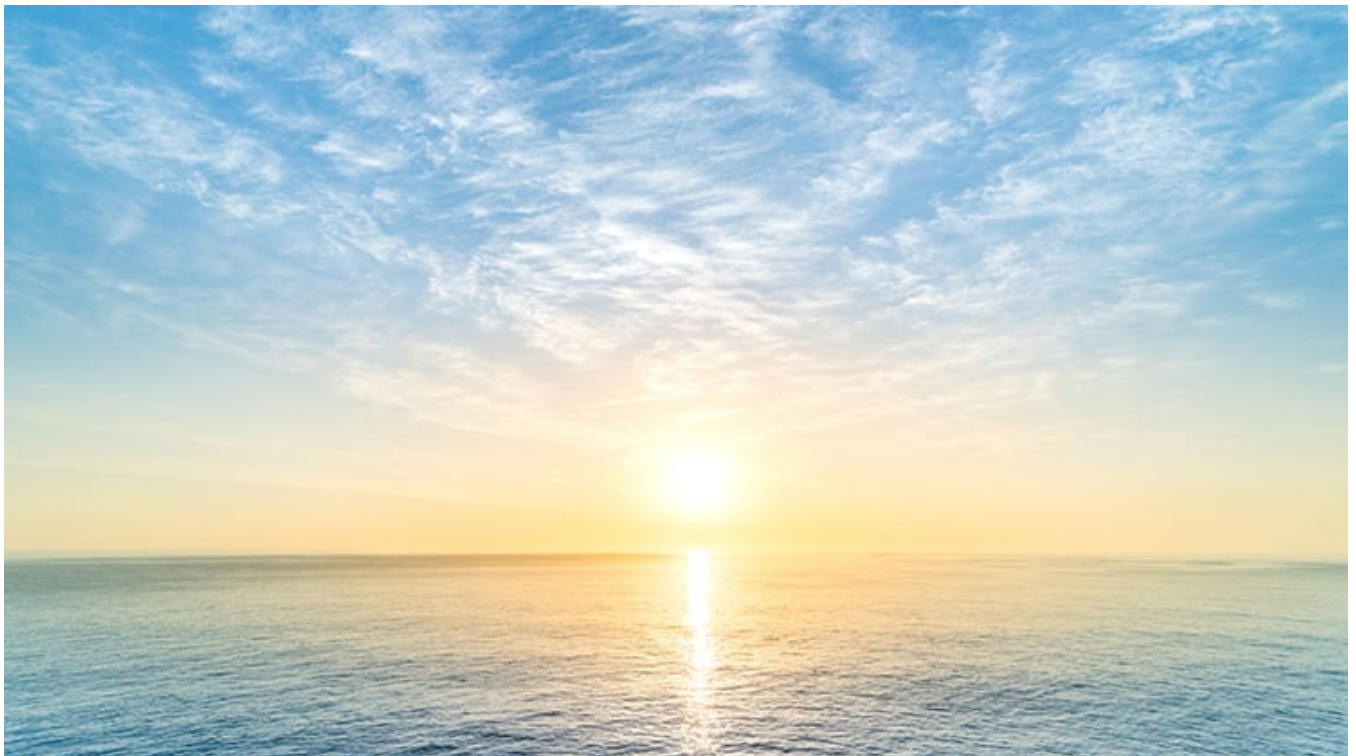


How Perpetual Digital helped enable Athena Home Loans whole loan sale to Newcastle Permanent

By Perpetual Corporate Trust

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On the face of it, Athena Home Loans and Newcastle Permanent couldn't be more different. Athena is a fast-growing fintech, less than three years old and looking to disrupt the home loan

space - "Life's too short for a long home loan." Newcastle Permanent is customer-owned, has deep community ties in northern NSW and a 118-year heritage. What they each share is a passion for doing the right thing by their customers, and a willingness to use the latest tools and technology to take the friction out of big transactions, so they work better for everyone.

The shape of the deal

In mid-to-late 2020 an innovative \$300 million whole loan sale transaction between Athena and Newcastle Permanent started to take shape. Like all good transactions, it worked for both parties:

- Newcastle Permanent put its balance sheet strength to work, using its 20% tier one capital to purchase a quality pool of assets.
- Athena diversified its funding to continue its rapid growth.

The business challenge

The key to getting this transaction done was meeting both businesses' needs at the same time. For Newcastle Permanent, rigorous due diligence was required. With the long-term interests of their community customers in mind, they wanted to buy a quality loan pool from a reputable counterparty and be sure the transaction was both highly transparent and rigorously assessed by the board and their risk teams. Data security was also a high priority.

As a digital-only lender, data security was also crucial for Athena, but they also wanted to be able to move quickly with minimal transaction costs and friction.

In short, a transaction that met the needs of the two parties would need to be both quickly executed, low-risk, allow for extensive due diligence, transparency and data security whilst eliminating bureaucracy.

Typically a transaction like this would involve sellers and buyers exchanging large, highly sensitive Excel data sheets – via email. These data sheets contain sample pool cuts with significant information involving loan volumes, value ratios, delinquency status etc.

The buyer needs to keep this highly sensitive data secure but also to interrogate it extensively, turning the data into charts, graphs and scenarios that allow extensive analysis and underpin strategic decisions at the Board level. Traditionally, getting all this done takes time, resources and a possible level of data security risk.

"For these sorts of transactions, we would usually involve risk management, IT, the finance teams and executive team as well as dedicate project management resources to coordinate them," says Mark Colless, Chief Financial and Transformation Officer from Newcastle Permanent. "We'd typically consider a separate secure environment to allow for analysis and reporting and it's a process that could normally take months to complete and take many of our people away from their core role."

Athena and Newcastle Permanent wanted a better way.

The platform solution

Athena had worked with Perpetual Digital since the launch of its business using Perpetual's Business Intelligence Loan Analytics, IFRS 9 and Credit Analytics modules to help manage their lending practices.

For this transaction, Athena authorised Perpetual Digital to open up the data tape and underlying analytics to Newcastle Permanent. The loans intended for sale were pushed through the Perpetual Business Intelligence platform to Newcastle Permanent in a manner that permitted loan-level assessment. This accelerated Newcastle Permanent's due diligence on the transaction whilst ensuring data security, and no need to email Excel spreadsheets.

Just as important, the Perpetual Business Intelligence platform enabled fast but rigorous transaction analysis by the leadership teams at Newcastle Permanent.

"By using the Perpetual Business Intelligence platform, Newcastle Permanent could analyse the historical and current loan performance quickly and easily, complete with credit risk and IFRS 9 overlays," said Jason Finlay, Athena's Group Treasurer.

"A key part of that due diligence was the ability to review the average performance of the pool but also to quickly and easily identify any outliers. That's significantly easier in a platform that uses high quality data-visualisation software supported by loan level data sets. It meant each area of Newcastle Permanent's due diligence teams could access the data points they needed, without the need to re-cut and rebuild reports and files."

Outcomes

With Perpetual Business Intelligence acting as a data conduit – and a data analytics hub – Newcastle Permanent and Athena both achieved their business goals with a substantial saving in cost, time and risk.

- Newcastle Permanent purchased a quality loan pool quickly and smoothly.
- Their Board and executive team made decisions using data visualisation tools that facilitated due diligence across multiple facets of the transaction simultaneously – and therefore accelerated decision making.
- With no need to transfer data via email, the risk of error and data loss was eliminated.

“We’ve worked with them since launch,” says Finlay. “So, we know how neatly Perpetual Digital sit at the nexus of issuers and investors. That worked really well for us when it came to completing a win-win transaction with Newcastle Permanent.”

Perpetual Digital is always looking to work with organisations – big or small – that need this type of innovative platform to help them optimise loan book deals. Talk to a Perpetual specialist today to find out how we can help you. Contact: pctsales@perpetual.com.au