

19 June 2017

## AFG Profit Upgrade FY17

**Australian Finance Group Limited (ASX:AFG) is today providing a profit update for the financial year ending 30 June 2017.**

During the six months to 30 June 2017 (FY17), the AFG Home Loans ('AFGHLs') white label mortgage products have matured to the extent that there is sufficient history and data to enable the actuarial estimation of future customer behaviour. It is therefore, in accordance with Australian Accounting Standards, now necessary to adopt an actuarial model to estimate the future trail revenue relating to the AFGHLs white label programme.

This will impact NPAT for FY17 and will result in AFG in future recognising a trail revenue receivable for AFGHLs white label programme on balance sheet.

**As a result of this accounting change, AFG now believe the NPAT for FY17 will be within the range of \$37.0 to \$37.8 million.**

Prior to this change, consensus forecasts suggested an NPAT of around \$25.5 million for FY17.

The AFGHLs business continues to be a driver of ongoing earnings growth and this revenue recognition provides evidence of the value this segment of the business is generating for the Group.

A reconciliation of the impact of the change to the expected underlying result is outlined below. The impact of the trail book has been split between AFGHLs settled during the FY17 financial year and those settled in previous financial years. There will be no impact on cash profit, cash flow or dividends paid on FY17 earnings.

The recognition of the value of future trail receivable on the AFGHLs white label program is consistent with our existing accounting treatment of the trail book from the AFG residential business which has been eligible for actuarial estimation for many years.

Consolidated Statement of Profit or Loss Impact (Net)	\$'m
<b>Consensus FY17 NPAT</b>	<b>25.5</b>
Plus: movement in AFGHLs white label trail book relating to FY17	3.1 – 3.4
	<b>28.6 – 28.9</b>
Plus: initial recognition of value of AFGHLs white label trail book relating to prior years	8.4 – 8.9
<b>Revised estimate of FY17 NPAT</b>	<b>37.0 – 37.8</b>

Consolidated Statement of Financial Position Impact		\$'m
<b>Assets</b>		
Increase in trail book receivable		16.6 – 17.6
<b>Liabilities</b>		
Increase in deferred tax liability		(5.1) – (5.3)
<b>Change in Net Assets</b>		<b>11.5 – 12.3</b>

ENDS

#### CONTACT DETAILS

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