



FY2015 Annual Results

August 27 2015

Brett McKeon - CEO

David Bailey - CFO

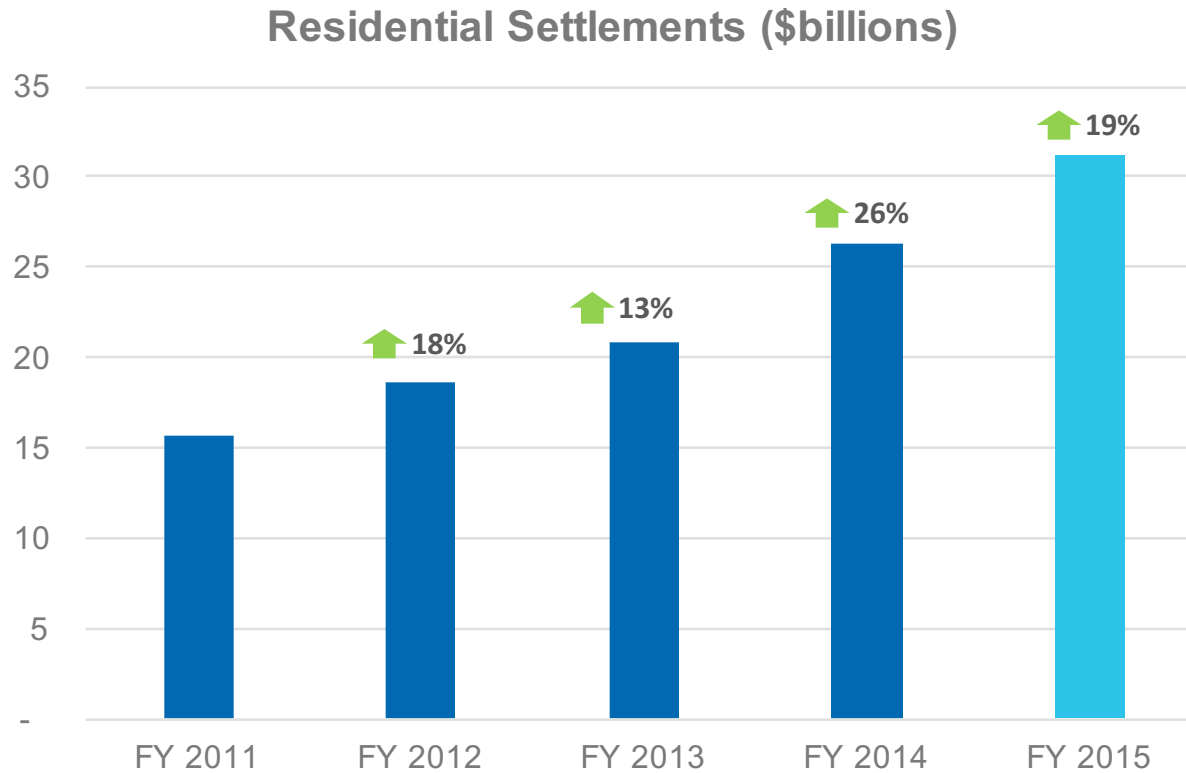
FY2015 Financial Results – Highlights

Delivery on FY15 Prospectus forecasts

- Pro forma NPAT – \$19.3 million – up 8.4% against IPO forecast of \$17.8 million
- Record residential settlements – \$31.24 billion – up 19% on FY14 – 1% higher than FY15 forecast
- Record commercial settlements – \$2.39 billion – up 23% on FY14 – 14% higher than FY15 forecast
- AFGHL Edge Settlements - \$460 million vs forecast of \$150 million
- Broker numbers at 30 June of 2,394 up from 2,300 @ IPO
- Broker penetration of Australian mortgage market now 51.5%

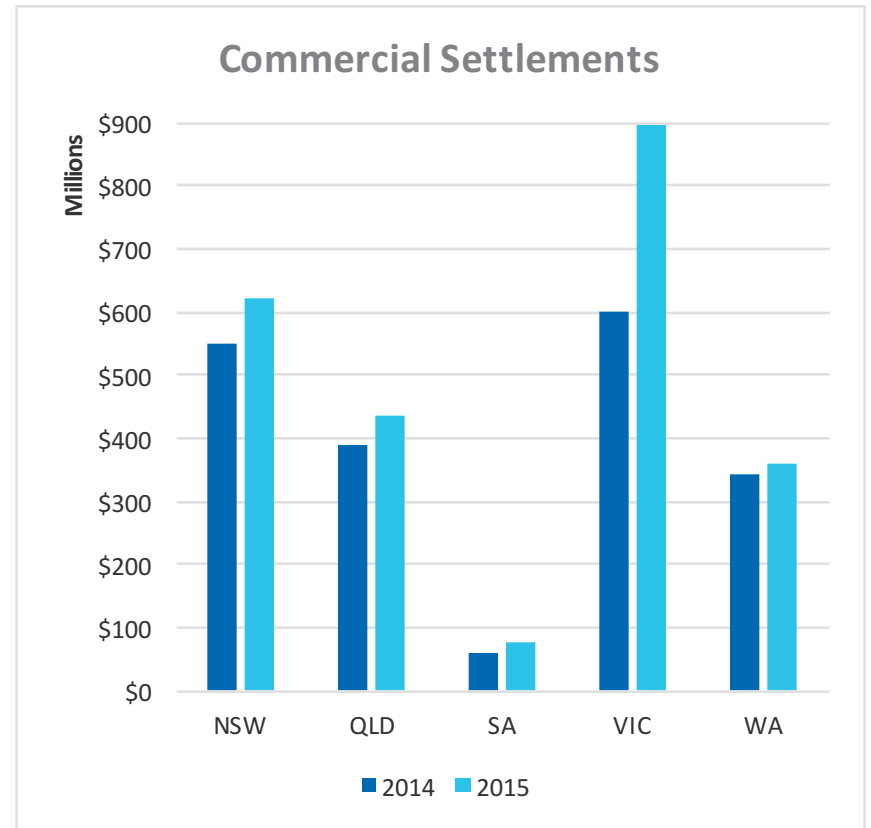
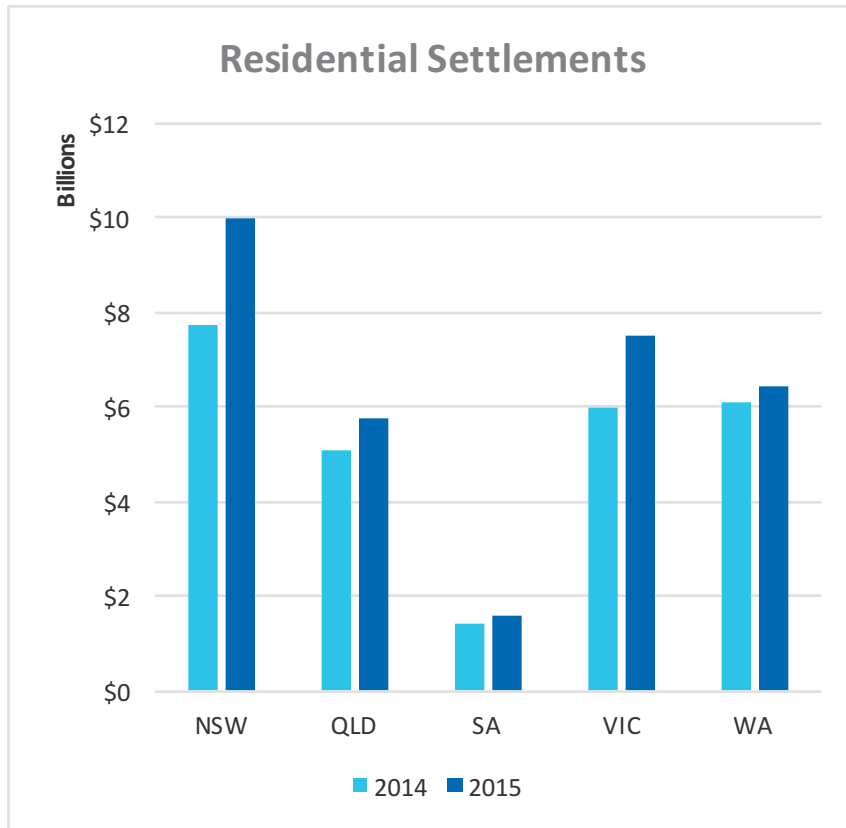
Residential Settlements

Consistent growth over five years



Settlements

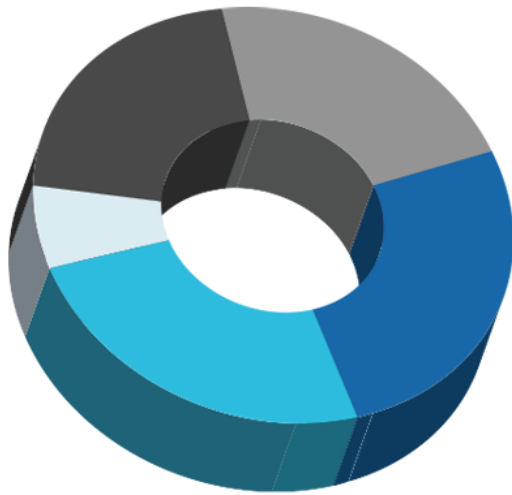
Strong growth in both Residential and Commercial Settlements



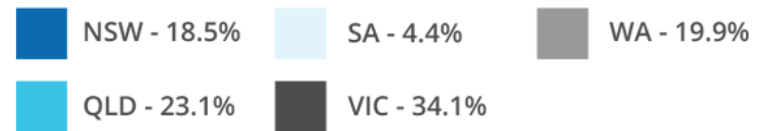
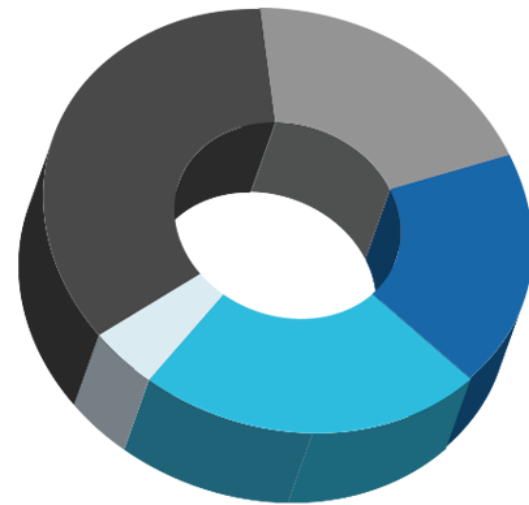
Portfolio Values June 2015

Total loan book of \$107 billion generating ongoing trail commission

Residential



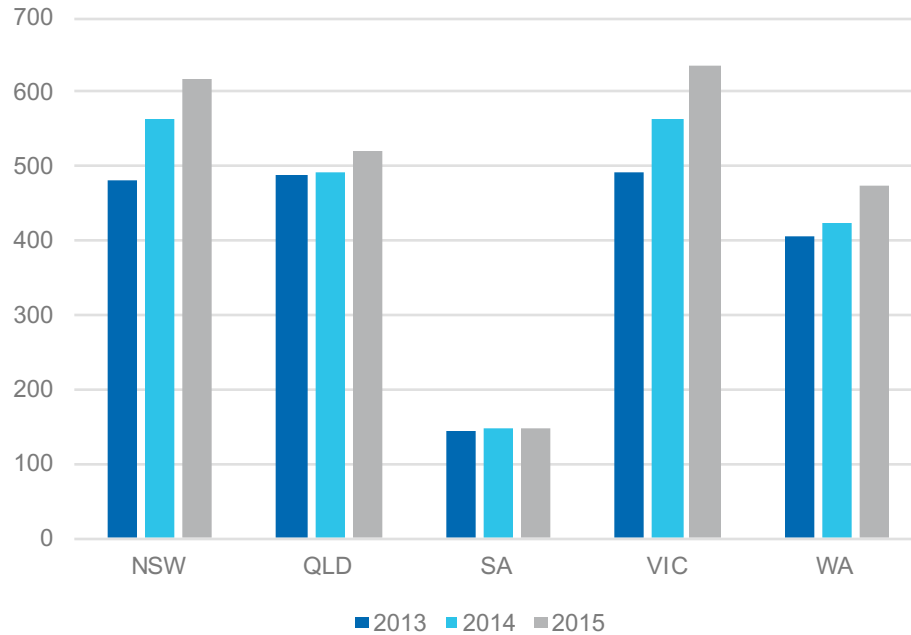
Commercial



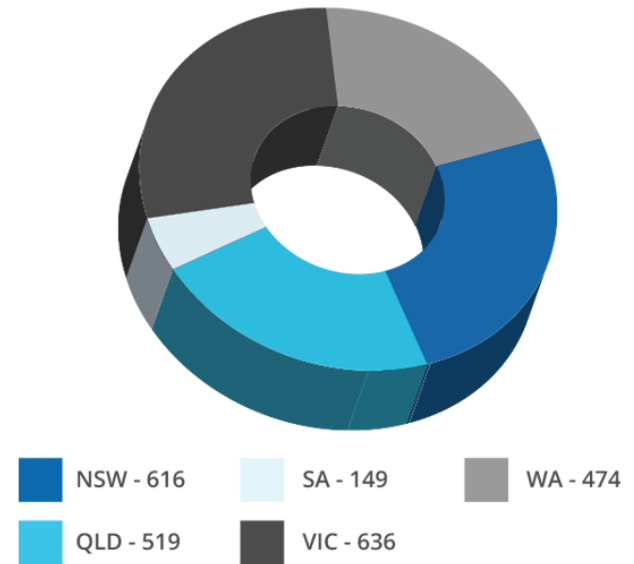
Broker Numbers

Consistent increase in broker numbers with good geographic diversity

Broker Numbers



Broker Location



AFG Home Loans

AFGHL Edge

- Settlements of \$460 million versus \$150 million forecast
- Assisted by very attractive introductory rate and fast turnaround times
- Remains a book build process

AFGHL ICON

- Newly branded white label about to be launched
- Similar margins to Edge Product and similar residual risk profile
- Softer roll out until we access the funders new digital lending platform
- Achieves objective of having more than one white label funder



Financials

2015 results - actual

Increased profit underpinned by bigger loan book and increased settlements

	2015 Statutory \$000's	2014 Statutory \$000's		
Statutory NPAT	20,374	17,869	↑	14%
Represented by				
Continuing Operations	15,296 ¹	16,523	↓	(-7%)
Discontinued Operations (Property Business)	5,078	1,346	↑	275%
	20,374	17,869	↑	14%
Loan Book	106,926,558	94,449,054	↑	13%
Settlements				
Residential	31,242,452	26,288,663	↑	19%
Commercial	2,392,418	1,941,652	↑	23%
AFGHL Edge Settlements	460,000	-		
AFG Securities Loan Book	1,020,294	1,005,785	↑	1%
Net Interest	10,438	9,403	↑	11%
Net Interest Margin	1.00%	0.98%	↑	2%
EPS	10.7 cents	9.6 cents	↑	7%

KPI's Actuals v Prospectus Forecasts

Outperformed against Prospectus forecasts

	FY2015 Pro Forma \$000's	FY2015 IPO Pro Forma \$000's		
Pro Forma NPAT	19,256	17,841	↑	8%
Loan Book	106,926,558	104,923,132	↑	2%
Settlements				
Residential	31,242,452	30,896,079	↑	1%
Commercial	2,392,418	2,094,948	↑	14%
AFGHL Edge Settlements	460,000	150,000	↑	207%
AFG Securities Loan Book	1,020,294	1,037,595	↑	2%
Net Interest	10,438	10,050	↑	4%
Net Interest Margin	1.00%	0.95%	↑	5%
EPS	10.1 cents	9.6 cents	↑	8%

Pro Forma 2015 Results v Prospectus Forecasts

Delivered on FY15 forecasts

	2015 Pro Forma	2015 IPO Pro Forma
	\$000's	\$000's
Commissions	412,775	409,953
Interest on trail commission income receivable	48,536	48,509
Mortgage management services	713	725
Securitisation transaction fees	796	742
Securitisation interest income	48,534	48,815
Total Revenue	511,354	508,744
Securitisation interest expense	(38,096)	(38,765)
Interest on trail commission payable	(43,214)	(43,190)
Other cost of sales	(378,110)	(376,361)
Gross Profit	51,934	50,428
Other income	12,448	11,922
Administration expenses	(3,480)	(3,507)
Other expenses	(34,546)	(33,925)
Depreciation and amortisation	(1,132)	(1,191)
Result from operating activities	25,224	23,727
Finance income	2,394	2,204
Finance expense	(67)	(45)
Net finance income	2,327	2,159
Profit before tax	27,551	25,886
Income tax expense	(8,295)	(8,045)
Net Profit after tax	19,256	17,841

Reconciliation to Pro forma Forecast Results for FY2015

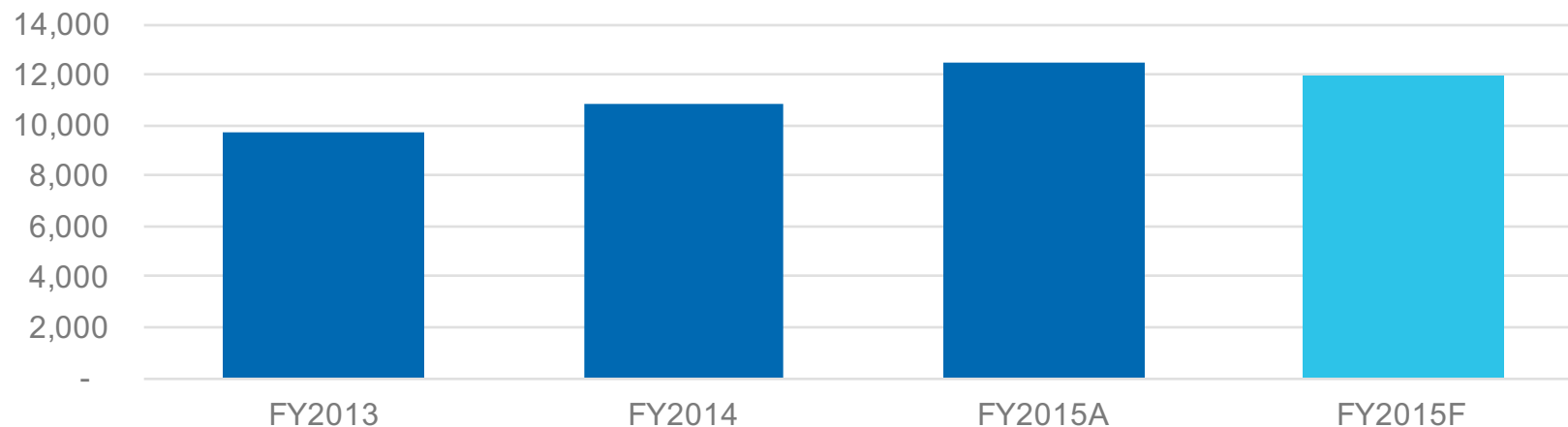
	\$'000
Statutory Profit Before Tax	27,180
Add/(Less) Pro Forma Adjustments:	
IPO Costs	5,636
Other ⁽¹⁾	<u>(5,262)</u>
Pro forma Net Profit Before Tax	27,554
Statutory Taxation	(6,806)
Taxation on Pro Forma Adjustments	<u>(1,491)</u>
Pro forma Net Profit After Tax	<u>19,256</u>

(1) The major item within the Other Pro Forma adjustment relates to the gain arising on the de-merger of the Property assets to Establish Property Group Limited. Prior to the de merger the company obtained roll over relief from the Australian Taxation Office with respect to these assets and as a consequence no tax is payable (and as such no franking credits arise) from the gain which has been realised.

Other Income

Consistent increase and ahead of FY2015 forecast

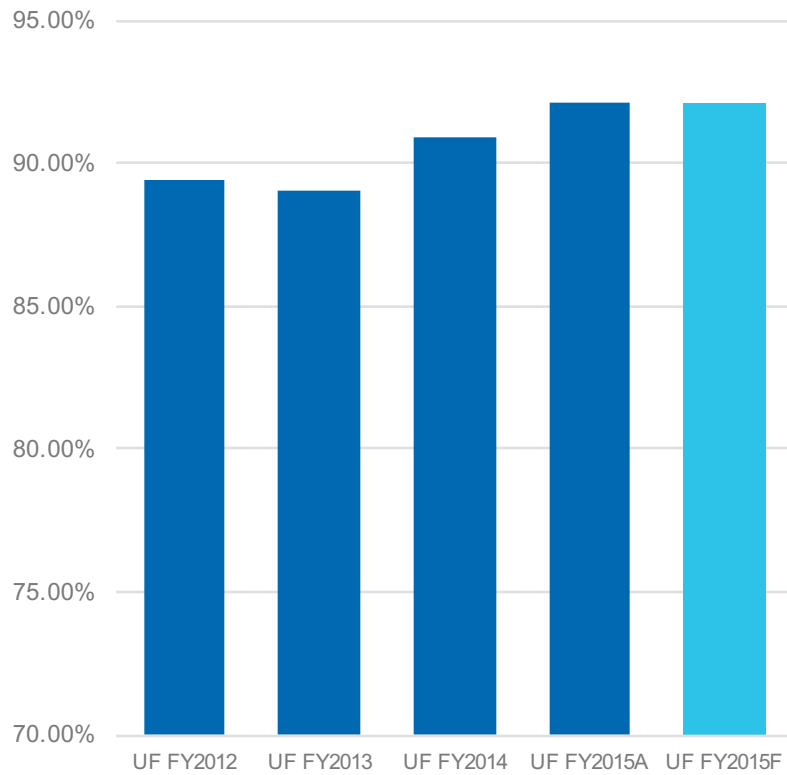
Other Income: Actual and Comparison to FY15 Forecast (\$000's)



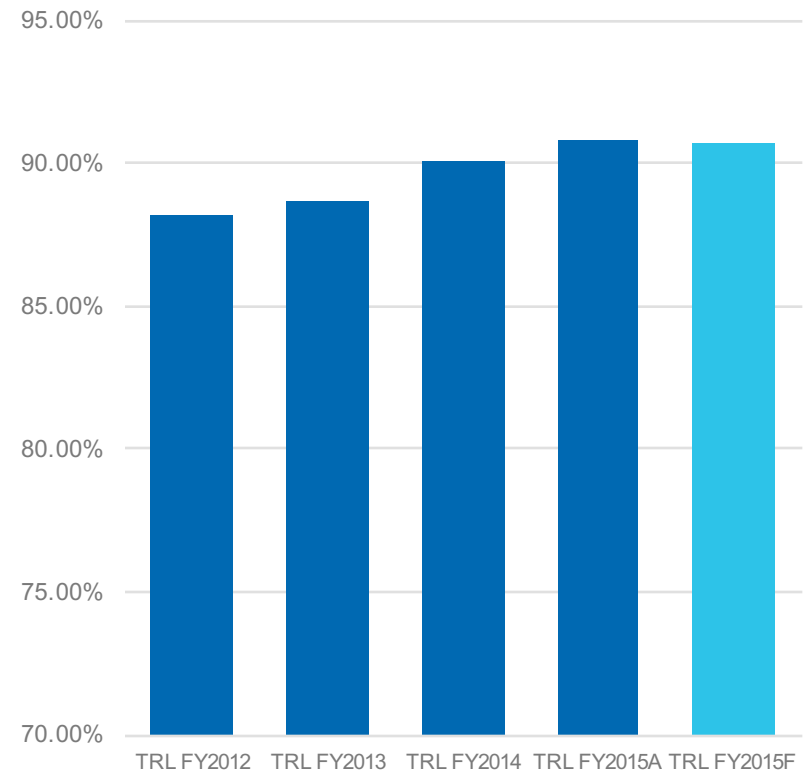
- Relates to fees for services provided to brokers, sponsorship and incentive based income
- Slightly ahead of forecast owing to achievement of some stretch targets
- Remains an important offset against margin compression

Payout Ratios – Upfront and Trail

Upfront



Trail



AFG Home Loans

Strong growth in higher margin business

	Actual	FY15 IPO Forecast	
	\$000's	\$000's	
Total AFGHL Revenue	61,993	59,867	4%
AFGHL Profit Before Tax	638	131	387%

Result is stronger than forecast and is assisted by the following;

- Improved margin within AFG Securities business owing to lower cost of funds
- Lower cost of funds driven by restructuring warehouse mix as well as favourable market movements
- Higher penetration of AFGHL Edge Product than originally anticipated

Summary Balance Sheet

	2015 \$000's	2014 \$000's
Assets		
Cash ¹	90,776	76,022
Receivables ²	594,667	518,611
Loans and advances ³	1,025,344	1,025,191
Property, plant and equipment	2,998	3,394
Intangible assets	865	832
Inventories ⁴	-	24,442
Total assets	1,714,650	1,648,492
Liabilities		
Interest bearing liabilities ³	1,041,099	1,034,685
Trade and Other payables ⁵	585,257	506,811
Employee benefits	3,131	2,972
Provisions	292	385
Deferred tax liability	12,641	13,479
Other financial liabilities ⁴	-	4,690
Total liabilities	1,642,420	1,563,022
Net assets	72,230	85,470
Equity		
Share capital ⁶	43,541	11,434
Share-based payment reserve	9	-
Other capital reserves	(76)	(61)
Retained earnings	28,757	74,093
Non-controlling interest	(1)	4
Total equity	72,230	85,470

Points to note:

1. Cash and liquidity levels are within desired ranges
2. Predominantly related to trail book accounting
3. AFG Securitisation business. Total subordinated notes subscribed of \$8 million (2014: \$12.25 million)
4. No longer part of AFG following the demerger of AFG's property business
5. Includes trail book accounting liability and general trade creditors and accruals.
6. Increase following issue of new shares at IPO

Summary Cash Flow

	2015 \$000's	2014 \$000's
Cash flows from operating activities		
Cash receipts from customers	399,849	345,220
Cash paid to suppliers and employees ¹	(397,454)	(338,454)
Repayments/(Advances) of customer borrowings	34,025	(167,662)
Proceeds from securitisation	(19,687)	185,900
Interest paid	(7)	-
Income taxes paid	(8,328)	(7,576)
Net cash generated by operating activities	8,398	17,428
Cash flows from investing activities²	(1,484)	(3,883)
Net cash generated/(used in) financing activities³	7,840	(2,668)
Net increase in cash and cash equivalents	14,754	10,877
Cash and cash equivalents at 1 July	76,022	65,145
Cash and cash equivalents at 30 June	90,776	76,022

Points to note:

1. Includes cost of IPO and further property development costs prior to the demerger of AFG Property business (\$1 million)
2. Major movement relating to Property assets prior to demerger
3. Issue of shares per IPO, additional draw downs from warehouse as at year end less impact of pre IPO dividends of \$28 million (over and above amount paid in prior year)

Outlook

Outlook

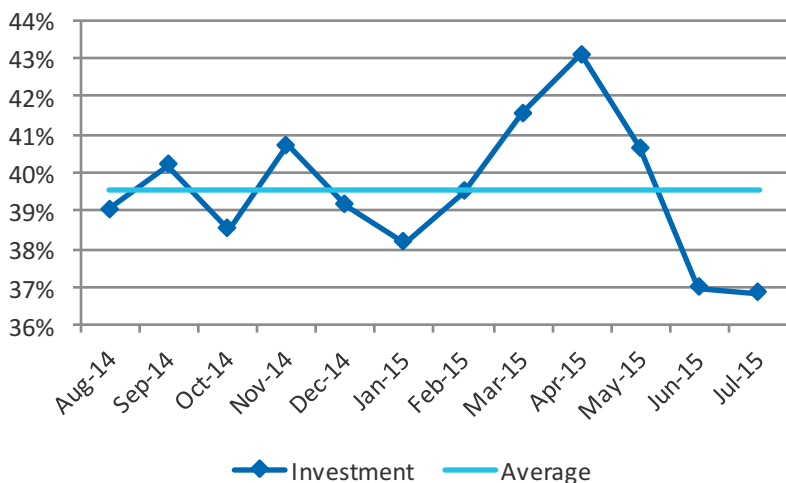
Combination of market share, strong recruitment and record low interest rates continue to leave us optimistic about the sector

- Broker market penetration of the Australian mortgage market – now at 51.5%
- Brokers now preferred option for customers
- AFG Home Loans White Label Products – Full year benefit of AFGHL Edge plus AFGHL Icon
- Business investment – still capital light
- No change to Prospectus forecasts
- Regulator increasingly active

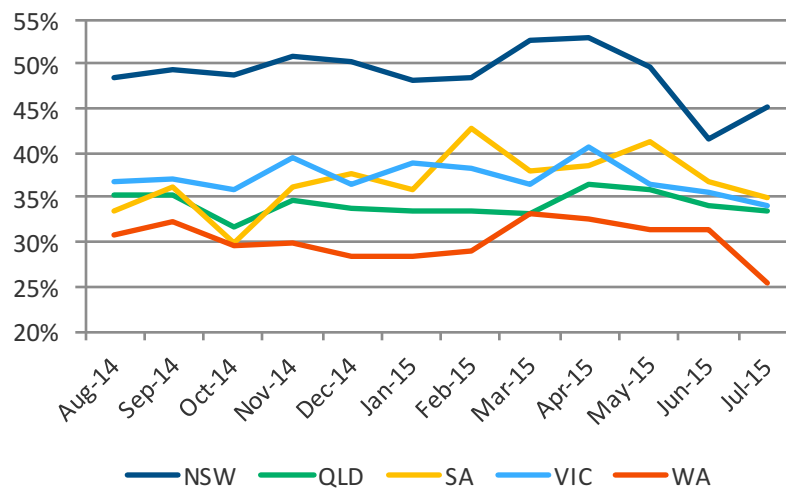
Investor Loans

APRA acting to reduce residential investor activity

Investor loans % past 12 months



Investor Loans per state

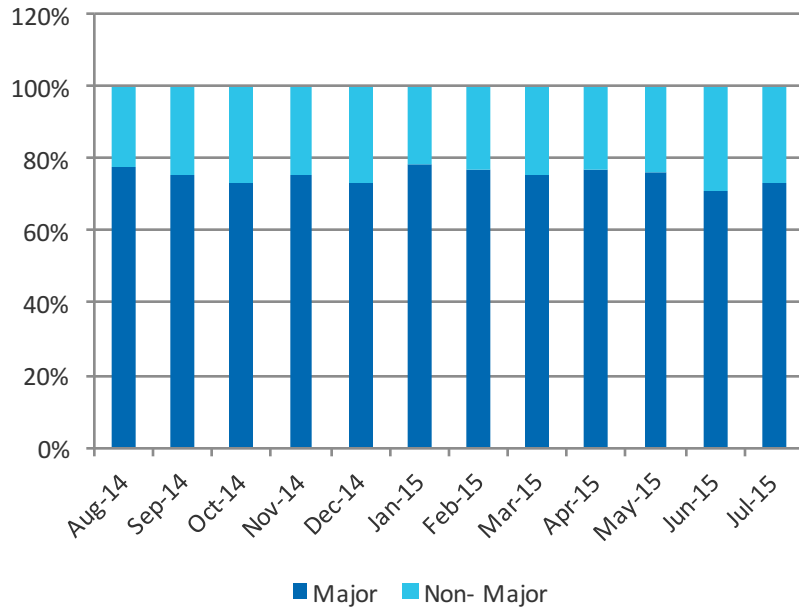


- Higher proportion of investor loans being written in NSW
- Investor loan percentage below longer term average

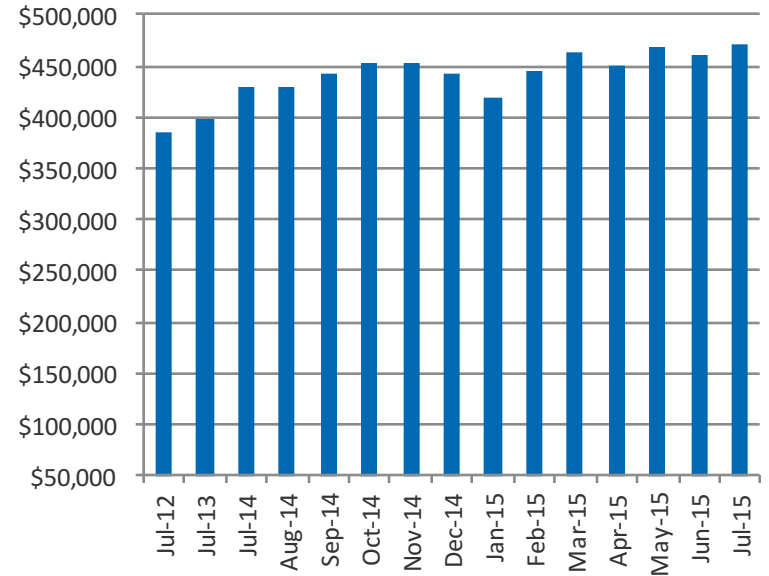
Lending Activity

Non-Majors maintaining market share, average loan size influenced by NSW

Major vs Non Major



National Average Loan Size








July Trading

Strong start to FY2016

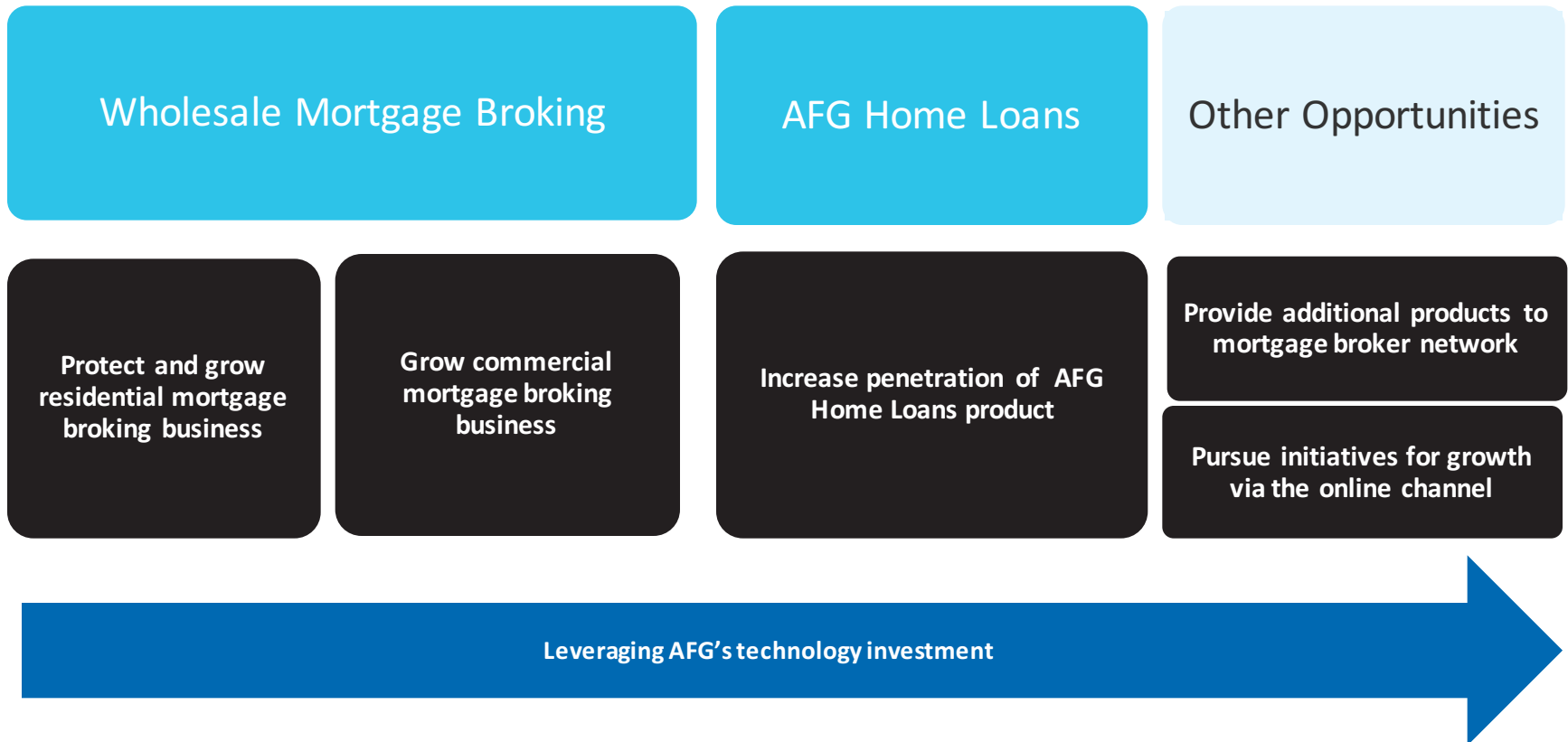
- Total Residential Lodgements were \$4.7 billion
- On a like for like basis lodgements were up 13% on July 2014
- Considering seasonal aspect of July (ie school holidays), the number is in line with our expectation

Breakdown of July Lodgements

		Change on July 2014
NSW		42.4%
QLD		4.4%
SA		40.0%
VIC		14.5%
WA		(13.6%)

AFG's growth strategy

Growth focused on protecting and growing share of core mortgage broking market, increasing penetration of own branded product and leveraging our technology investment to pursue other opportunities.



Appendices

Balance Sheet

	2015 \$000's	2014 \$000's		2015 \$000's	2014 \$000's
Assets			Liabilities		
Cash and cash equivalents	90,776	76,022	Interest-bearing liabilities	1,041,099	1,034,685
Trade and other receivables	593,931	515,741	Trade and other payables	580,341	502,301
Current tax asset	687	-	Employee benefits	3,131	2,972
Loans and advances	1,025,344	1,025,191	Current tax payable	-	211
Other financial assets	49	196	Deferred income	4,916	4,299
Investments in equity-accounted investees	-	2,674	Other financial liabilities	-	4,690
Inventories	-	24,442	Deferred tax liability	12,641	13,479
Property, plant and equipment	2,998	3,394	Provisions	292	385
Intangible assets	865	832	Total liabilities	1,642,420	1,563,022
Total assets	1,714,650	1,648,492	Net assets	72,230	85,470
			Equity		
			Share capital	43,541	11,434
			Share-based payment reserve	9	-
			Other capital reserves	(76)	(61)
			Retained earnings	28,757	74,093
			Total equity attributable to equity holders of the Company	72,231	85,466
			Non-controlling interest	(1)	4
			Total equity	72,230	85,470

Consolidated Income Statement

	2015 \$'000's	2014 \$'000's		2015 \$'000's	2014 \$'000's
Continuing Operations			Other comprehensive income		
Commission and other income	462,820	393,190	Items that may be reclassified		
Securitisation interest income	48,534	46,814	subsequently to profit or loss		
Operating income	511,354	440,004	Net change in fair value of available-for-sale financial assets	(20)	15
Securitisation interest expense	(38,096)	(37,411)	Income tax on other comprehensive income	5	(5)
Other cost of sales	(421,324)	(354,171)	Other comprehensive income for the year, net of income tax	(15)	10
Gross profit	51,934	48,422	Total comprehensive income for the year	20,359	17,879
Other income	12,296	10,876	Total comprehensive income for the year attributable to:		
Administration expenses	(3,209)	(2,928)	Owners of the Company	20,364	17,877
Other expenses	(41,757)	(33,689)	Non-controlling interests	(5)	2
Results from operating activities	19,264	22,681	Total comprehensive income for the year	20,359	17,879
Finance income	2,545	2,131	Earnings per share		
Finance expenses	(83)	(129)	Basic earnings per share (dollars)	\$0.11	\$0.10
Net finance income	2,462	2,002	Diluted earnings per share (dollars)	\$0.11	\$0.10
Profit before tax from continuing operations	21,726	24,683	Earnings per share – continuing operations		
Income tax expense	(6,430)	(8,160)	Basic earnings per share (dollars)	\$0.08	\$0.09
Profit from continuing operations	15,296	16,523	Diluted earnings per share (dollars)	\$0.08	\$0.09
Discontinued operations					
Profit after tax for the year from discontinued operations	5,078	1,346			
Profit for the year	20,374	17,869			
Attributable to:					
Owners of the Company	20,379	17,867			
Non-controlling interests	(5)	2			
	20,374	17,869			

Cash Flows

	2015 \$000's	2014 \$000's		2015 \$000's	2014 \$000's
Cash flows from operating activities			Cash flows used in financing activities		
Cash receipts from customers	399,849	345,220	Proceeds from borrowings	13,805	4,932
Cash paid to suppliers and employees	(397,454)	(338,454)	Proceeds from issuance of share capital	32,558	-
(Advances)/repayments of customer borrowings	34,025	(167,662)	Transaction costs on issue of shares, net of tax	(523)	-
(Repayments of)/proceeds from securitisation	(19,687)	185,900	Proceeds from issuance of preference shares	-	3,900
Interest paid	(7)	-	Dividends paid to equity holders of the parent	(38,000)	(11,500)
Income taxes paid	(8,328)	(7,576)	Net cash generated/(used in) financing activities	7,840	(2,668)
Net cash generated by operating activities	8,398	17,428			
Cash flows from investing activities			Net increase in cash and cash equivalents	14,754	10,877
Proceeds from/(Purchase of) investments	-	(128)	Cash and cash equivalents at 1 July	76,022	65,145
Interest received	2,423	2,114	Cash and cash equivalents at 30 June	90,776	76,022
Interest paid	(76)	(123)			
Acquisition of property, plant and equipment	(530)	(379)			
Investment in intangible assets	(242)	(286)			
Dividend received from equity-accounted investees	459	340			
Proceeds from / (Acquisition) of equity-accounted investees	-	465			
Increase / (Decrease) in loans from funders	(716)	(764)			
(Purchase of)/proceeds from preference shares	-	(4,500)			
Decrease/(Increase) in other loans and advances	(113)	(622)			
Net cash outflow on disposal of discontinued operations	(2,689)	-			
Net cash used in investing activities	(1,484)	(3,883)			

Impact of Trail Book Accounting

Statutory	2015 \$000's		2014 \$000's	
	Total Revenue	Profit before tax	Total Revenue	Profit before tax
Underlying results from continuing operations	447,258	18,488	391,599	22,338
Change in the present value of trailing commission receivable and payable	78,937	3,238	61,412	2,345
Results from continuing operations	526,195	21,726	453,011	24,683

Thank you

AFG

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