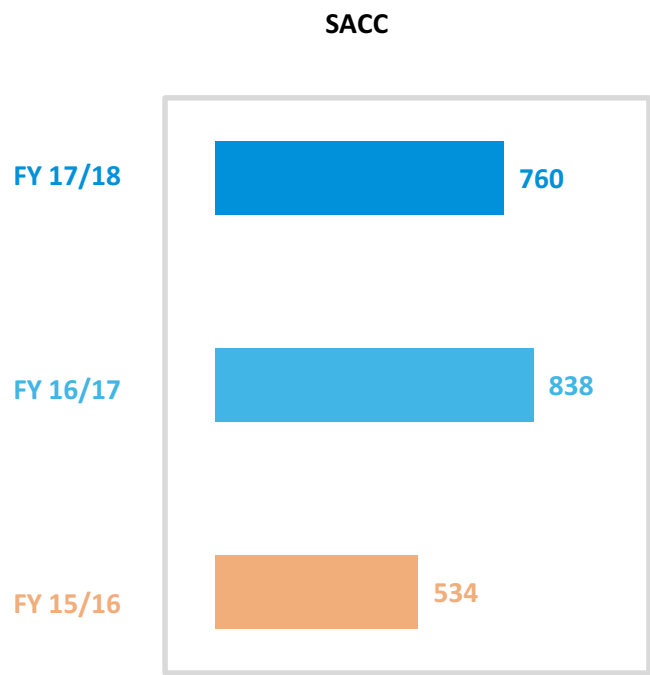


Question: For the financial year, how many new Internal Dispute Resolution cases were recorded on your IDR Register as required by the NCCP Act for each loan type? (Please consider only those disputes that had not been resolved within 5 days).

In the 2017/18 financial year, there were 535 reported new SACC IDR cases in total, down from 974 in the previous financial year.

As a proportion of all new SACCs entered into in the financial year, there were 6.4 cases per 10,000 SACCs, down from 17.2 in the previous financial year.

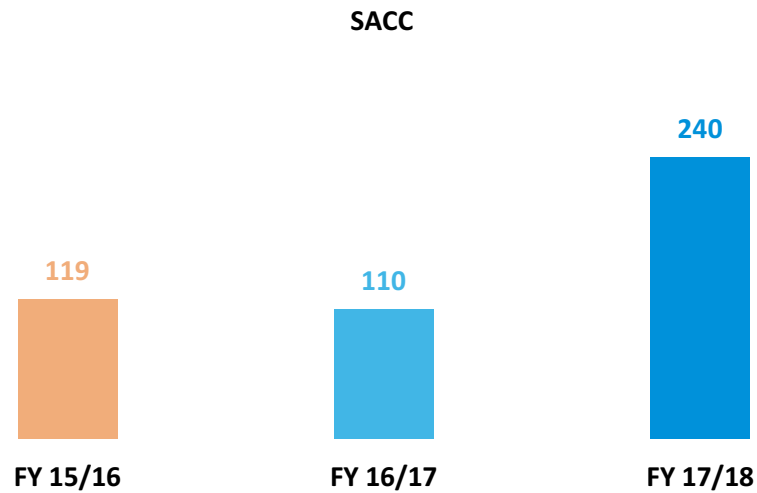
SACC IDR cases closed



Question: For the financial year, how many Internal Dispute Resolution cases were closed on your IDR Register for each loan type?

There were a total of 760 SACC IDR cases closed in the 2017/18 financial year, down from 838 in the previous financial year.

New SACC EDR cases notified

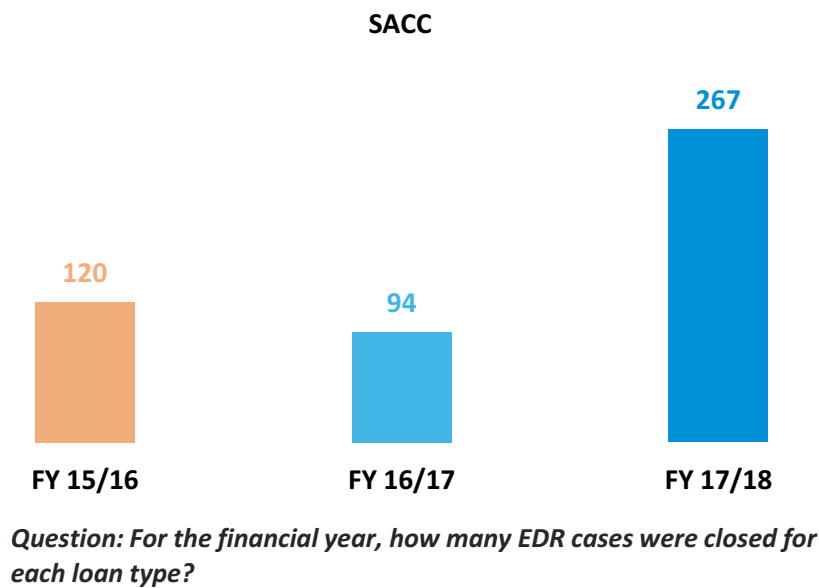


Question: For the financial year, how many new EDR cases were you notified of for each loan type?

In the 2017/18 financial year, there were 240 new SACC EDR cases in total, up from 110 in the previous financial year.

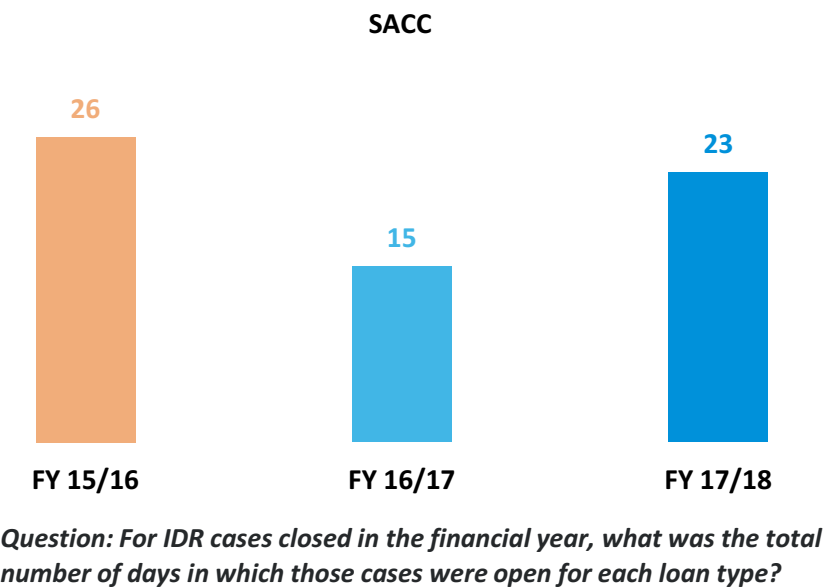
As a proportion of all new SACCs entered into in the financial year, there were 2.9 cases per 10,000 SACCs, up slightly from 1.9 in the previous financial year.

SACC EDR cases closed

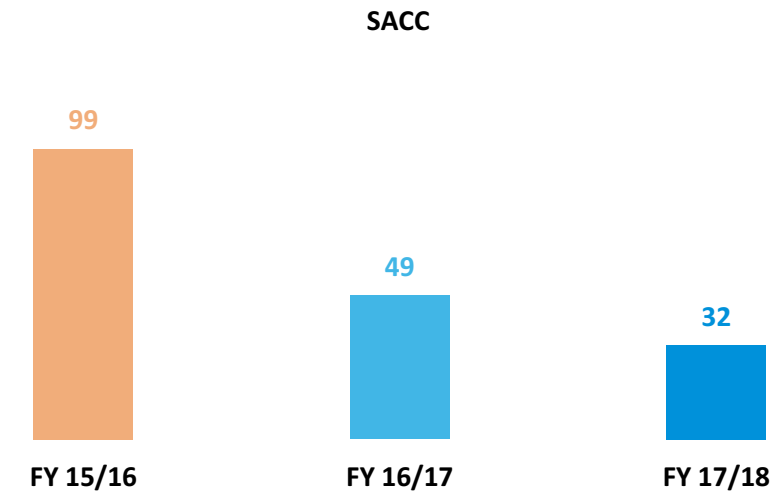


There were a total of 267 SACC EDR cases closed in the 2017/18 financial year, up from 94 in the previous financial year.

Average days of open SACC cases – IDR



Average days of open SACC cases – EDR



Question: For EDR cases closed in the financial year, what was the total number of days in which those cases were open for each loan type?

SACC EDR cases are generally open for longer than SACC IDR cases. On average, SACC IDR cases closed in the 2017/18 financial year were open for 23 days, while SACC EDR cases closed in the financial year were open for 32 days. SACC IDR and EDR cases were open for an average of 15 and 49 days respectively in the previous financial year.

RESEARCH CONFIDENTIALITY

CoreData was commissioned to complete this research as an independent third party provider with no vested interest in the findings. CoreData will complete the research and present the findings with no influence from any stakeholders and entered into informal agreements with ASIC to this effect.

CoreData strictly adheres to the AMSRS Code of professional behaviour in relation to research confidentiality and data security. All responses are strictly confidential and anonymous. The final report will only display aggregated data and will not allow the identification of individual providers.

Only CoreData as the independent primary researchers shall have access to the raw data in the individual submissions. The NCPA or any other third parties shall have no access to the raw data in the individual submissions.

CoreData will not allow for the data collected to be used for any purpose other than market research.

CoreData maintains the highest standards of data security requiring careful management of data security and storage on certified protected servers. All research findings, research briefs and other information will not be disclosed to third parties without prior explicit arrangement from all the research participants.

CoreData conforms to currently agreed professional practice relating to the keeping of records securely for at least five years after the project has ended if this data has not already been deleted.

All data is stored on secure onsite servers with well-maintained firewall facilities and backed up daily to a secure offsite server that also has well-maintained firewall facilities. The security of our servers is managed by a dedicated IT provider who has explicitly agreed to adhere to the AMSRS standards for data storage and security.

ABOUT COREDATA

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Brazil, Singapore, South Africa and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



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