

28 February 2023

ASX ANNOUNCEMENT

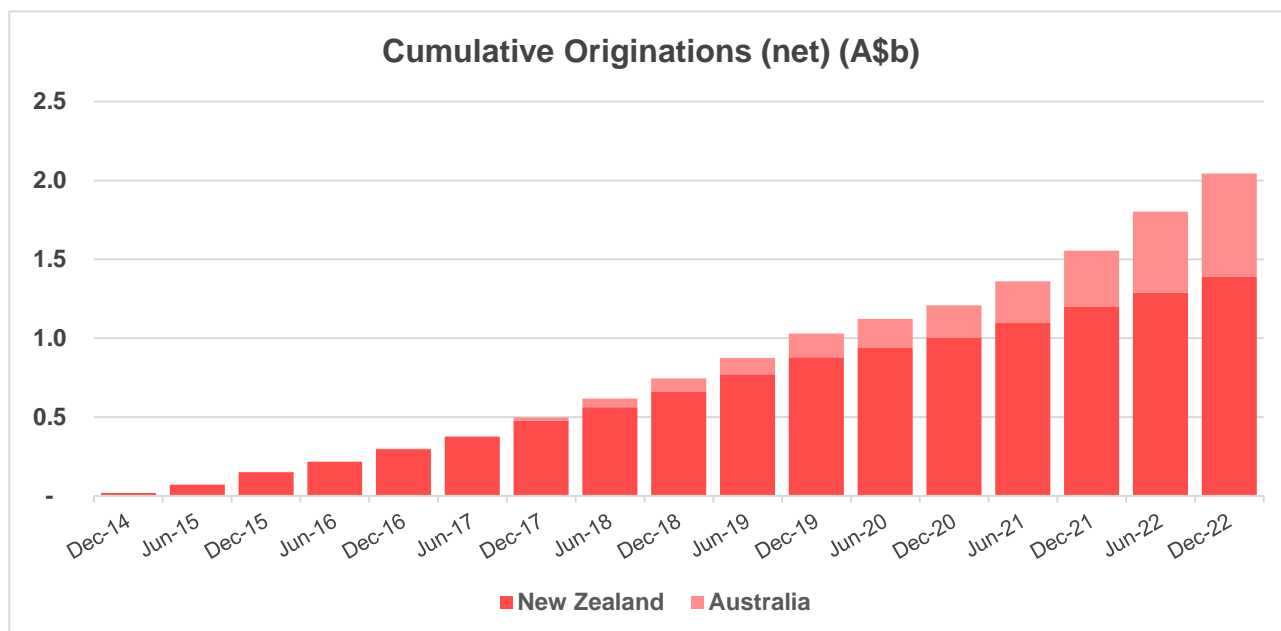
1H23 CASH NPAT PROFITABILITY OF \$2.3 MILLION ANNUALISED CASH RETURN ON EQUITY OF 8%

All numbers in this release are denominated in Australian dollars unless otherwise stated

Harmony Corp Limited (ASX: HMY; “Harmony” or “the Company”) is pleased to provide its results for the half year ended 31 December 2022 (“1H23”).

1H23 highlights (compared to prior corresponding period “pcp”):

- **Cash NPAT profitability of \$2.3m and Cash ROE (annualised) of 8%.**
- **Group loan book of \$701m, with 21% growth** in the past 6 months.
- **Group originations increased 23% to \$241m, with new customer originations up 20% to \$146m.**
- **Australian existing customer loan originations up 84%, and Australian new customers loan originations up 49%.**
- **Net interest margin of 9.8%.**
- **90+ days arrears of 0.46%** with annualised losses of 3.1%.
- **Cost to income ratio of 29%, down from 43% pcp.**



Commenting on Harmony's half-year performance, David Stevens, CEO & Managing Director said:

"Harmony continues to deliver on its growth strategy with another strong result in the half. Our loan book is now over \$700m, up 21% over the last 6 months, and our cash NPAT was \$2.3m. We expect our profitability to continue to accelerate as the book grows and the business scales by driving further cost efficiencies from our automation, and from our acquisition model with our growing existing customer base.

"Despite the current interest rates in Australia and New Zealand, and rising concerns generally, we have a clear strategy to manage funding costs, including our hedging program, with 75% of floating rate borrowings currently hedged and a diversified funding program supported by three of the Big 4 Australian banks."

	1H23	1H22	Change
Revenue	\$50.1m	\$32.2m	55%
Customer acquisition costs	\$6.5m	\$10.1m	36%
Cost to Income	29%	43%	34%
Cash NPAT	\$2.3m	(\$0.1m)	\$2.4m
Losses to average loans	3.1%	2.2%	(90bps)
Cash Return on Equity (annualised)	8%	n/a	n/a

Key lead indicators continue to grow with increasing new and existing originations

Harmony delivered strong results for the first half of FY23 with new originations increasing by 20% whilst achieving a 36% reduction in customer acquisition costs (marketing spend). Harmony's dedicated focus on its online marketing, powered by consumer-direct data and the continuous machine learning of Harmony's Stellare® platform, is driving new customer originations at a lower cost.

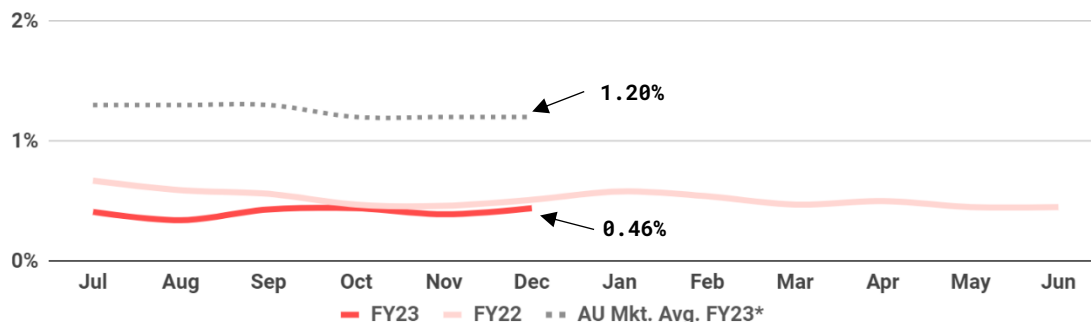
Additionally, Harmony recorded existing customer originations of \$94m for 1H23, reflecting Harmony's ability to retain customers and become their preferred financial partner for lending. This repeat business, with minimal additional customer acquisition costs incurred, creates a growing annuity stream for the business.

The loan book continued its strong growth, delivering a 21% increase to \$701m over the last 6 months, primarily driven by the growth in the Australian business. As at 31 December 2022, the Australian loan book surpassed the New Zealand loan book, demonstrating the opportunity in this significantly larger market. This has been achieved in a relatively short period of time with the Australian loan book growing by more than 250% since Harmony's initial public offering in November 2020. This result is further evidence of the success of Harmony's 100% consumer-direct model and its ability to translate into the larger Australian market.

The group has successfully delivered a net interest margin of 9.8% for the half, down from an exceptional 13.0% in the prior comparative half due to increased funding costs with rising market interest rates, but still very strong and is expected to remain around this level with Harmony targeting a net interest margin of ~10%.

Harmony's loan book is represented by credit worthy customers with more than 40% home owners and at least 73% employed in professional, office or trade roles. As a result of this the group's credit losses

have remained low at 3.1% and arrears have remained steady at 0.46%, substantially lower than the personal loan market average which sits at 1.20%¹.



As at 31 December 2022, Harmony has undrawn committed warehouse funding lines of \$220m with an unrestricted cash balance of \$30m.

FY23 OUTLOOK REAFFIRMED

- Origination and loan book growth
- Net interest margin to be maintained at ~10%
- Cash NPAT Growth
- Targeting 20% Cash ROE in the medium term

Commenting on the outlook, Mr Stevens said:

“Harmony is well positioned to continue to scale in Australia and New Zealand. We are successfully executing on our Australian strategy, delivering a high-quality loan book with low arrears across both the Australian and New Zealand businesses. We remain focused on our key areas of growth, including continued expansion in Australia, improving customer conversion, and leveraging our data insights to drive further technological and product innovation.

“We are excited to have just launched our first secured product, a car loan which empowers customers with cash buyer confidence to purchase a vehicle both privately and through dealers. This is truly a different way of purchasing a car in Australia and New Zealand. We also look forward to the release of the next evolution of our proprietary Stellare® platform that will provide us with expanded technical and product capability which is scheduled to go live between July and September 2023 which will drive further account to loan conversion improvements in FY24 and beyond.”

¹ Source: Equifax Australian Consumer Credit Demand Index 2022 Q4, Personal Loan series

Investor conference call today at 10am AEDT / 12noon NZDT time

Harmony's Managing Director & CEO, David Stevens, and CFO, Simon Ward, will host an investor conference call and webcast, including a Q&A session today, 28 February 2023.

Participants are encouraged to register before the start of the call using the details below. Registered participants will receive their dial-in number upon registration.

<https://s1.c-conf.com/diamondpass/10028215-qcev1n.html>

This release was authorised by the Board of Harmony Corp Limited.

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ABOUT HARMONEY

Harmony is the only 100% consumer-direct personal lender operating across Australia and New Zealand. Harmony provides customers with unsecured personal loans that are fast, easy, competitively priced (using risk-adjusted interest rates) and accessed 100% online.

Harmony's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use.

Harmony's proprietary digital lending platform, Stellare® is the power behind the platform. Stellare® can process, approve and fund most loan applications within 24 hours. Stellare® also replaces the traditional industry credit scorecard with Libra®, our predictive behavioural analytics engine. Libra® uses machine learning to analyse our rich, direct consumer data to deliver automated credit decisioning and superior risk-based pricing.

BUSINESS FUNDAMENTALS

- Harmony provides risk based priced unsecured and secured personal loans of up to \$70,000 to consumers across Australia and NZ.
- Its 100% consumer-direct model and automated loan approval system is underpinned by Harmony's scalable Stellare® proprietary technology platform.
- A large percentage of Harmony's originations come from existing customers with no customer acquisition cost.
- Harmony is comprised of a team of ~85 full-time employees predominantly based in Auckland, New Zealand, half of whom comprise engineering, data science and product professionals.
- Harmony has a highly diversified funding panel with warehouses being provided by three of the "Big-4" banks across Australia and New Zealand and Harmony also issued its first asset backed securitisation in 2021 which was publicly rated by Moody's.

For further information visit <https://www.harmony.co.nz/> or <https://www.harmony.com.au/>