



MEDIA RELEASE

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Bluestone lifts earnings as international expansion gathers pace

Bluestone, a leading provider of capital management and loan administration services, today reported a net profit after tax of \$6.1m for the year ended June 30, 2009, a 56% increase over the prior year (2008: \$3.9m). Earnings before interest and tax increased 18% to \$15.5m, although higher debt service costs resulted in a lower increase in pre-tax profits of 7%, to \$9.1m.

Bluestone CEO, Mr Peter McGuinness said while earnings from the company's mortgage portfolio remained consistent with expectations, the servicing and capital management operations provided future growth opportunities.

Bluestone Servicing contributed approximately 36% of the group's operating income and in its first full year of operation, Bluestone Capital Management contributed approximately 12% of operating income.

"We were particularly pleased to deliver an increasing contribution to earnings from these younger businesses, both of which represent exciting opportunities for future growth," he said.

"Earnings from our back-book of mortgages remain consistent and reflect the strong credit performance of this portfolio through more challenging economic conditions, providing significant confidence that our fundamental credit model is robust when/if we begin originating again.

Another area of positive news is the fact that Bluestone's all-time loan losses taken to-date have been less than 1% of the balance of loans originated since 2000," Mr. McGuinness said.

He said Bluestone Capital Management, which focuses on acquiring and managing under-performing consumer finance portfolios, had made significant progress in developing its platform in Australasia and Europe.

"Our first transaction, completed in August 2008, was the purchase of a \$150m partly-performing/impaired auto portfolio in New Zealand, which has performed in line with our original expectations and we are now working on a number of follow-on transactions.

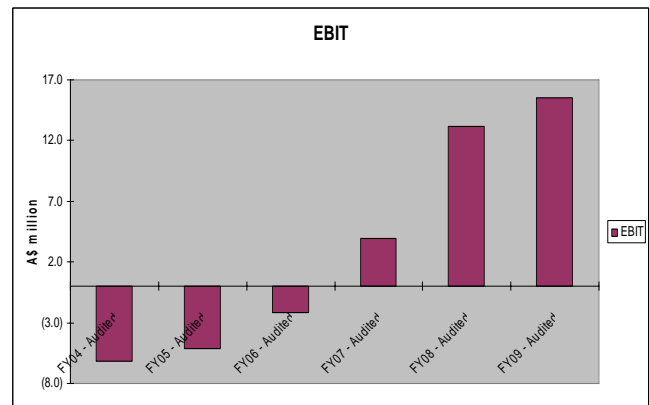
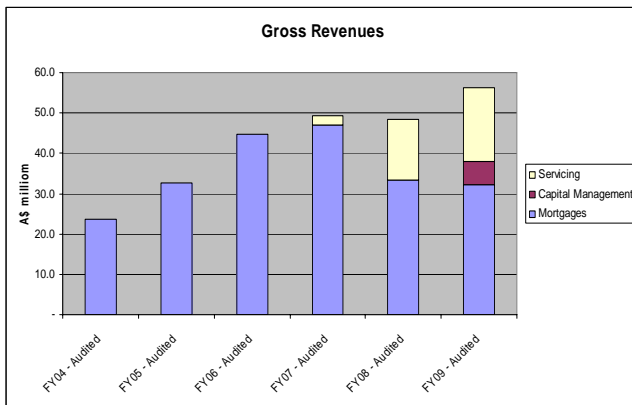
"We believe there is a broad opportunity for both investors and funders of these types of portfolios to benefit from portfolio sales".

Bluestone's other main operating division, Bluestone Servicing, a specialist servicer of consumer finance assets on behalf of Bluestone's own Sapphire and Emerald securitisation programs as well as for third parties such as banks and trustees is experiencing growing interest.

Mr Mike Dilworth, CEO of Bluestone Servicing, said there has been increased interest from banks in particular in the provision of high quality operational support to existing portfolios either being run-off over time or where the provision of rated servicer support is a pre-requisite to secure ongoing funding commitments.

Bluestone Servicing was recently appointed as back-up servicer on two bank funded Australian portfolios, and manages a \$150m mortgage portfolio in New Zealand on a third party basis.

Mr Dilworth said a significant drawcard was the fact that the business remains the only servicer in Australia and New Zealand to be rated by both Standard & Poors ('Above Average') and Fitch Ratings (2-).



Bluestone's European Expansion

Bluestone commenced operations in the UK in February, 2009, with Executive Chairman, Mr Alistair Jeffery, establishing an office in Cambridge and recruiting a small team of investment and asset management professionals.

Mr Jeffery said the business is focussing on acquiring and managing consumer loans portfolios in the UK and Europe, and is currently applying for the requisite regulatory licences and adapting its Australian servicing system, BOSS, for European usage.

He said Europe has been hit hard by the effects of the financial markets turmoil, with sharp increases in unemployment rates and substantial property price declines in many countries. Global write-downs by banking institutions totalled US\$580b at the start of the year, of which approx. US\$230b were reported by European banks, and \$240b relate to mortgages. Less than 5% of write-downs were reported by lenders in the Asia-Pacific area. Many write-downs relate to un-realised losses, with the impaired assets currently being held in a variety of state owned, state sponsored, or independent balance sheets. It is likely that in the medium term, a cleansing process will take place, in which impaired assets are sold to raise capital, or improve a lenders ability to raise their own funding efficiently. If that process does not start naturally, it is also likely that government and regulators will intervene to force lenders to address the quality of their balance sheets, fearing a repeat of Japan's 'zombie banks' of the 90s.

"Bluestone has positioned its European operations to take advantage of the balance sheet cleansing process, by gearing up to buy and manage some of these assets.

"The business has secured a €100m acquisition facility from an experienced alternative investment manager, and is currently preparing to bid on and acquire portfolios of assets," he said..

About Bluestone

Bluestone Group was established in 2000 as a specialist mortgage lender. The business expanded into reverse and commercial mortgages in subsequent years, and launched a servicing subsidiary in 2006. Bluestone provides portfolio acquisition and management services, and manages a diverse portfolio of \$2.0bn. The business operates from offices in Australia, New Zealand and the UK. Visit our web site at www.bluestone.com.au or www.bluestone.co.uk.

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