



2016 Half-Year Results
26 February 2016

2016 Half-Year Financial Results – Highlights

Progressing well on delivery of FY16 Prospectus forecasts

- H1 FY16 NPAT – \$11.7 million – up 27% against H1 FY15 results from continuing operations
- H1 FY16 Residential settlements – \$17.7 billion – up 16% on H1 FY15, 52% of FY16 Prospectus Forecast
- H1 FY16 Commercial settlements – \$1.4 billion – up 35% on H1 FY15, 57% of FY16 Prospectus Forecast
- AFGHL contributed \$2.4m profit before tax in H1 FY16
- Interim dividend of 3.0 cents per share
- EPS at H1 FY16 is 5.45 cents per share up 27% from H1 FY15 EPS of 4.30 cents per share*

* Using shares on issue at listing and H1 FY15 NPAT from continuing operations



AROUND
2,600

The number of mortgage brokers who use the services provided by AFG across Australia.

188

The number of AFG staff we have across the country.

40+

The number of lenders on the AFG panel we do business with every day.

1,450+

The number of finance products available to AFG brokers.

FY16 Prospectus Forecast Tracking

Strong progress against full year 2016 Prospectus forecasts. On track to comfortably meet Prospectus forecasts.

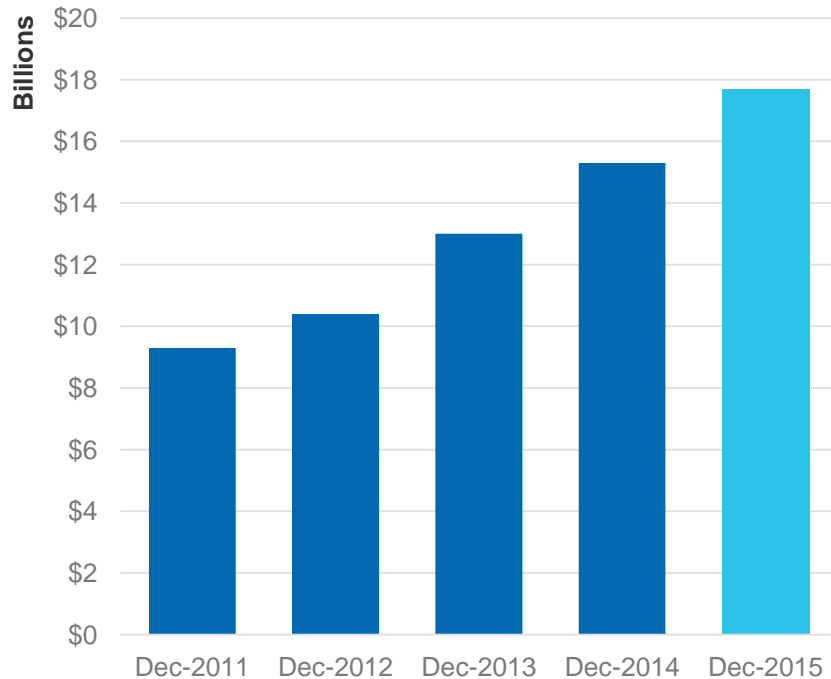
	HY2016 \$000's	FY2016 IPO Pro Forma \$000's	% Achieved	On Target
NPAT	11,713	19,675	59.5%	●
Residential Loan Book	109,203,587			
Commercial Loan Book	5,295,930			
Total Loan Book	114,499,417	117,769,564	97.2%	●
Settlements				
Residential	17,774,781	34,044,124	52.2%	●
Commercial	1,435,772	2,454,210	58.5%	●
AFGHL Edge Settlements	672,691	1,300,000	51.7%	●
AFG Securities Loan Book	1,035,622	1,085,787	95.4%	●
Net Interest	6,406	10,615	60.3%	●
Net Interest Margin	1.23%	0.96%	128.1%	●
EPS	5.45 cents	9.16 cents	59.5%	●

Settlements

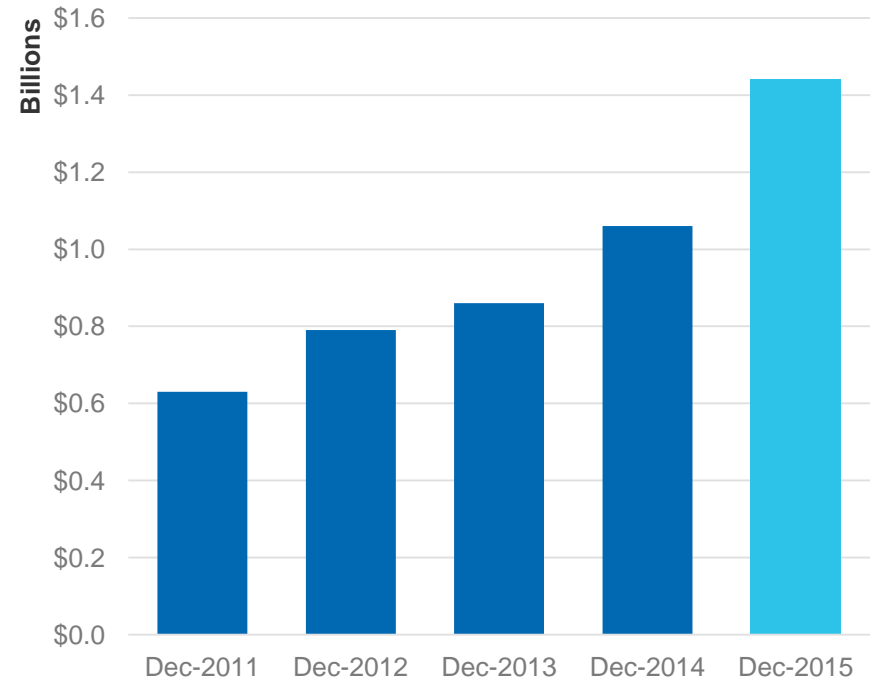
Half Year Comparison

Consistent growth in both residential and commercial settlements over five years

Residential Settlements



Commercial Settlements

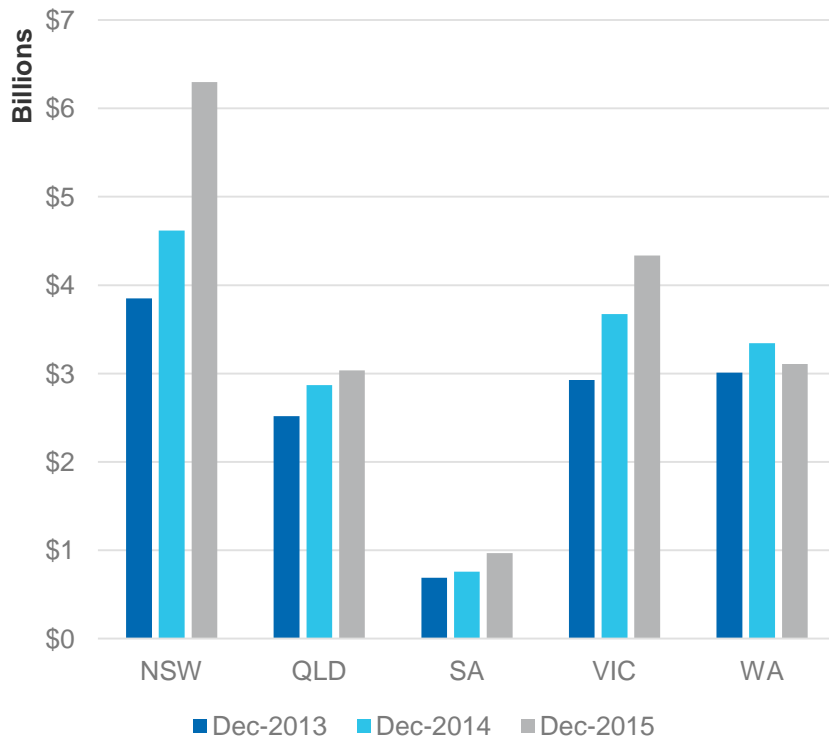


Settlements

HY14 - HY16 State Comparison

Strong growth in both Residential and Commercial Settlements, particularly in New South Wales and Victoria – the country's biggest markets

Residential Settlements by State



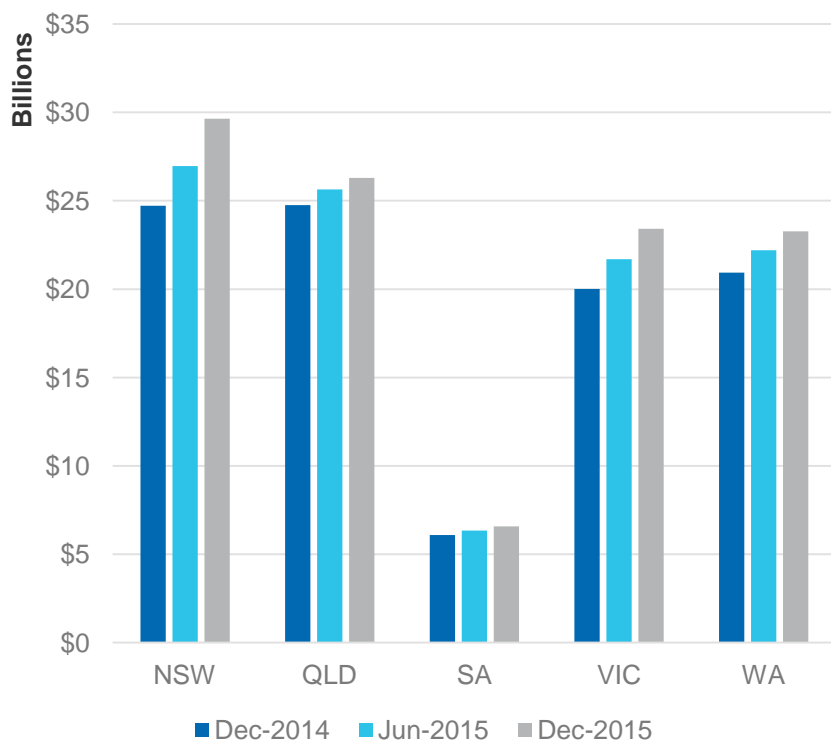
Commercial Settlements by State



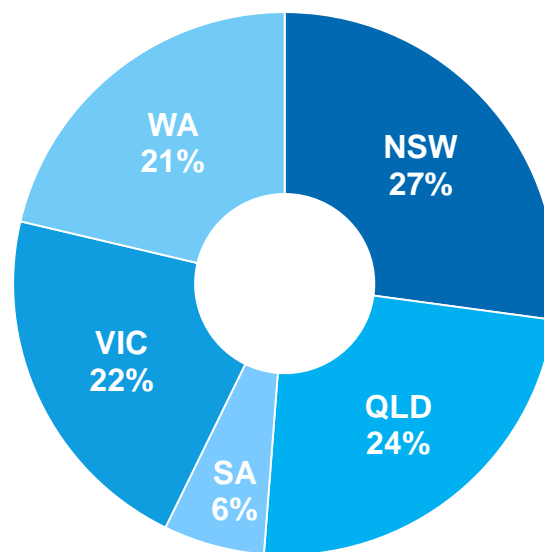
Residential Portfolio December 2015

Growth in all geographical markets, residential loan book of \$109.2 billion generating ongoing trail commission.

Residential Portfolio



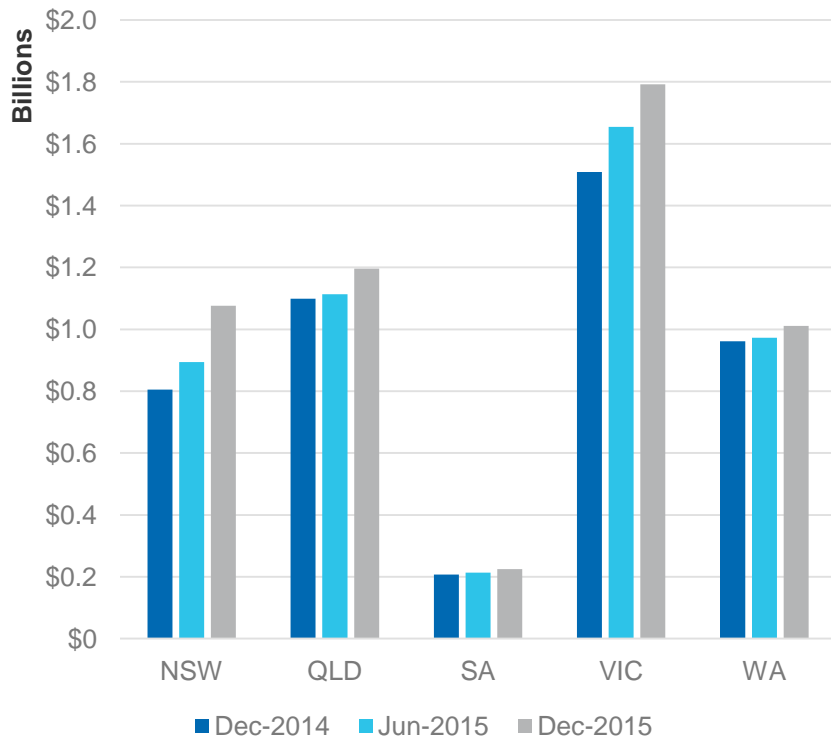
Residential Loan Book Location



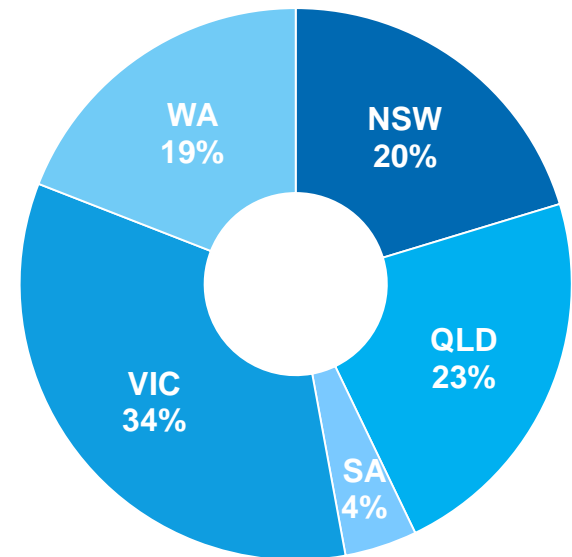
Commercial Portfolio December 2015

Growth in all geographical markets, commercial loan book of \$5.3 billion generating ongoing trail commission.

Commercial Portfolio



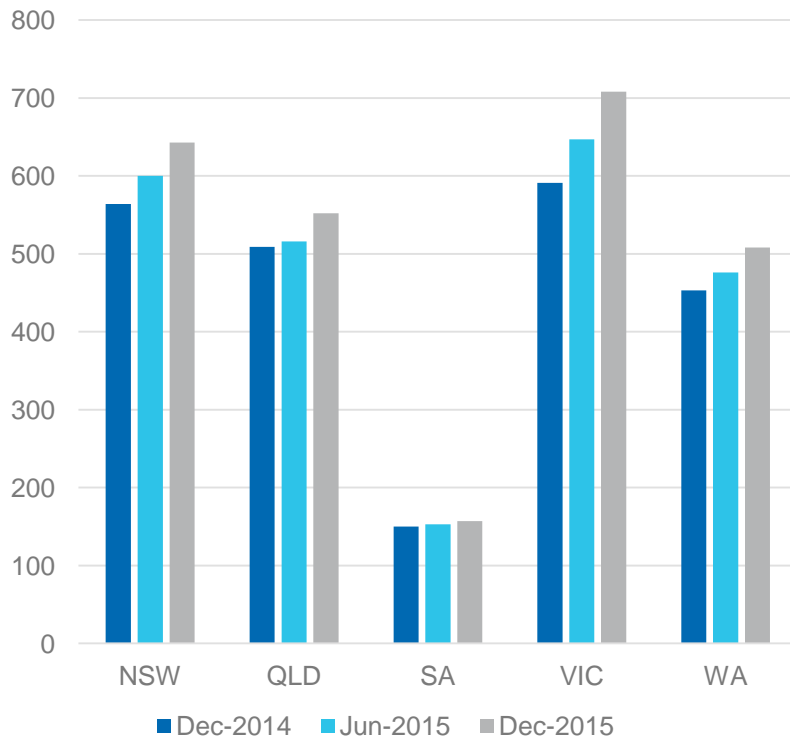
Commercial Loan Book Location



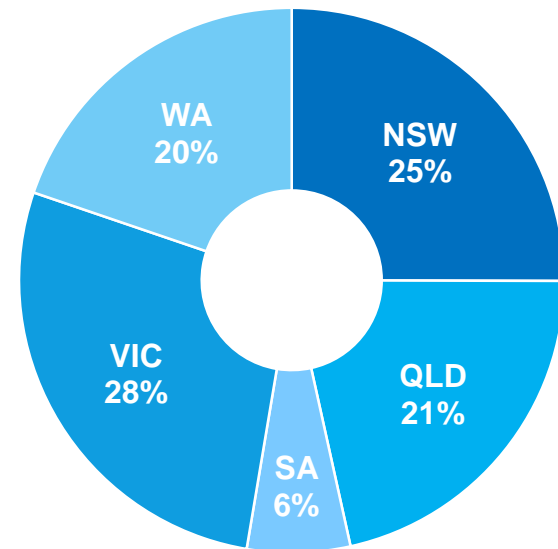
Broker Numbers

Consistent growth in broker numbers nationally with good geographic diversity

Broker Numbers



Broker Location



AFG Home Loans

AFGHL Edge

- AFGHL Edge Settlements - \$673 million half-year to date up from \$460 million in FY15
- Momentum set in FY15 being maintained albeit a slower start to the new financial year

AFGHL ICON

- Newly branded white label launched in October 2015 providing alternative product and funding lines for AFG branded products. \$61 million in lodgements to 31 December 2015 and \$104 million to 15 February 2016.
- Similar margins to Edge Product and similar residual risk profile
- Softer roll out until access to the funders new digital lending platform is available in Q4 FY16
- Maintains objective of having more than one white label funder

AFG Securities (Retro)

- Improved net interest margin driving strong returns in the second quarter of the year
- HY16 loan book of \$1.035 billion up from \$1.020 billion at 30 June 2015. FY16 Prospectus forecast of \$1.085 billion
- Approximately 40% of funding is locked away in term transactions with the balance spread across two 'Big 4 Bank' warehouses

The logo for AFG Home Loans Edge is displayed on a lime green background. It features the letters 'AFG' in a large, bold, white sans-serif font. Below 'AFG', the words 'HOME LOANS' are written in a smaller, white, all-caps sans-serif font, underlined. At the bottom, the word 'EDGE' is written in a white, all-caps sans-serif font.The logo for AFG Home Loans Icon is displayed on a dark grey background. It features the letters 'AFG' in a large, bold, white sans-serif font. Below 'AFG', the words 'HOME LOANS' are written in a smaller, white, all-caps sans-serif font, underlined. At the bottom, the word 'ICON' is written in a white, all-caps sans-serif font.The logo for AFG Home Loans Retro is displayed on a blue background. It features the letters 'AFG' in a large, bold, white sans-serif font. Below 'AFG', the words 'HOME LOANS' are written in a smaller, white, all-caps sans-serif font, underlined. At the bottom, the word 'RETRO' is written in a white, all-caps sans-serif font.

AFG Home Loans

Strong growth in higher margin business

	HY 2016 \$000's	FY 2016 Prospectus \$000's
Total AFGHL Revenue	33,351	60,888
AFGHL Profit Before Tax	2,419	3,073

Result reflects 79% profit before tax of full year forecast per Prospectus and is assisted by the following;

- Improved margin within AFG Securities business owing to lower cost of funds and repricing parts of the loan book when the majority of the market also repriced loan books during quarter 2 of FY16
- Total settlements achieved to half-year were \$927 million
- Lower cost of funds driven predominately by warehouse mix

Financials

2016 HY Results - Actual

Increased profit underpinned by increased sales of AFG branded products, increased settlements, improved securitisation margins and other income

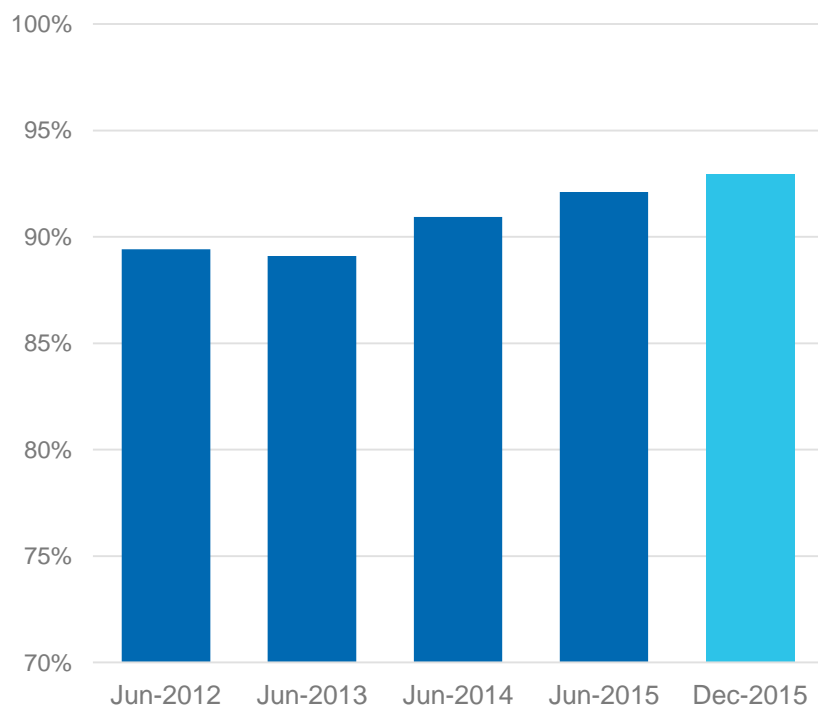
	Dec 2015 \$000's	Dec 2014 \$000's		
Statutory NPAT	11,713	9,809	↑	19%
Represented by				
Continuing Operations	11,713	9,239	↑	27%
Discontinued Operations (Property Business)	-	570	↓	
	11,713	9,809	↑	19%
Loan Book	114,499,417	101,121,593	↑	13%
Settlements				
Residential	17,744,781	15,263,513	↑	16%
Commercial	1,435,772	1,060,790	↑	35%
AFGHL Edge Settlements	672,691	-	↑	
AFG Securities Loan Book	1,035,622	1,020,825	↑	1%
Net Interest	6,406	4,832	↑	33%
Net Interest Margin	1.23%	0.94%	↑	31%
EPS *	5.45 cents	4.30 cents	↑	27%

* Basic EPS calculated using shares on issue at listing for HY2015 and NPAT for continuing operations

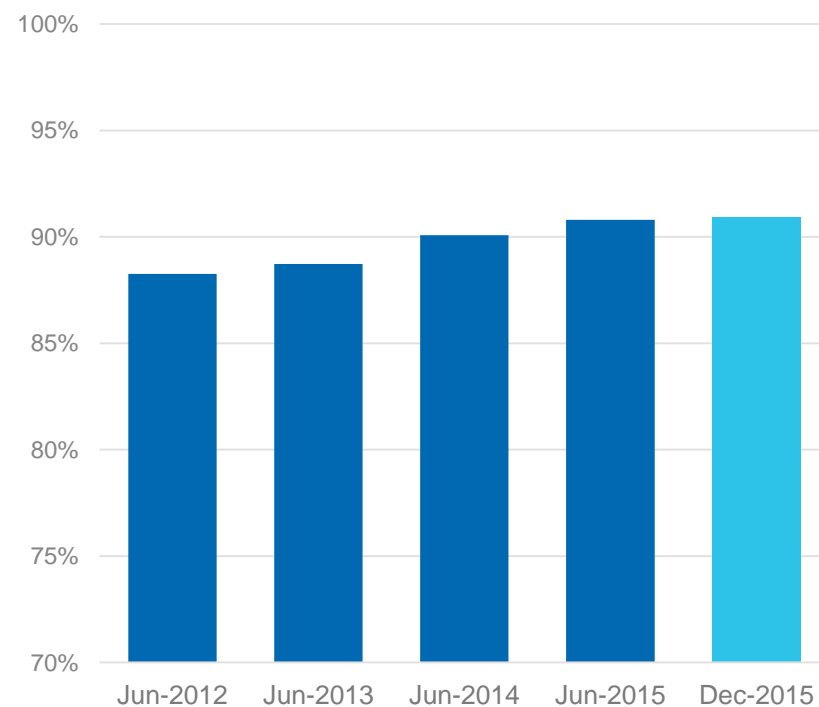
Payout Ratios – Upfront and Trail

Payout ratios in line with Prospectus forecasts

Upfront Payout Ratio

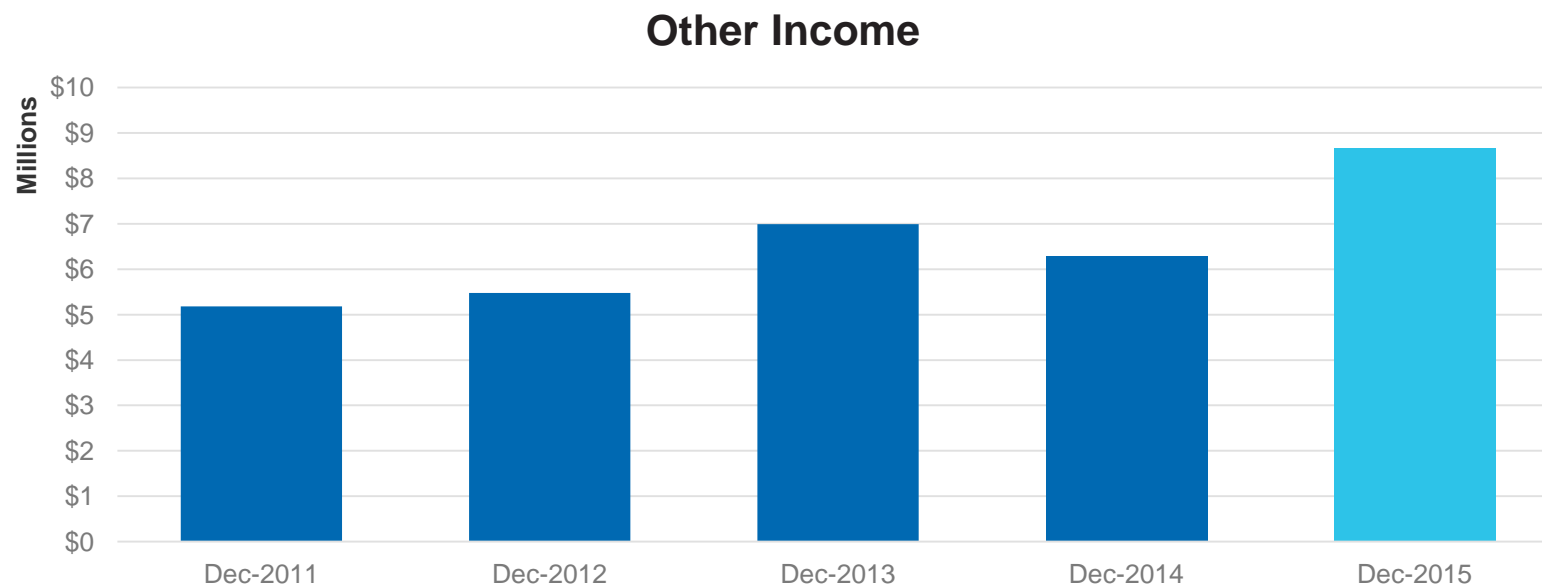


Trail Payout Ratio



Other Income

Relates to fees for services provided to brokers, sponsorship and incentive income



- Sponsorship and incentive income received in HY16 was \$4.8m up 60% from \$3.0m in HY15. Receipt of sponsorship and incentive income is more heavily weighted to the first half of a financial year
- Growth in service fees reflecting ongoing value proposition to brokers
- Remains an important offset against margin compression

Summary Cash Flow

Strong operating cash flow delivers solid balance sheet

	Dec 2015 \$000's	Dec 2014 \$000's
Cash flows from operating activities		
Cash receipts from customers	221,316	193,029
Cash paid to suppliers and employees	(204,440)	(190,401)
Repayments/(Advances) of customer borrowings	7,727	9,694
Proceeds from securitisation	920	1,803
Income taxes paid	(3,764)	(4,488)
Net cash generated by operating activities	21,759	9,637
Cash flows from investing activities	1,105	221
Net cash generated/(used in) financing activities	(331)	(1,417)
Net increase in cash and cash equivalents	22,533	8,440
Cash and cash equivalents at 1 July	90,776	76,022
Cash and cash equivalents at 31 December¹	113,309	84,463

Points to note:

1. Includes restricted cash totaling \$38.7 million

The increase in cash since 31 December 2014 is driven primarily from strong cash profit results over the 12 months and partially from the release of funds from Warehouse activities. Continues to be a business that generates strong cash flows

Summary Balance Sheet

	Dec 2015 \$000's	Dec 2014 \$000's
Assets		
Cash ¹	113,309	84,463
Receivables ²	634,606	556,804
Loans and advances ³	1,039,940	1,040,842
Property, plant and equipment	2,669	3,356
Intangible assets	731	866
Inventories ⁴	-	31,945
Total assets	1,791,255	1,718,275
Liabilities		
Interest bearing liabilities ³	1,058,806	1,065,911
Trade and Other payables ⁵	632,183	545,963
Employee benefits	3,307	3,091
Provisions	307	345
Deferred tax liability	12,641	12,997
Other financial liabilities ⁴	-	4,690
Total liabilities	1,707,243	1,632,996
Net assets	84,012	85,279
Equity		
Share capital ⁶	43,541	11,434
Share-based payment reserve	54	-
Other capital reserves	(52)	(61)
Retained earnings	40,473	73,902
Non-controlling interest	(4)	4
Total equity	84,012	85,279

Points to note:

1. Cash and liquidity levels remain within desired ranges. Includes restricted cash of \$38.7 million
2. Predominantly related to trail book accounting
3. Largely AFG Securitisation business. Total subordinated notes subscribed of \$8.6 million (HY2015: \$12.5 million)
4. No longer part of AFG following the demerger of AFG's property business prior to IPO
5. Includes trail book accounting liability and general trade creditors and accruals.
6. Increase following issue of new shares at IPO

Strategic & Market Outlook

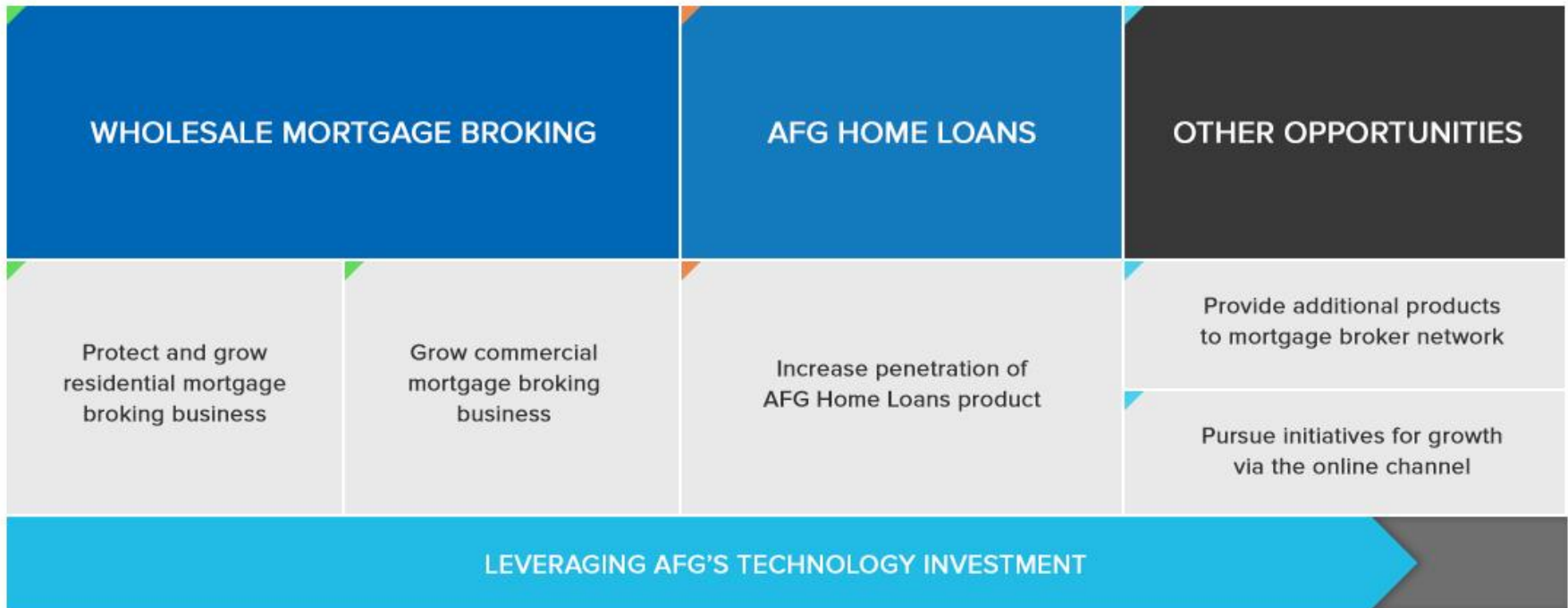
Strategic & Market Outlook

Combination of market share, recruitment, new AFG branded products and record low interest rates continue to leave us optimistic about the sector

- Broker market penetration of the Australian mortgage market – now more than 52%
- Brokers still preferred option for customers (access to greater range of lenders, larger discounts, assistance with application etc)
- Distribution network for smaller and large lenders. Major banks reducing investment in branch network.
- AFG Home Loans White Label Products – Full year benefit of AFGHL Edge plus AFGHL Icon
- Pilot launch of AFG Car loans in February 2016
- Broker numbers at 31 December of 2,568 – on track to exceed Prospectus forecast of 2,603
- Business investment – still capital light
- Regulator remains active
- Securitisation markets remain volatile, as per Prospectus no rapid growth in volumes is expected. Warehouse relationships remain strong

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.



AFG's growth strategy (cont)

Protect and grow residential mortgage broking business

- Continue to expand broker network and distribution reach through active recruitment program
- Investment in technology platforms to maintain best in class technology and attract high calibre brokers
- Residential loan book up from \$102b at 30 June 2015 to \$109b at 31 December 2015

Grow commercial mortgage broking business

- Expansion of broker network to increase distribution reach and loan book.
- Commercial loan book has reached \$5.3b exceeding the prospectus FY16 target of \$5.1b

Increase penetration of AFG Home Loans product

- AFG Icon has been developed to add diversity to the AFG product suite and funding sources
- Securitisation – continued use of the securitisation market as an alternative funding source at appropriate times
- Gradual widening of risk appetite to supplement existing prime mortgage flow in a less competitive sector

Provide additional products to mortgage broker network

- AFG pilot launched a car loan offering through its broker network in February 2016
- Revenue from insurance products continues to grow
- Leveraging existing distribution network and customer behaviour information available to increase market share of additional products

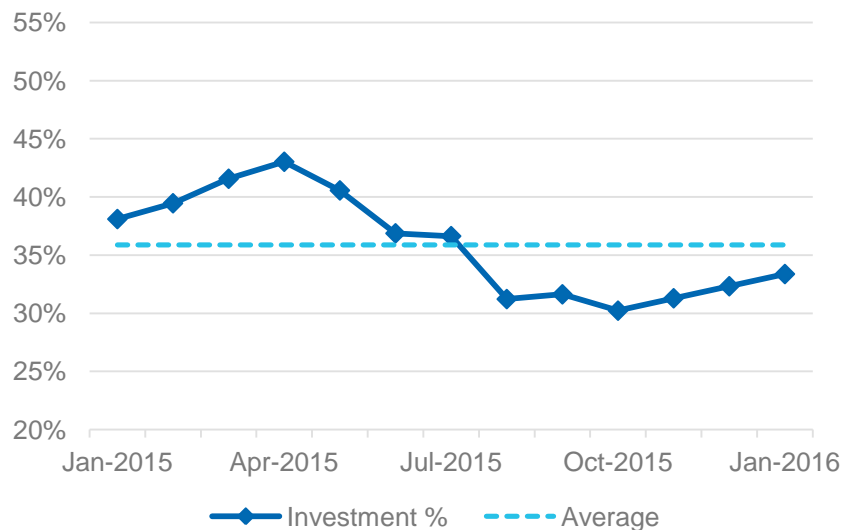
Pursue initiatives for growth via the online channel

- The online channel continues to develop and AFG believes it will be a viable distribution channel in the medium to long term.
- Continue to explore and assess organic and inorganic opportunities in this area

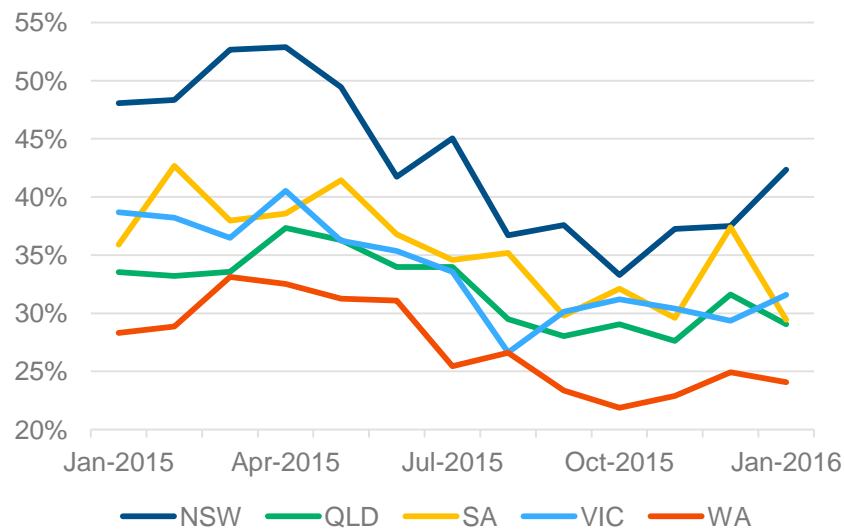
Investor Loans

APRA actions to reduce residential investor activity impact has stabilised

Investor Loans % past 12 months



Investor Loans % per State

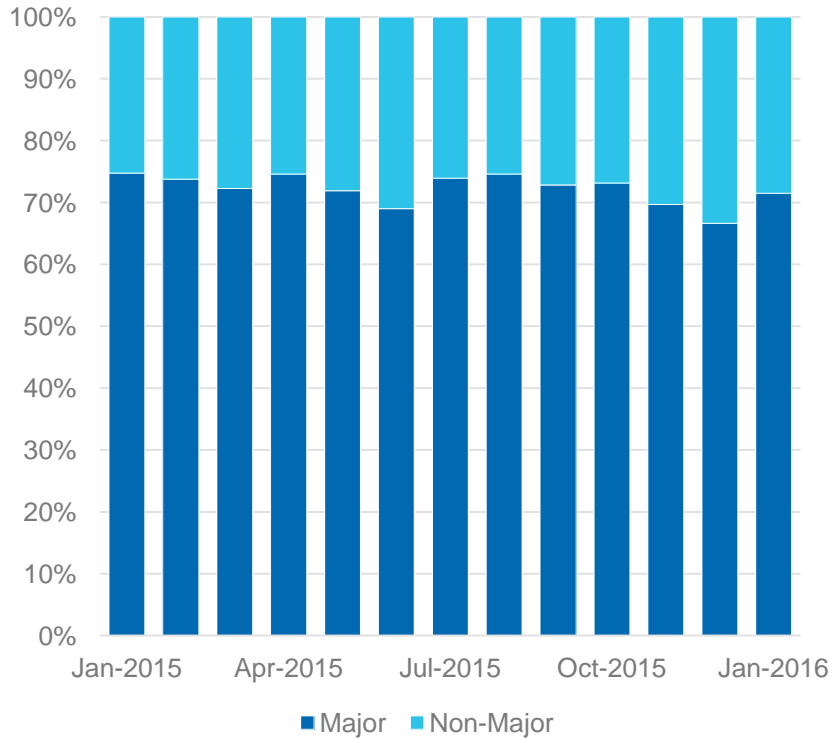


- Higher proportion of investor loans being written in NSW
- Investor loan percentage remains below longer term average but trending closer
- The decline in investor loans during the half was offset by an increase in owner occupiers

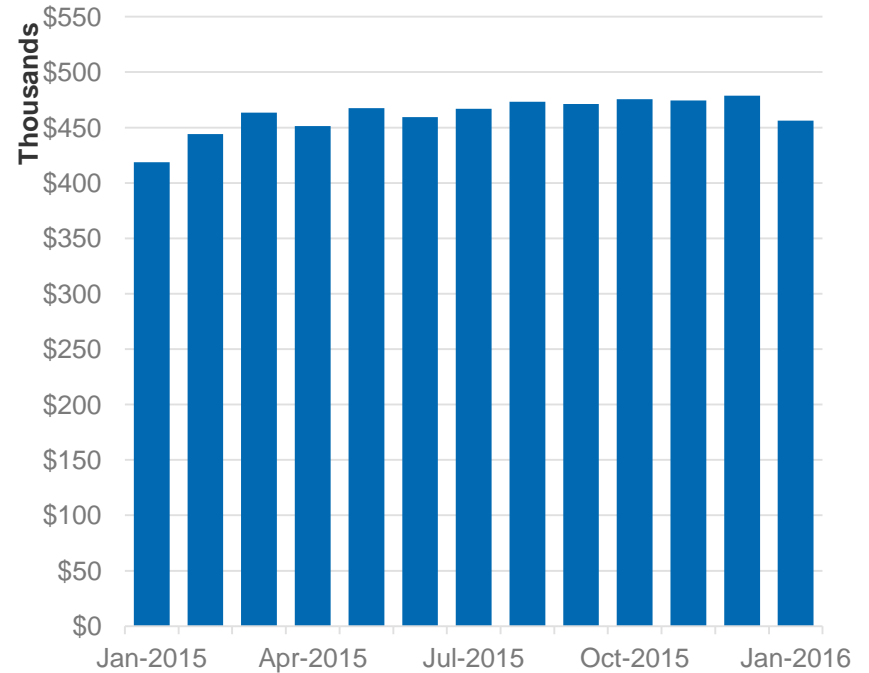
Lending Activity

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

Major v Non-Major



National Average Loan Size








January Trading

Strong start to H2 2016

- Total Residential Lodgements were \$3.0 billion
- On a like for like basis lodgements were up 9% on January 2015
- New South Wales and Victoria continue to perform strongly, offset by continued weakness in Western Australia

Breakdown of January Lodgments

		Change on January 2015
NSW		22%
QLD		(2%)
SA		12%
VIC		24%
WA		(17%)

In conclusion

Strong first half 2016 results and positive outlook

- The Group is in a good position following significant growth across key KPIs
- An AFG record loan book at 31 December 2015 of \$114.5 billion provides future cash flows, approximately 80% of which flow from A grade credit rated Australian financial institutions
- Strong cash flows and balance sheet to drive and deliver the Group's core and diversification growth plans
- Interim dividend yield of approximately 3%
- On track to comfortably meet Prospectus forecasts

Q&A

Thank you

Appendices

Balance Sheet

	Dec 2015 \$000's	June 2015 \$000's		Dec 2015 \$000's	June 2015 \$000's
Assets			Liabilities		
Cash and cash equivalents	113,309	90,776	Interest-bearing liabilities	1,058,806	1,041,099
Trade and other receivables	634,533	593,931	Trade and other payables	629,287	580,341
Current tax asset	-	687	Employee benefits	3,307	3,131
Loans and advances	1,039,940	1,025,344	Current tax payable	731	-
Other financial assets	73	49	Deferred income	2,013	4,916
Property, plant and equipment	2,669	2,998	Provisions	307	292
Intangible assets	731	865	Deferred tax liability	12,792	12,641
Total assets	1,791,255	1,714,650	Total liabilities	1,707,243	1,642,420
			Net assets	84,012	72,230
			Equity		
			Share capital	43,541	43,541
			Share-based payment reserve	54	9
			Other capital reserves	(52)	(76)
			Retained earnings	40,473	28,757
			Total equity attributable to equity holders of the Company	84,016	72,231
			Non-controlling interest	(4)	(1)
			Total equity	84,012	72,230

Consolidated Income Statement

	Dec 2015 \$'000's	Dec 2014 \$'000's
Continuing Operations		
Commission and other income	258,380	227,797
Securitisation interest income	23,056	24,735
Operating income	281,436	252,532
Other cost of sales	(237,045)	(207,506)
Securitisation interest expense	(16,650)	(19,902)
Gross profit	27,741	25,124
Other income	8,659	6,278
Administration expenses	(1,671)	(1,641)
Other expenses	(19,064)	(17,773)
Results from operating activities	15,665	11,988
Finance income	1,403	1,418
Finance expenses	(22)	(43)
Net finance income	1,381	1,375
Profit before tax from continuing operations	17,046	13,363
Income tax expense	(5,333)	(4,124)
Profit from continuing operations	11,713	9,239
Discontinued operations		
Profit after tax for the year from discontinued operations	-	570
Profit for the period	11,713	9,809

	Dec 2015 \$'000's	Dec 2014 \$'000's
Other comprehensive income for the period, net of income tax	24	-
Total comprehensive income for the period	11,737	9,809
Profit attributable to:		
Equity holders of the Company	11,716	9,809
Non-controlling interests	(3)	-
Profit for the Period	11,713	9,809
Total comprehensive income for the period attributable to:		
Equity holders of the Company	11,740	9,809
Non-controlling interests	(3)	-
Total comprehensive income for the Period	11,737	9,809
Earnings per share		
Basic earnings per share (cents per share)	5.45	5.25
Diluted earnings per share (cents per share)	5.44	5.25
Earnings per share – continuing operations		
Basic earnings per share (cents per share)	5.45	4.95
Diluted earnings per share (cents per share)	5.44	4.95

Cash Flows

	Dec 2015 \$000's	Dec 2014 \$000's
Cash flows from operating activities		
Cash receipts from customers	221,316	193,029
Cash paid to suppliers and employees	(204,440)	(190,401)
(Advances)/repayments of customer borrowings	7,727	9,694
Proceeds from securitisation	920	1,803
Income taxes paid	(3,764)	(4,488)
Net cash generated by operating activities	21,759	9,637
Cash flows from investing activities		
Interest received	1,339	1,125
Acquisition of property, plant and equipment	(82)	(450)
Investment in intangible assets	(43)	(134)
Dividend received from equity-accounted investees	-	306
Decrease in other loans and advances	(109)	(626)
Net cash used in investing activities	1,105	221
Cash flows used in financing activities		
Proceeds from borrowings	-	9001
Decrease in loans from funders	(331)	(418)
Dividends paid to equity holders of the parent	-	(10,000)
Net cash generated/(used in) financing activities	(331)	(1,417)
Net increase in cash and cash equivalents	22,533	8,441
Cash and cash equivalents at 1 July	90,776	76,022
Cash and cash equivalents at 30 June	113,309	84,463

Impact of Trail Book Accounting

Statutory	Dec 2015 \$000's		Dec 2014 \$000's	
	Operating income	Profit After Tax	Operating income	Profit After Tax
Underlying results from continuing operations	238,988	11,236	211,980	8,110
Change in the present value of trailing commission receivable and payable	42,448	477	40,552	1,129
Results from continuing operations	281,436	11,713	252,532	9,239

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The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 31 December 2015, and does not purport to be complete in any respect.

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