US Mortgage Services

Execution on track for scale and anticipated returns

Nick Oldfield
CEO, US Mortgage Services

27 April 2017

CERTAINTY | INGENUITY | ADVANTAGE

Computershare

Executive summary

Execution on track for scale and anticipated returns

Compelling market dynamics create material opportunity for CPU

Attractive industry we know well that aligns with our core strengths

Building competitive differentiation through focus on servicing quality, technology and product offering

Addition of scale combined with operational effectiveness initiatives positions us for anticipated returns

Deployment of capital adds further differentiation and aids returns profile

Point of reflection at scale (USD 100bn UPB). Financial returns at scale re-affirmed

Key execution priorities for FY17

What we said we'd do

CMC Integration

- Co-issue program expanded and delivering OVER USD 500m UPB per month
- Integrated loan boarding function created in Denver
- Shared services and IT functions combined

Clients and opportunities

- Two major legacy MSR acquisitions closed
- Three performing sub-servicing opportunities won
- Private label sub-servicing solution launched to capitalise on CMC opportunity
- Third party Mortgage Solutions offering launched – first wins secured

Technology

- Building our new loss mitigation system – has been major focus and will go live June
- Expected to deliver operational efficiencies, reduce risk and improve speed to market
- First process automation savings identified

Regulatory compliance

- No major developments
- Impact of new administration remains unclear

Mortgage Servicing expertise

Computershare offers a full range of services across the mortgage value chain

CAPITAL MARKETS COOPERATIVE
a Computershare company

Trade, Co-issue, Capital Market Services, Recapture
Enable a nationwide network of mortgage bankers to leverage their collective power to receive better product, service, pricing and liquidity solutions during the processing, sale and servicing of mortgages.

ALTAVERA MORTGAGE SERVICES
a Computershare company

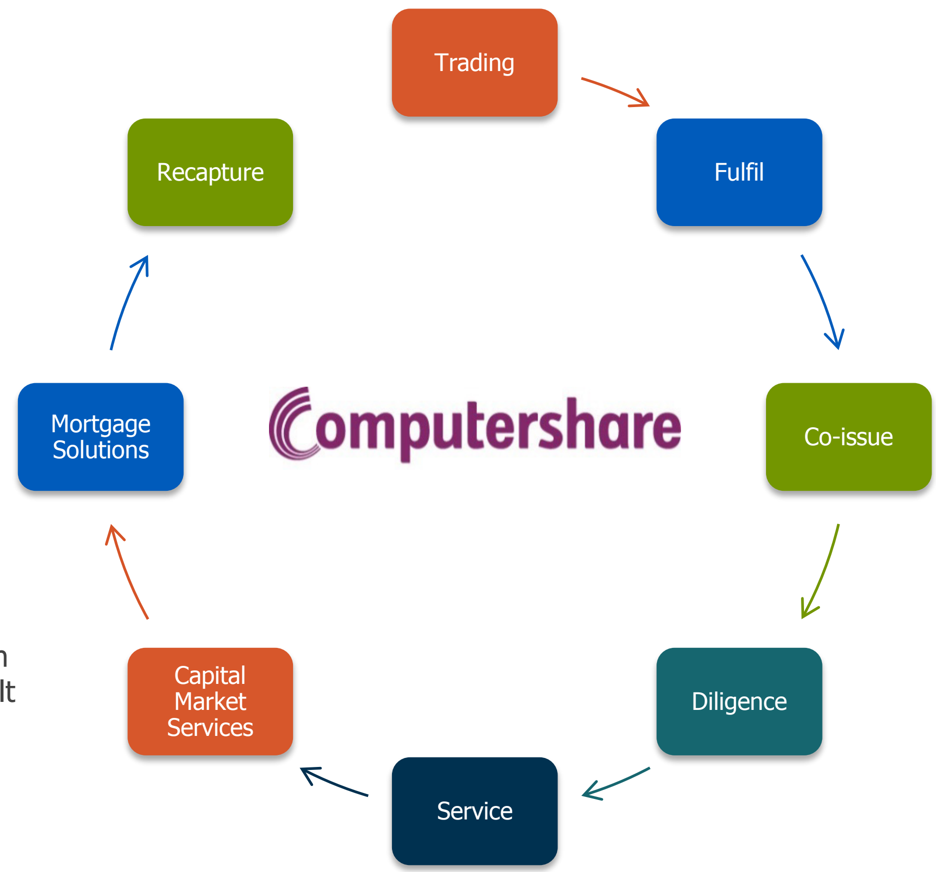
Fulfil, Diligence
Provide mortgage loan fulfillment and closed loan review (due diligence) services.

SLS
a Computershare company

Service
Independent servicer of residential loans including asset conversion, loan administration, loss mitigation, default management and no-equity recovery services.

Computershare
Mortgage Solutions

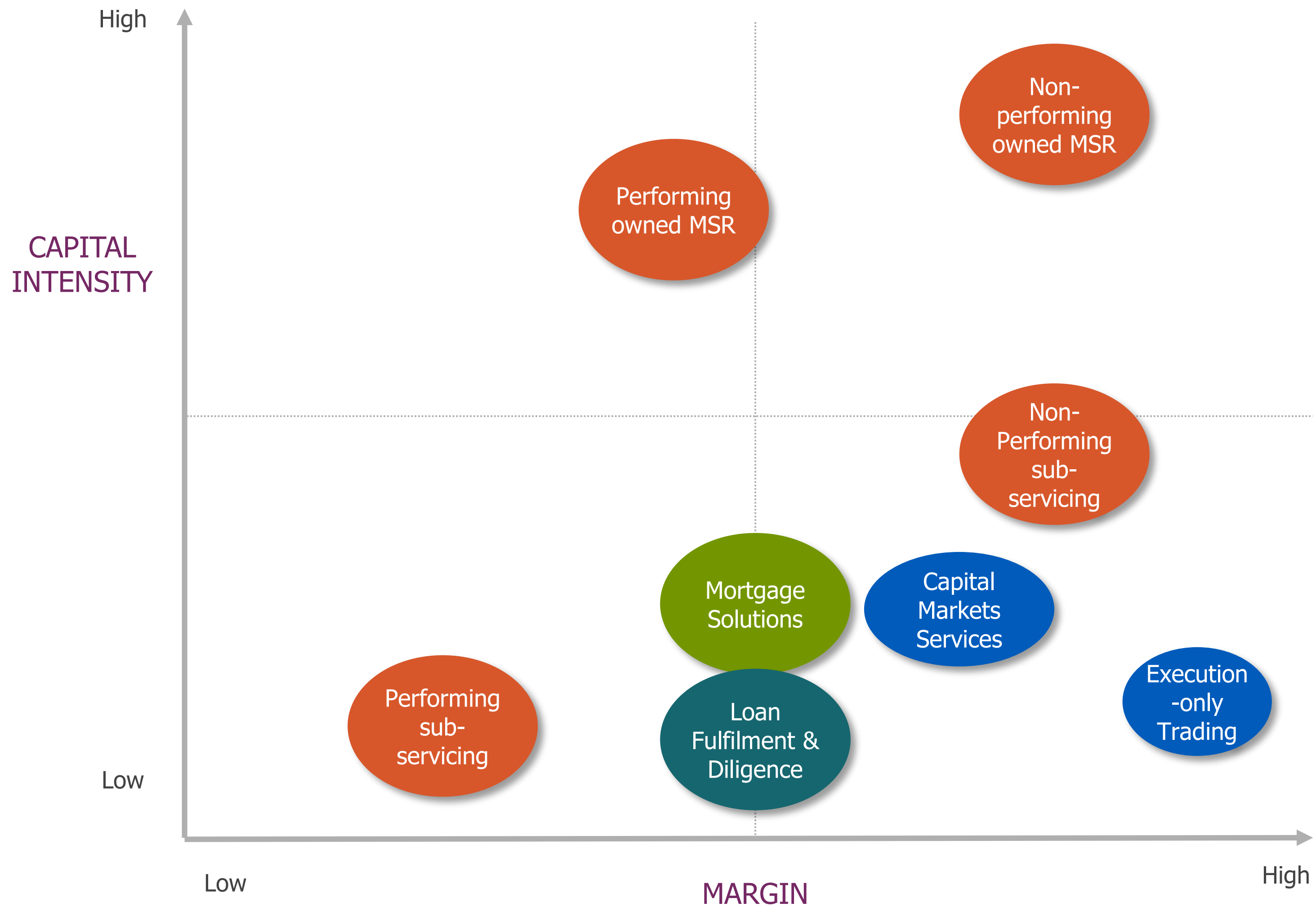
Mortgage Solutions
Provides real estate asset management and valuation solutions with a proven track record in asset marketing and disposition services through its partner network of 20,000 real estate agents.



Computershare

Building our platform for growth

Diversified business maximises overall returns

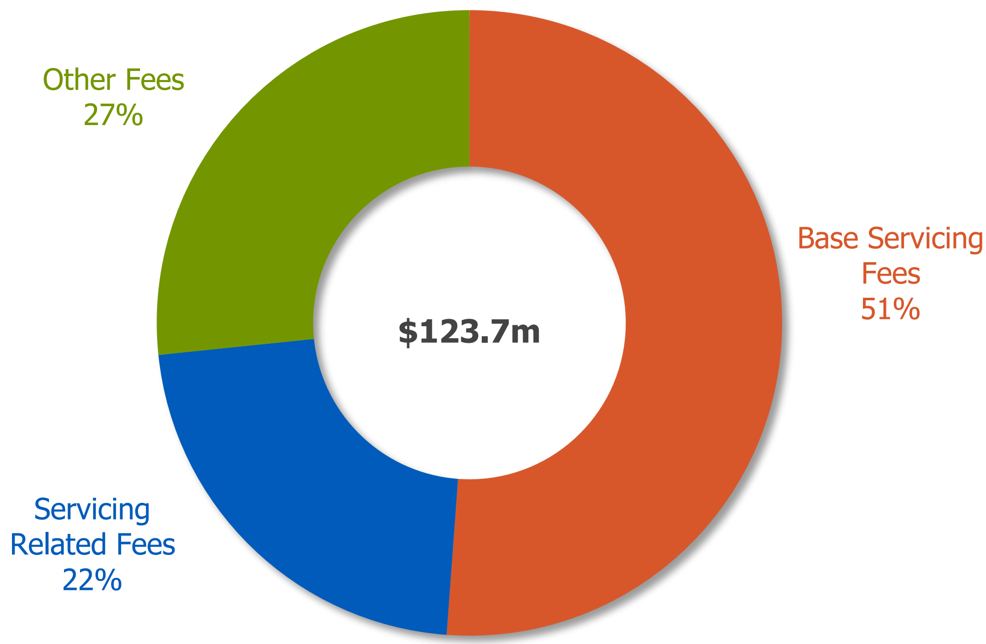


Computershare

Financial disclosure

Revenue breakdown / 1HFY17 business segment financials

US Mortgage Services
1H17 revenue composition



Base fees
- Fees received for base servicing activities.

› Fees are generally assessed in bps for owned or structured deals, while subservicing is usually paid as a $ fee

› Subservicing fees vary by loan delinquency or category

Servicing related fees
- Additional fees received from servicing a loan

› Loss mitigation fees e.g. for loan modifications

› Ancillary Fees e.g. late fees

› Margin income

Other service fees

› Includes valuation, real estate disposition services, loan fulfilment services and CMC Coop Services

Building our platform for growth

Three key requirements to hit scale in FY20

Grow scale

- Targeting market share 1-1.5%
- We see scale as UPB c. USD 100 bn

Current portfolio c. USD 59bn (April 2017)
Substantial market opportunity to deliver portfolio growth

Get the right mix

- Owned MSR and sub-serviced
- Performing and Non-performing
- Ancillary and up/downstream business that support core servicing business

Active strategies in place to deliver on all objectives

Optimise the portfolio

- Prepayment risk, borrowing rate and advance levels, delinquency levels
- Targeting c. 20% PBT margin

Operational programs in place to deliver expected level of portfolio performance

Building our platform for growth

5 strategic pillars to deliver scale

Capital light model

- Leverage MSR purchases to drive new business
- Capital partners
- Excess structures
- Advance financing

Growth in fee based business

- Multiple service offerings expand client opportunities, create stickiness and enhance returns

Optimising our portfolio

- Portfolio performance measurement and management
- Manage pre-payment risk through hedging, recapture, pricing, and customer selection

Drive MSR growth

- CMC Co-Issue
- Legacy special servicing opportunities

Operational effectiveness

- Workflow and process automation
- Offshoring
- Channel management
- CPU infrastructure

Industry landscape

Market dynamics create compelling opportunity for CPU

Market size	› USD 10 Trillion outstanding mortgage volume › Over USD 1 Trillion in annual new origination › CPU targeting a fraction of share
Dislocation amongst Tier 1 Non-Bank Servicers	› Three of four major listed servicers have had or are facing major regulatory or financial challenges › Creates room for a high quality servicer to emerge
Continued shift to non-banks **High quality providers well-placed**	› Non-banks now service over 25% of outstanding mortgages › Creates confidence that potential for substantial growth for CPU exists
Concentration risk concerns of major client groups	› Do not want to be reliant on a single servicing outlet › Coupled with dislocation above, creates opportunity for a new player of size / credibility to emerge
Substantial fragmentation at smaller end of market	› Likely to see consolidation driven by need for scale, increased regulatory burden and capital required to retain servicing

Computershare

Competitive strengths

Consistent with Computershare's compliance culture

Servicing quality

- Upgraded by Moodys & Fitch in past year, S&P re-affirmed
- New investments in systems and process will help improve further
- Track record in special servicing/ performance improvement

Growth profile

- New servicing in manageable proportions
- Co-issue program delivers regular flow and helps manage run-off
- Mix of servicing and ancillary business enhances returns and creates 'stickiness'

Capital

- Do not originate loans - credit risk substantially reduced and do not compete with customers
- Ability to deploy capital differentiates us from pure sub-servicers and enhances returns
- Conservatively leveraged

Scale

- Materially smaller than listed peers – more manageable yet substantial opportunity remains

CPU

- Has scale, resources and competencies that drive ability to create material efficiencies
- Track record and experience in operating in regulated markets around the world

Our business at scale

Re-affirming financial returns

Measure	What it looks like	How we get there
VOLUME	UPB > USD 100bn Market share 1-1.5%	› Continue to grow out CMC Co-Issue program › Execute on legacy opportunities in pipeline › Build up sub-servicing portfolio
MIX	c. 70/30 Servicing v Fee Based business c. 50/50 Owned v Sub-Serviced c. 40/60 Non-performing v Performing	› Drive growth in 3rd party ancillary businesses › Leverage capital deployment to drive out sub-servicing opportunities
RETURNS	PBT c. 20% Free cash flow RoIC 12-14%	› Add scale as per above › MSR pricing broadly unchanged › Deliver on margin expansion plans

Computershare

Priorities for next twelve months

Where we will make progress to deliver on our plan

Margin expansion

- Improvement in operating margin through increasingly scalable platform
- Initiatives include workflow and process automation, productivity management programs, borrower communication channels and offshoring

Execute on pipeline

- A number of attractive legacy opportunities – both sub-servicing and owned MSR
- Expect to increase CMC flow to c. USD 1bn UPB a month
- Targeting a doubling in loan fulfilment volume (Altavera)

Grow out 3rd party solutions business

- Leveraging existing Valuation and Title capabilities for third parties
- Capital light – enhances RoIC and margin
- Substantial market to tackle

Deliver sub-servicing growth

- Leverage capital deployment to drive sub-servicing volumes
- Penetration of CMC patron network
- Execution of legacy opportunities

Implement our new loss mitigation system

- New Loss Mitigation and Workflow platform, due to go live in August
- Will deliver opex and IT savings, together with a more robust operational framework which will reduce regulatory risk

Recapture solution

- Important for excess capital partners as a mechanism to protect their investment
- P&L / margin / RoIC enhancing for CPU

US mortgage regulatory update

Regulation creates barriers to entry – aligned with CPU background elsewhere

Regulatory landscape

- The primary federal regulatory body overseeing the US residential mortgage market is the Consumer Financial Protection Bureau (the "CFPB"), which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act").
- State regulators may also exercise authority to supervise companies performing mortgage related activities and are responsible for enforcing state consumer protection laws. And supplemental to the federal and state regulatory frameworks, residential mortgage companies that do business with Fannie Mae and Freddie Mac must maintain eligibility standards and comply with their guidelines.
- Events shaping the regulatory landscape include (a) an appeal by the CFPB against a decision made by the Court of Appeal in a case brought by PHH Corporation that the single-Director structure of the CFPB was unconstitutional; and (b) a Presidential sponsored review that will look at the framework created in the Dodd Frank Act and structure of the CFPB.

Our approach

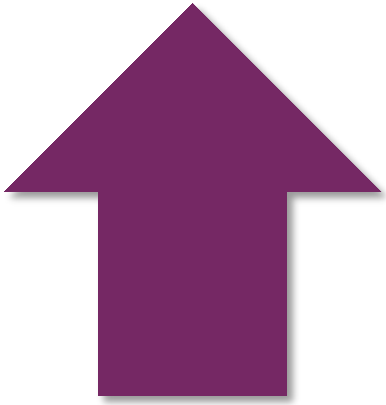
- Investments in the form of key personnel have occurred in the Risk, Legal, and Compliance functions through the integration of resources from the recent acquisition of CMC and recruitment of industry experienced professionals.
- Investments in technology have concentrated on tools that improve efficiencies, remove variability in outcomes and improve the customer experience.
- Continued focus on the "voice of the customer" has enabled management to prioritise initiatives and drive customer satisfaction.

Outlook

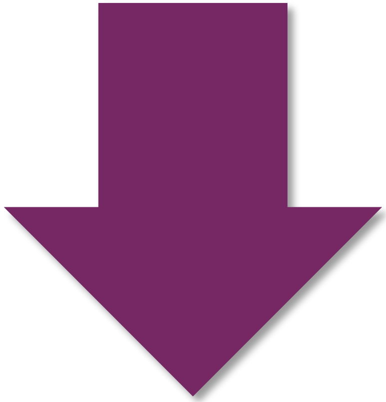
- US Mortgage Services is better positioned for growth with a more scalable risk and compliant infrastructure.
- Investments are targeted in areas that produce a positive customer experience while reducing regulatory risk.
- Uncertainty of rules and enforcement activities continue to permeate the regulatory environment and poses unique challenges to market participants.

Interest rate sensitivities

Sweet spot is modestly rising rate curve



- New origination volume slows, negatively impacting co-issue and fulfilment businesses (re-financing volume slows while purchase volume stays steady or grows)
- Non-conventional mortgage products become more attractive to investors, creating new revenue opportunities for all business lines
- Margin income rises
- Fair market valuation of existing MSR portfolio improves
- Prepayment rates slow, reducing run-off in existing book



- New origination volume grows (in particular re-financing) positively impacting co-issue and fulfilment business
- Margin income falls (can be offset by cash balances rising through greater liquidation activity)
- Fair market valuation of existing MSR portfolio reduces; increases impairment risk
- Prepayment rates increase, increasing run-off in existing book
- Market focus moves to more conventional products narrowing the range of opportunities for us

Management of other key risks

We are comfortable with our residual risk exposure

New mortgage origination and MSR volumes

- MSR volumes drive financial outcomes. CMC provides strong visibility of performing buying opportunity and we have not felt the need to participate in any bulk/auction processes.

Sustainability of MSR pricing

- We have been able to maintain CMC discounts to fair market whilst increasing volumes. Continued lower supply may increase competition and could impact this if volumes remain as they are.

Capital risk

- Capital availability in terms of MSR purchasing and recycling through capital partner transactions is key to our ability to deliver growth. Interest remains high from partners.

Sub-servicing business

- Service quality key. Good performance on legacy side can lead to loss of business but also creates new opportunities. Performing linked to new origination, reputation and price (scale). CMC provides outlet.

Legacy servicing

- We continue to see opportunities to secure new legacy servicing (owned and sub-serviced). Higher interest rate environment will likely add to this..

Regulatory environment

- We have invested significantly in our regulatory management resources. We do not expect any further material (adverse) regulatory changes.

Credit risk

- Government agencies can require loans to be repurchased by MSR owner. Risk covered through contractual protection so counterparty due diligence important. CMC highly experienced in this field.

Concentration risk

- We are not reliant on any major sub-servicing or co-issue client. We continue to explore opportunity to build new capital partner relationships.

Growth opportunities and key priorities

We expect to make substantial progress towards our target in FY18

Expand CMC volume

- Targeting USD 1bn per month in FY18

Execute on current pipeline

- Sub-servicing opportunities in both performing and non-performing sectors

Penetrate CMC network

- Sub-servicing our no. 1 priority

Build out 3rd party business

- Execute on growth plans for Altavera and Mortgage Solutions

Implement new loss mitigation system

- Helps improve margins and control environment

Execute on margin expansion initiatives

- A range of cost reduction opportunities will help drive margin improvement in FY18