

AFG

2017

Full-year financial results

2017 full-year financial results - highlights

Delivering strong growth in a challenging market



↑ Normalised NPAT relating to FY17
\$30.2 million up 33% on FY16

↑ AFG Home Loans represents 36% of normalised
group NPAT up from 20% in FY16

↑ Final dividend of 5.5 cents per share, with FY17
total dividend of 9.7 cents (interim 4.2 cents) up
15% on FY16

↑ AFG Home Loans settlements up 36% to 2.6B

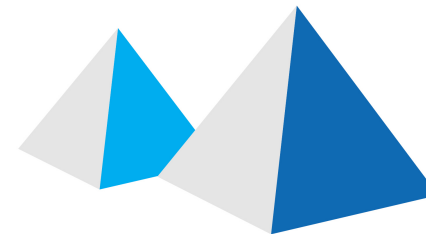
FY16

FY17

↑ AFG Home Loans trail book has increased up 44% to 5.5B

FY16

FY17



↑ Asset financing settlements
up 20% to \$445 million

AFG: Continuing to provide competition in the market & choice for borrowers



3,400⁺
individual products
up from 1,450 in April 2015



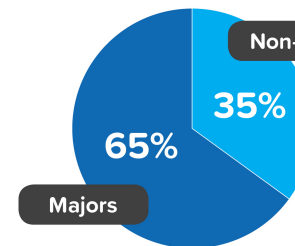
Broker numbers grew to over
2,875 nationally,
up from 2,650 at 30 June 2016



FY17 Residential
settlements of
with the Residential
trail book now

\$34.3 billion
\$126.5 billion

45⁺
lenders



**35% of flows to
non-majors Q4 2017**
up from 29% Q4 2016



1 in 11

Australian residential mortgages
are arranged by an AFG broker

199
employees

Across Australia in 5 state offices

Broker & consumer advocacy



Responsible, strong and
active voice for consumers.
Participating in industry
and regulatory debates
and developments.

AFG wins



- Aggregator of the Year
- Technology Platform of the Year

Australian Broking Awards

FY17 results - actual

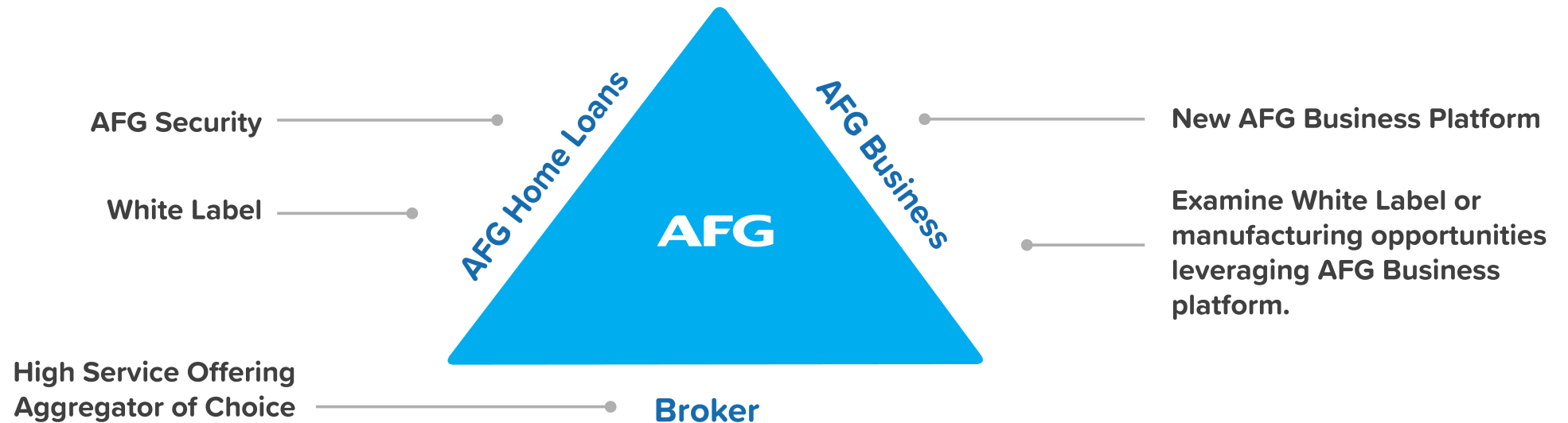
	FY17 \$000's	FY16 \$000's	
Loan Book	133,322,084	120,402,698	11%
Residential	126,538,191	114,737,484	10%
Commercial	6,783,893	5,665,214	20%
Settlements			
Residential	34,337,401	33,840,648	1%
Commercial	2,842,499	2,755,778	3%
AFGHL Settlements	2,679,754	1,938,286	38%
AFGHL Loan Book	5,502,870	3,816,166	44%
AFG Securities Loan Book¹	1,149,086	1,043,479	10%

¹ Subset of the AFGHL loan book

	FY17 \$000's	FY16 \$000's	
NPAT (normalised)	30,164	22,644	33%
Net Interest	14,630	13,563	8%
Net Interest Margin	135bp	132bp	2%
EPS	18.2 cents	10.5 cents	73%
EPS (normalised)	14.0 cents	10.5 cents	33%
Number of shares	214,813	214,813	
Dividends % of underlying profit	80%	80%	
ROE	31%	28%	
P/E ratio²	10.3 x	10.9 x	

² Based on share price at 14/8/2017 and 12/8/2016

AFG's growth strategy





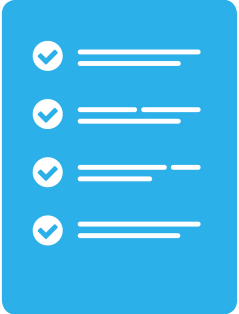


Technology Platform / Customer / Choice / Frictionless experience

Strong culture, delivering our long term strategy focused on great customer outcomes

Strategic & market outlook

Improved credit growth since Q1 FY17 despite regulatory headwinds, a strong suite of AFG branded products, an increasingly complex lending environment, recruitment and the AFG Business platform will drive future growth opportunities

Core business	Earnings diversification offsetting lower credit growth	Competition and choice
<p></p> <p>Growth in shareholder returns despite challenging lending environment.</p> <p>Residential settlement growth in FY17 of 1%.</p> <p>Continued investment in frictionless technology solutions.</p>	<p></p> <p>AFG Home Loans trail book has increased up 44% to 5.5B.</p>  <p>The AFG Business technology will provide mortgage brokers who have traditionally only operated in residential lending, the ability to provide commercial SME lending services to all customers.</p> 	 <p>Our diverse lender panel provides choice and solutions for consumers despite varying lender appetite.</p>

Rapid pace of change in lending increases the need for brokers.

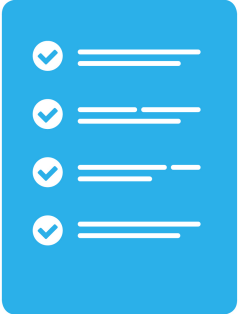


AFG
HOME LOANS

AFG Home Loans trail book has increased up 44% to 5.5B.



The AFG Business technology will provide mortgage brokers who have traditionally only operated in residential lending, the ability to provide commercial SME lending services to all customers.

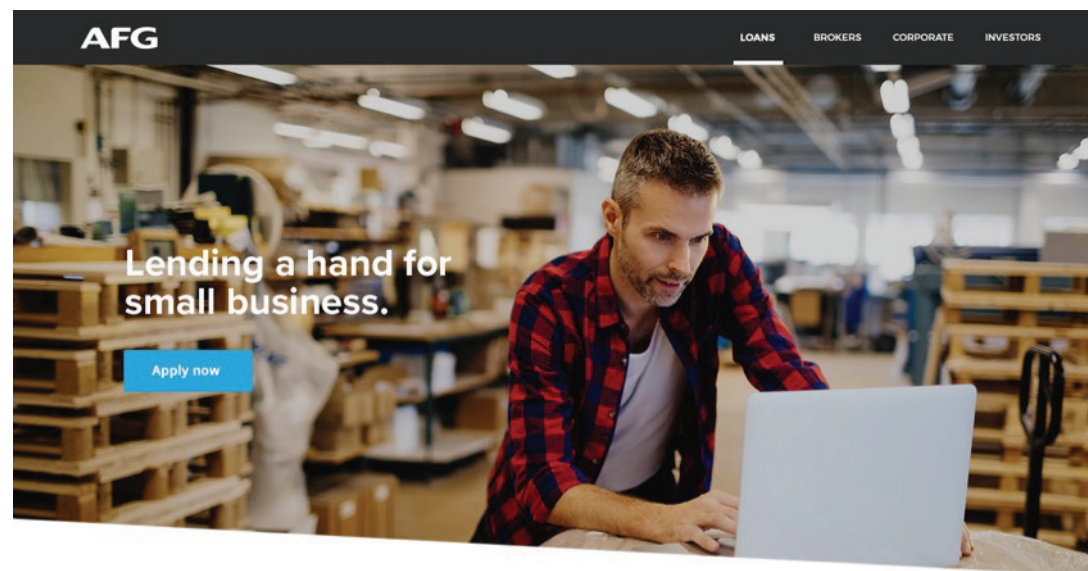


Our diverse lender panel provides choice and solutions for consumers despite varying lender appetite.

AFG Business

Commercial broking platform soft launch in Q2 FY18

- Initially Commercial mortgages and expanding to include asset finance and unsecured finance throughout FY18
- Building an initial panel of up to 10 lenders aimed at the core SME finance market
- Simple training and direct accreditation for AFG brokers to help deliver streamlined efficient Business Finance solutions to SME customers across the country

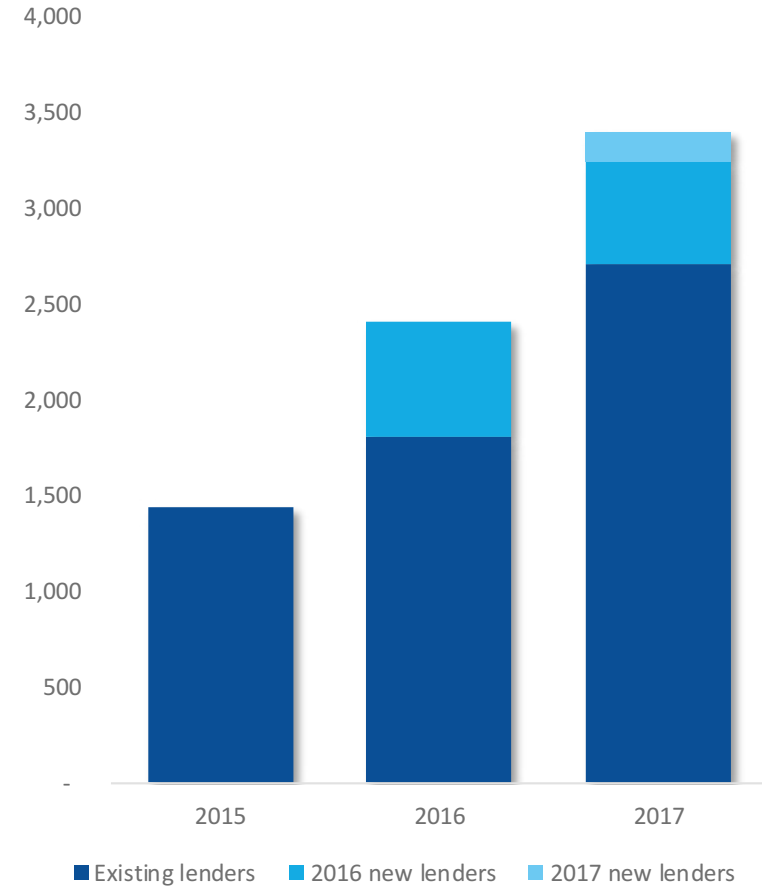


Increased lender complexity

Increased regulatory intervention in the market has driven more complexity in the market and greater need for broker expertise

- In April 2015 over 1,450 individual products were available for comparison in AFG’s software, that number is now over 3,400
- Regulatory changes are resulting in increased complexity with individual products being split between owner occupied, investment, interest only, LVR and principal & interest categories driving different pricing bands
- Visits to AFG’s BrokerHQ knowledge base has increased from over 28,000 in March 2015 to over 53,000 currently
- It is no wonder that broker share of the residential mortgage market is now at 53%
- AFG brokers have the systems, skill and expertise to help consumers navigate through this increasingly complex area

Residential Products

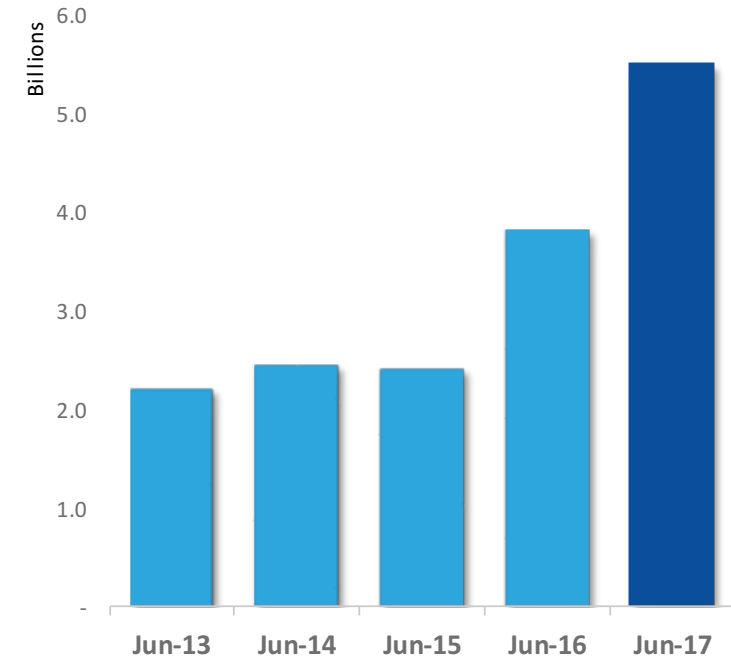


Operational update

AFG Home Loans

- Strategy continues to deliver positive results with profit before tax 142% above FY16
- Total settlements were \$2.68 billion in FY17 up 38% from \$1.94 billion in FY16
- AFG Home Loan book of \$5.5 billion up 44% from \$3.8 billion
- Improved margin within AFG Securities owing to a combination of lower cost of funds and easing of pricing pressures on certain sections of the loan book

AFGHL Portfolio

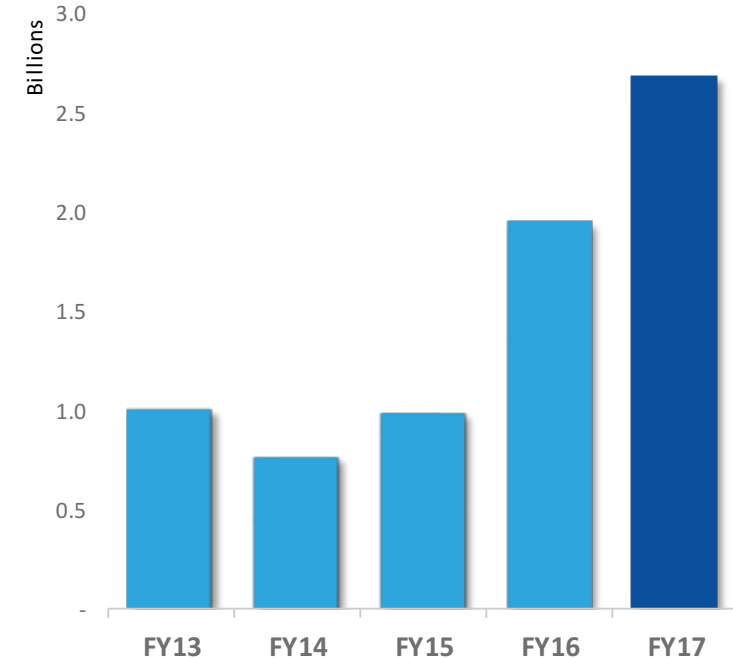


	Related to FY17	FY16	
Total AFGHL Revenue	79,701	68,327	17%
AFGHL Profit before tax	15,901	6,564	142%

AFG Home Loans

- Successful launch of the Alpha product in Q2 FY17 provided further consumer choice and an uptick in settlement volumes. All funders contributed strongly to the growth in FY17
- Four core prime mortgage funders provide diversification around our growth strategy in this segment and also allows AFG to have alternate funding sources when individual lender appetite occasionally wanes
- AFG Options provides a near prime alternative in a growing and increasingly important market segment
- Momentum has been maintained in FY18 with July AFGHL's lodgements up 50% on July FY17
- Scalable business model delivering growing profitability with the white label offering simplifying business processes
- AFG Home Loans now has over 10,000 retail customers

AFGHL Settlements



AFG
HOME LOANS
RETRO

AFG
HOME LOANS
EDGE™

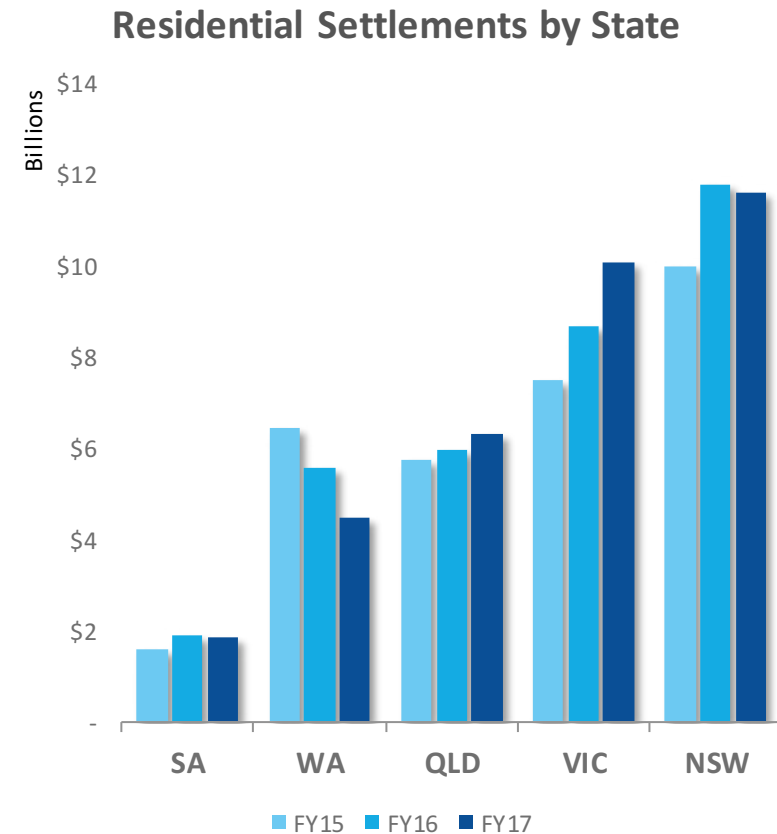
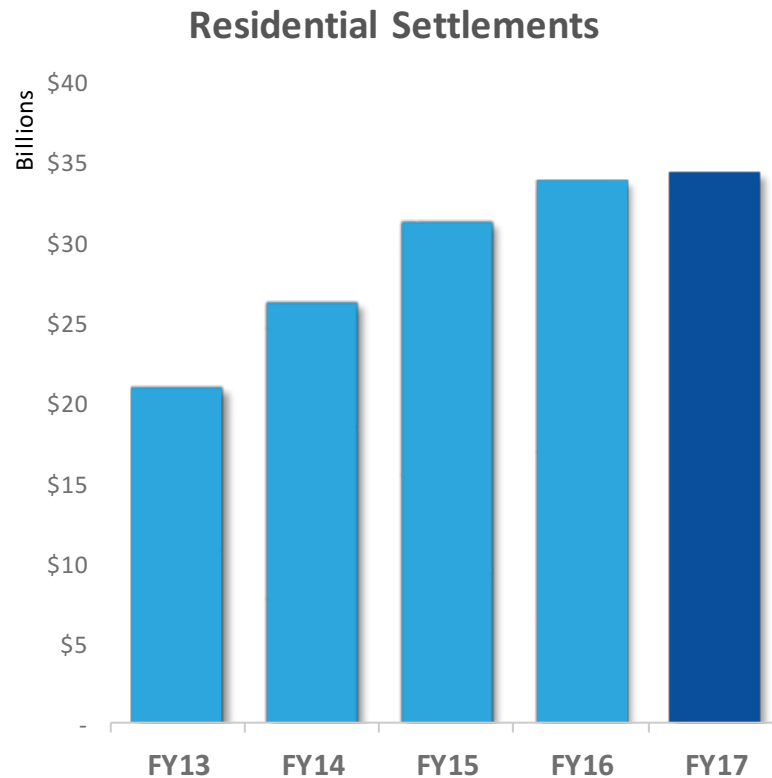
AFG
HOME LOANS
ICON

AFG
HOME LOANS
ALPHA

AFG
HOME LOANS
OPTIONS

Residential settlements

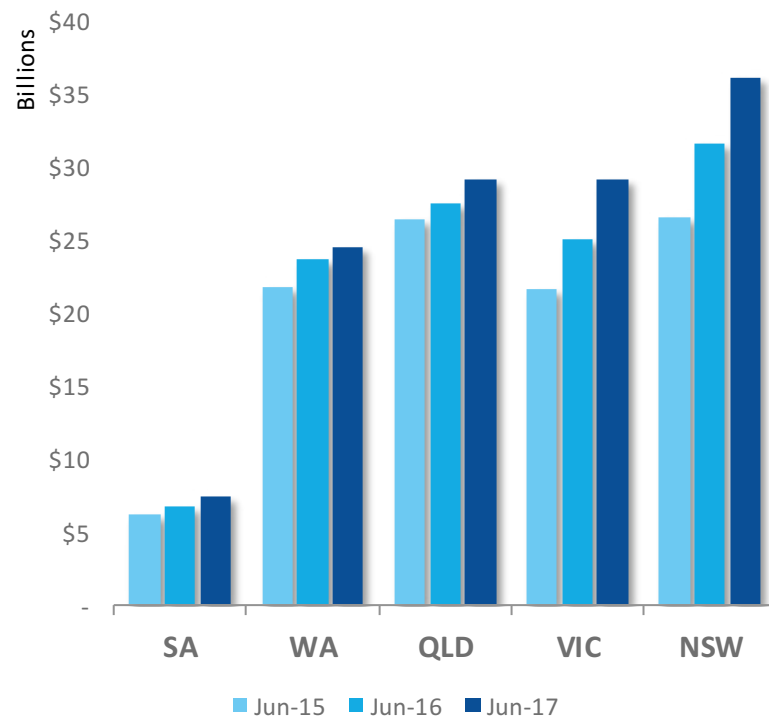
Strong growth in Victoria and signs of improved activity in Queensland. These have been offset by weaker economic conditions in Western Australia. Residential settlements were down 5.8% in Q1 FY17 due to changes in foreign investor lending, returning to growth of 4.1% for the remainder of the year. Residential loan book of \$126.5b generating ongoing trail income.



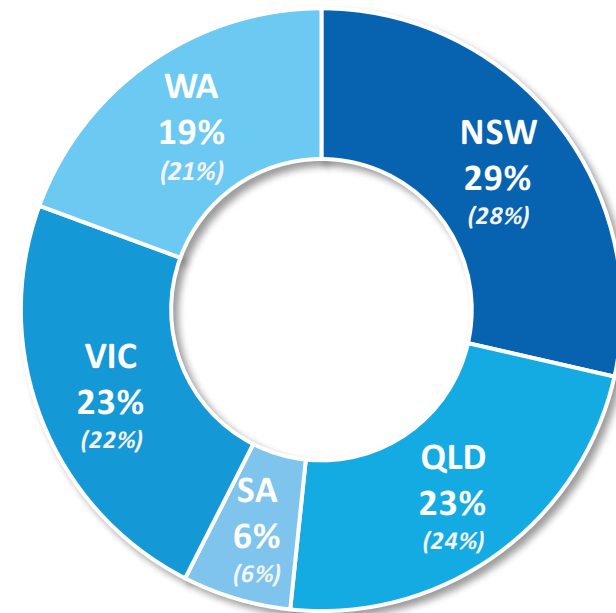
Residential portfolio – June 2017

The Residential portfolio grew from \$114.7 billion to \$126.5 billion during the year with growth in all States including Western Australia despite more challenging economic conditions. Re-weighting of the loan book continues with highest growth achieved in New South Wales and Victoria

Residential Portfolio by State

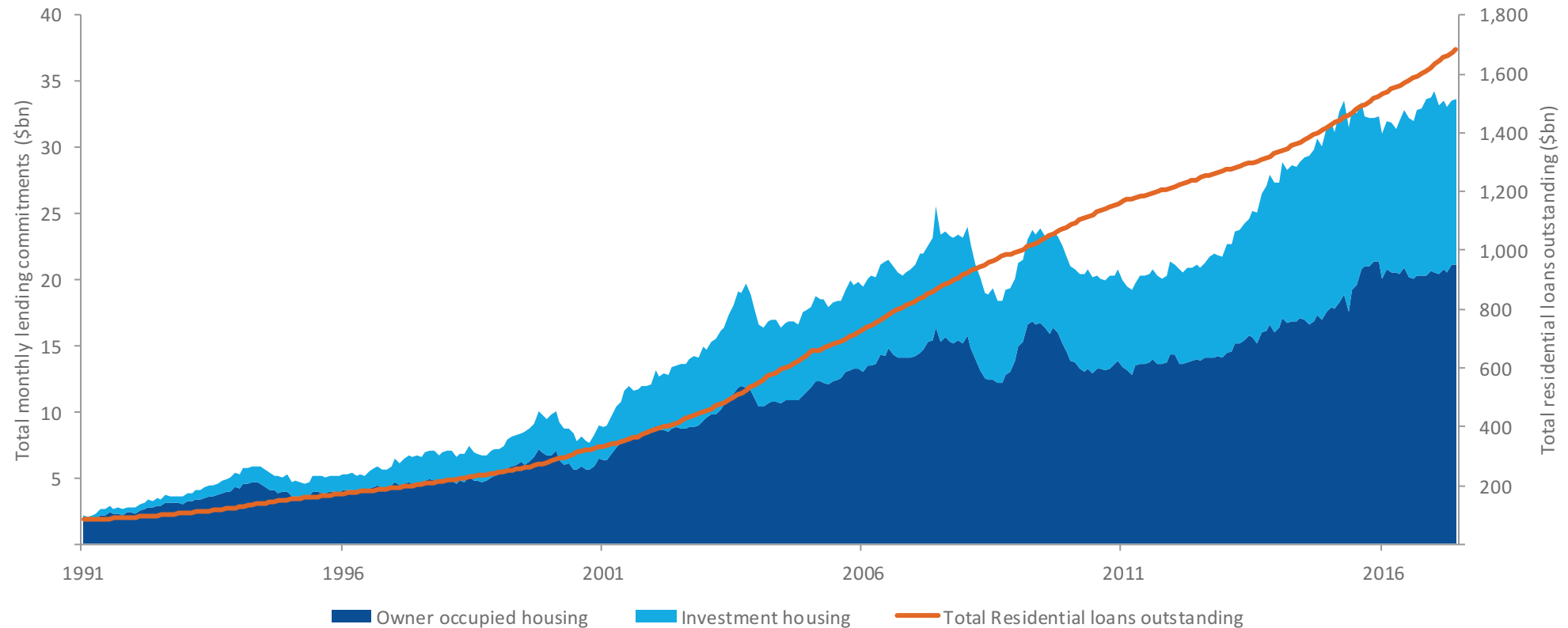


Residential Loan Book Location



Residential market – June 2017

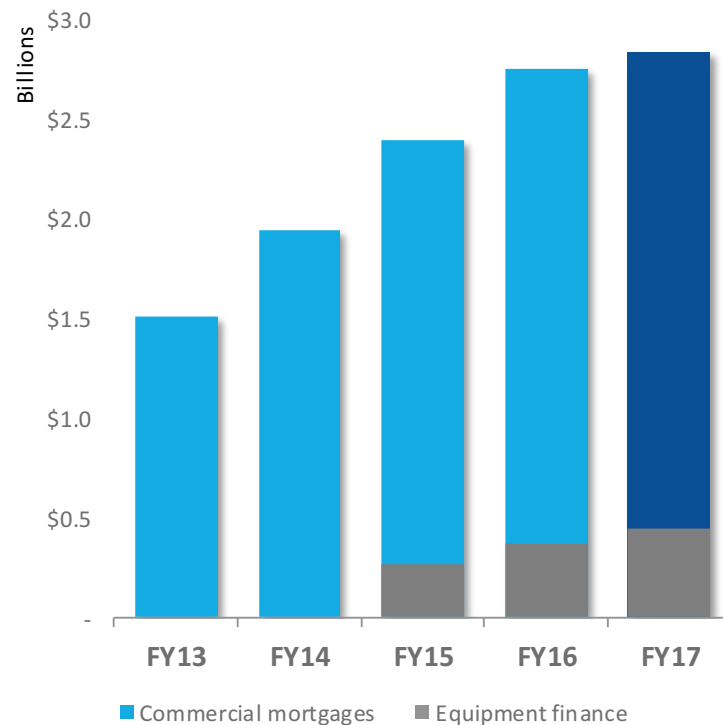
AFG's residential loan book continues to grow at a faster rate than the total Australian residential mortgage market. Since 2010 AFG's CAGR of 11.1% compares very favourably against market growth of 6.1%



Commercial settlements

Asset finance settlements are up 20% in FY17. Commercial settlements up 3% with strong growth in New South Wales offset by continued tighter lending criteria in property development lending

Commercial and EF Settlements

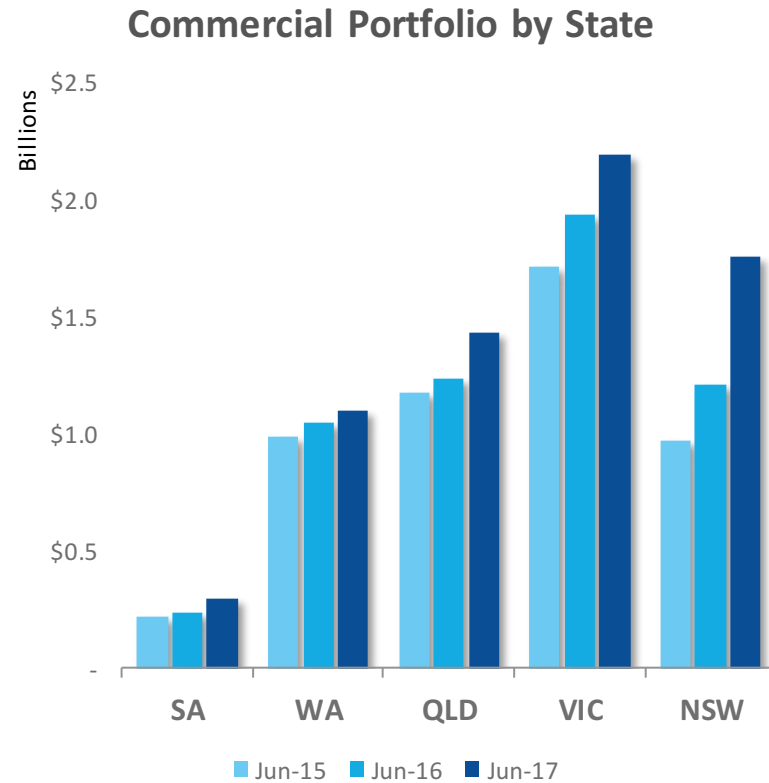


Commercial Mortgages Settlements by State

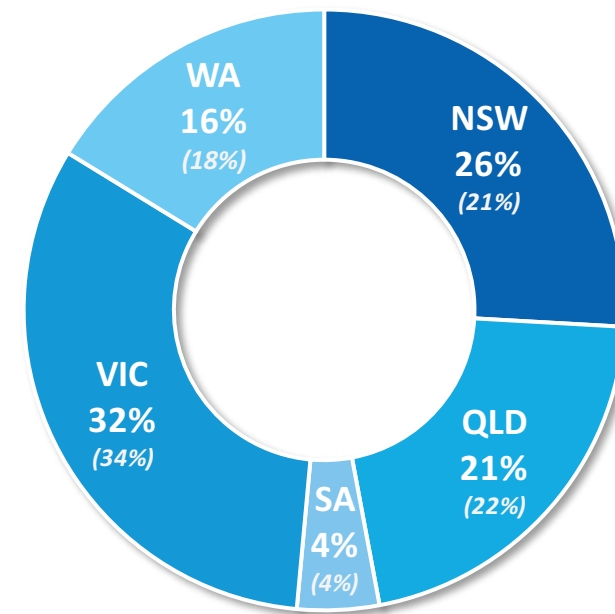


Commercial portfolio – June 2017

The Commercial portfolio grew by 20% to \$6.8 billion generating ongoing trail commission

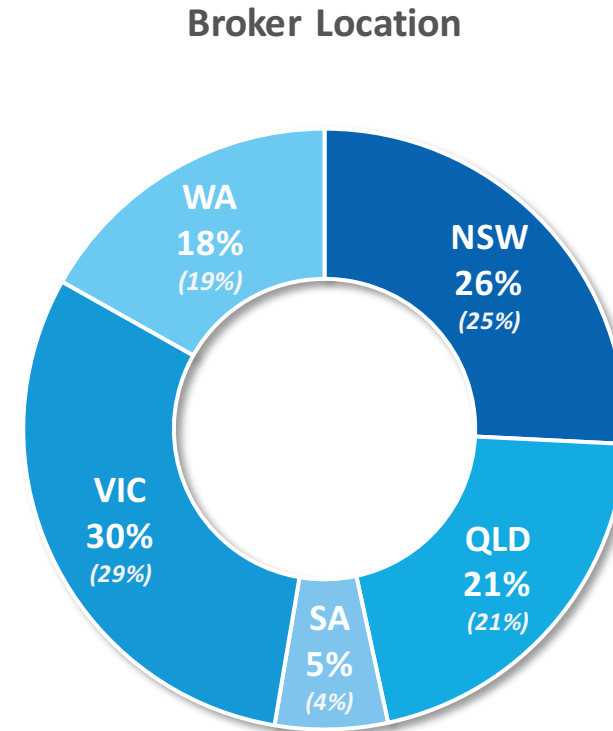
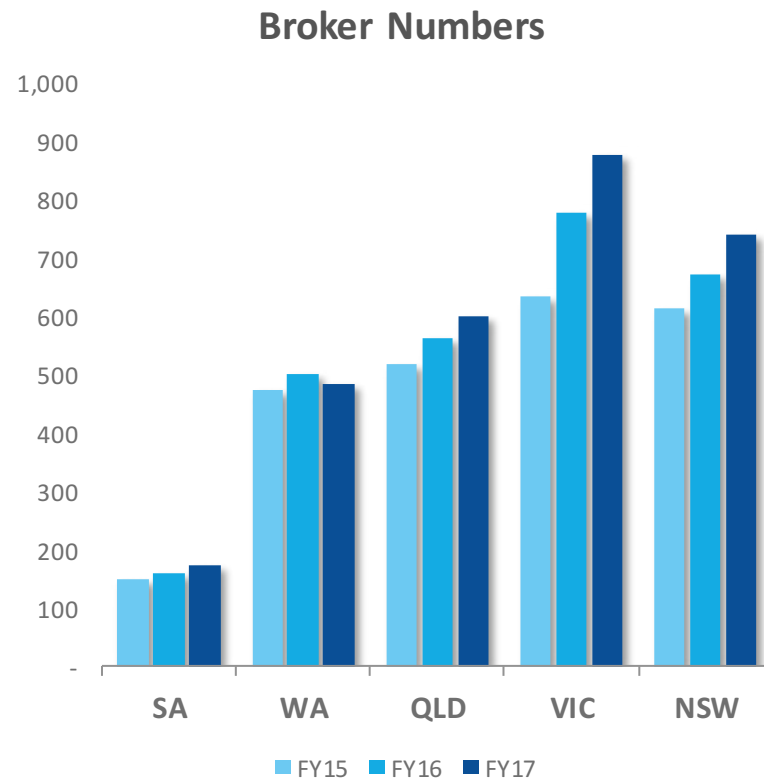


Commercial Loan Book Location



Distribution network







Over 2,875 active brokers at 30 June 2017 as AFG continues to build a wide distribution network providing lending solutions, choice and competition to consumers



July trading

- Total Residential lodgements were \$4.79 billion
- AFG Home Loans maintained its strong momentum in July 2017
- On a like for like basis total residential lodgements were up 3% on July 2016
- Victoria continues its strong lodgement growth, partially offset by Western Australia

Comparison of July lodgements

		Change on July 2016
NSW		2%
QLD		(3%)
SA		0%
VIC		22%
WA		(23%)
AFG HL		50%

Financial information

Summary P&L

- Normalised profit for FY17 was \$30.2 million, up 33% from \$22.6m in FY16. The normalised profit figure is calculated by removing the impact of the initial recognition of the value of AFGHL white label trail book relating to prior year settlements. The normalised number includes the value for settlements during FY17 only
- The result was driven by a 38% increase in AFGHL's settlements, maintenance of the stronger FY16 net interest margin and a 20% increase in asset financing settlements
- The AFG Home Loans (AFGHL) white label mortgage products have now matured to the extent that there is sufficient history and data to enable the actuarial estimation of future customer behaviour. It was therefore, in accordance with Australian Accounting Standards, necessary to adopt an actuarial model to estimate the future trail revenue relating to the AFGHL white label programme
- This impacted NPAT for FY17 and has resulted in the recognition of a trail income receivable for AFGHL white label programme on balance sheet

	Total Revenue	Net Profit after tax
Reported FY17	586,101	39,104
Initial recognition of AFGHL white label trail book relating to prior years	(12,772)	(8,940)
Related to FY17	573,329	30,164

\$000's	FY17	FY17	FY16
	Reported	Normalised	Reported
Commissions	491,358	478,586	430,465
Interest on trail commission income receivable	47,277	47,277	50,473
Mortgage management services	305	305	566
Securitisation transaction fees	819	819	827
Securitisation interest income	46,342	46,342	46,597
Total Revenue	586,101	573,329	528,928
Securitisation interest expense	(31,711)	(31,711)	(33,036)
Interest on trail commission payable	(42,655)	(42,655)	(38,551)
Other cost of sales	(431,902)	(431,902)	(402,239)
Gross Profit	79,833	67,061	55,102
Other income	16,700	16,700	15,345
Administration expenses	(2,885)	(2,885)	(3,314)
Other expenses	(38,011)	(38,011)	(35,781)
Depreciation and amortisation	(944)	(944)	(1,100)
Result from operating activities	54,693	41,921	30,252
Finance income	2,277	2,277	2,708
Finance expense	(14)	(14)	(34)
Net finance income	2,263	2,263	2,674
Profit before tax	56,956	44,184	32,926
Income tax expense	(17,852)	(14,020)	(10,282)
Net Profit after tax	39,104	30,164	22,644

Summary cash flow

Net cash flows from operating activities are \$26.5 million in FY17. Adjusting for the following factors net cash flows from operating activities remain strong:

- The receipt of sponsorship income relating to the 2016 annual conference in FY16 with associated expenses being paid in FY17;
- A change in payment terms for some broker services which were previously billed annually in advance to allow monthly installments; and
- Higher tax payments in FY17. A tax refund was received in FY16, primarily relating to R&D

	Jun 2017 \$000's	Jun 2016 \$000's
Cash receipts from customers	462,454	440,572
Cash paid to suppliers and employees	(439,031)	(410,148)
Interest received	46,341	46,598
Interest paid	(31,711)	(33,036)
Income taxes paid	(11,536)	(7,780)
Net cash from operating activities	26,517	36,206
Cash flows from investing activities	(104,274)	(20,191)
Net cash from /(used in) financing activities	71,893	23,874
Net increase in cash and cash equivalents	(5,864)	39,889
Cash and cash equivalents at the beginning of period	130,665	90,776
Cash and cash equivalents at the end of the period	124,801	130,665

Cash reconciliation	Jun 2017	Jun 2016
Un-restricted net cash	90,835	85,945
Restricted cash (Securities)	33,966	44,720
Total cash	124,801	130,665

Summary balance sheet

Points to note:

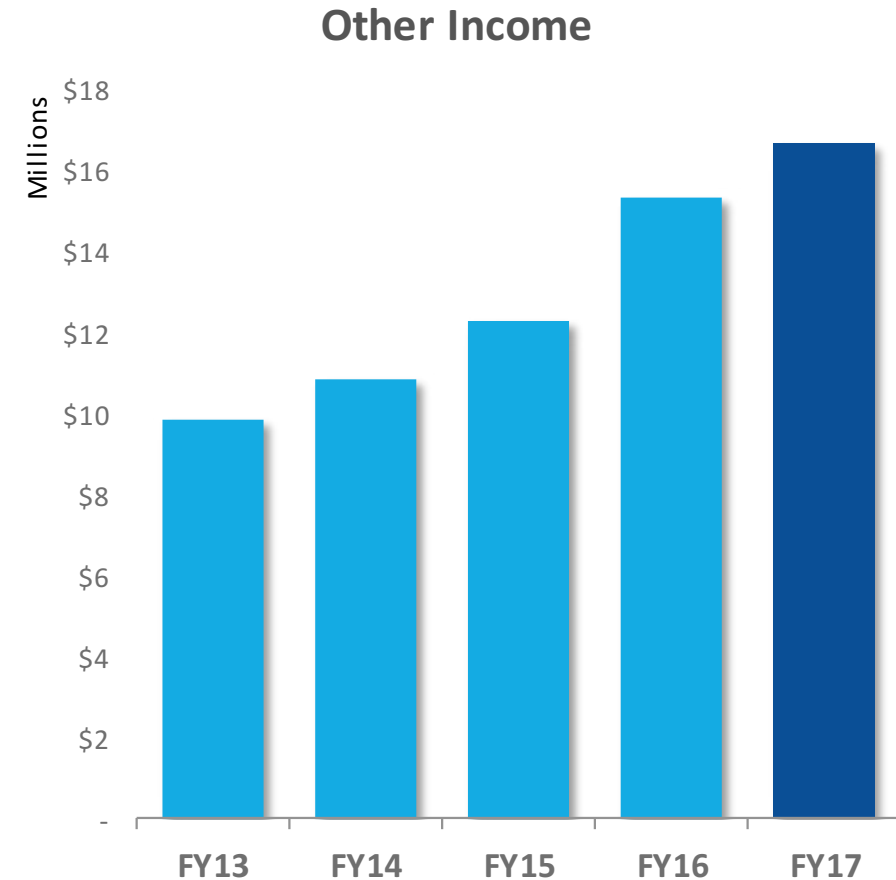
1. Cash includes restricted cash of \$34.0 million (FY16: \$44.7 million)
2. Predominantly related to trail book accounting
3. Largely AFG Securitisation business
4. The Group continues to be capital light with a trail book that with AFGHL is starting to change shape and generate even stronger cash flows
5. Includes trail book accounting liability and general trade creditors and accruals

Total subordinated notes subscribed of \$10.6 million as at 30 June 2017 (FY16: \$8.7 million)

	Jun 2017 \$000's	Jun 2016 \$000's
Assets		
Cash ¹	124,801	130,665
Receivables ²	737,611	650,108
Loans and advances ³	1,152,171	1,046,412
Property, plant and equipment ⁴	1,898	2,379
Intangible assets	745	757
Total assets	2,017,226	1,830,321
Liabilities		
Interest bearing liabilities ³	1,164,478	1,072,215
Trade and Other payables ⁵	719,745	652,049
Employee benefits	4,559	3,818
Provisions	1,667	322
Deferred tax liability	19,482	13,397
Total liabilities	1,909,931	1,741,801
Net assets	107,295	88,520
Equity		
Share capital	43,541	43,541
Reserves	317	23
Retained earnings	63,410	44,980
Non-controlling interest	27	(24)
Total equity	107,295	88,520

Other income

- 15% growth in service fees during FY17 following 20% growth in FY16 continues to demonstrate the value of the AFG brand and technology proposition
- Growth in services fees is due to increased broker numbers and enhanced technology offerings to brokers. Our technology continues to be enhanced with our own and partnered technology. This is leading to an increasingly frictionless experience for our brokers and customers
- Sponsorship and incentive income received in FY17 were in line with FY16



In conclusion

FY17 delivered strong growth for shareholders despite what is a somewhat challenging residential and commercial lending market



The group is well placed to continue to provide positive future growth



Customers continue to preference brokers as a means of providing choice, competition and great outcomes



Growth opportunities exist in other asset classes for brokers to gain market share and broaden their, and in turn our revenue base



Our AFG Business platform will drive growth in commercial SME. Asset financing also presents an increased opportunity in the medium term



AFG has a strong distribution network and a competitive position underpinned by strong B2B IT capabilities that will keep AFG well positioned in this sector. We expect further channel change and for an agile business like AFG, this is an exciting opportunity

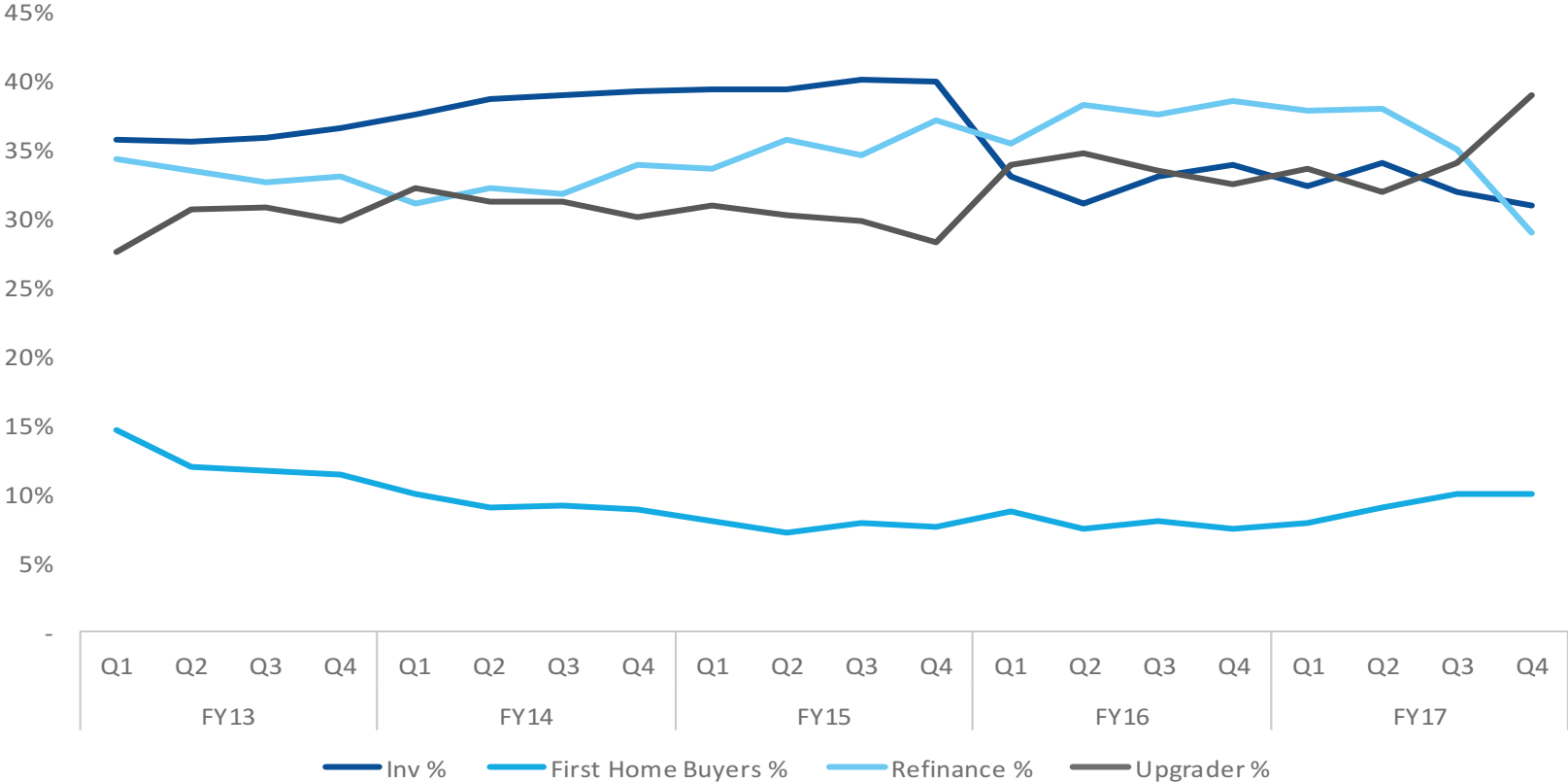


We see AFG continuing to be a first choice partner for lending and broking groups based on our core capabilities

Appendices

Types of lodgements

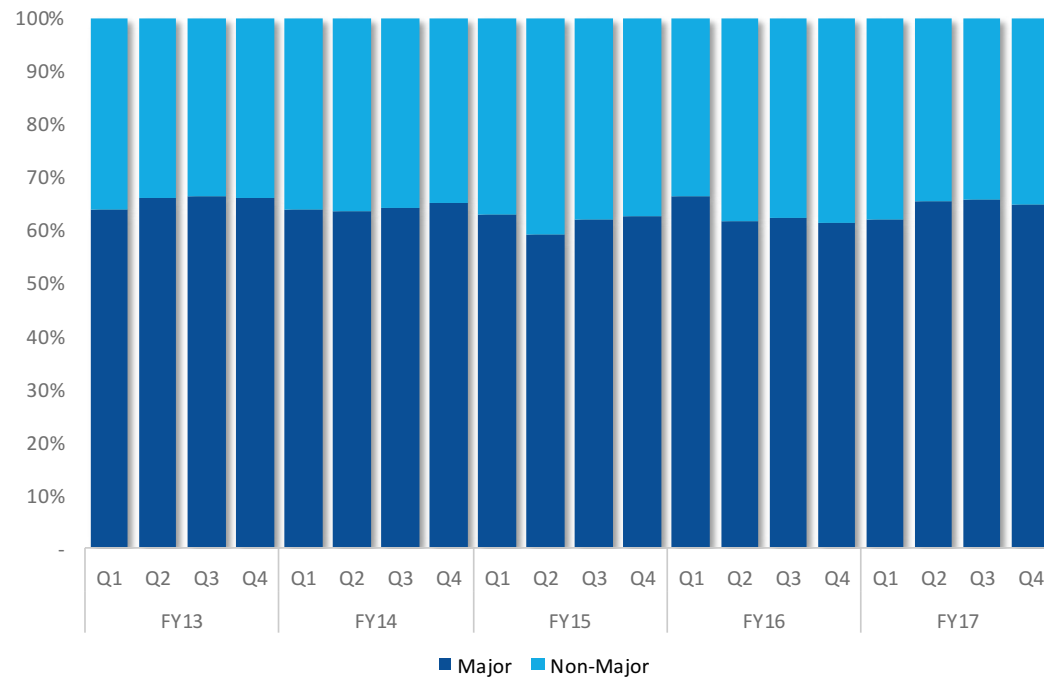
Regulatory activity continues to impact product mix



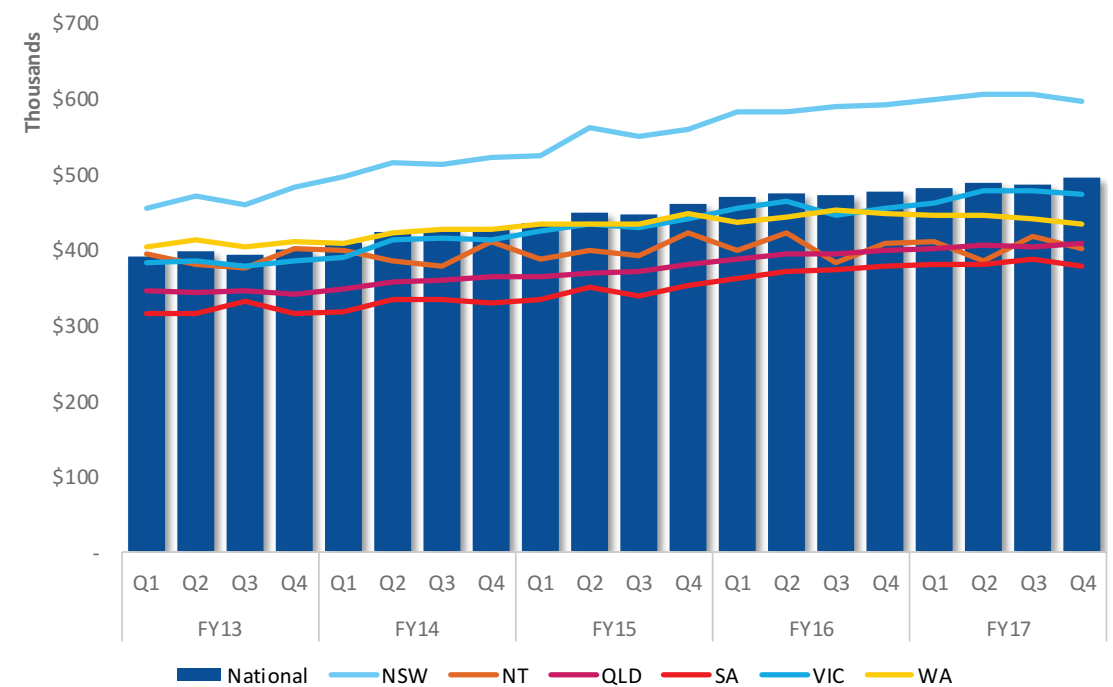
Lending activity

Non-majors increased market share in the last quarter of the calendar year, average loan size has stabilised

Major v Non-Major



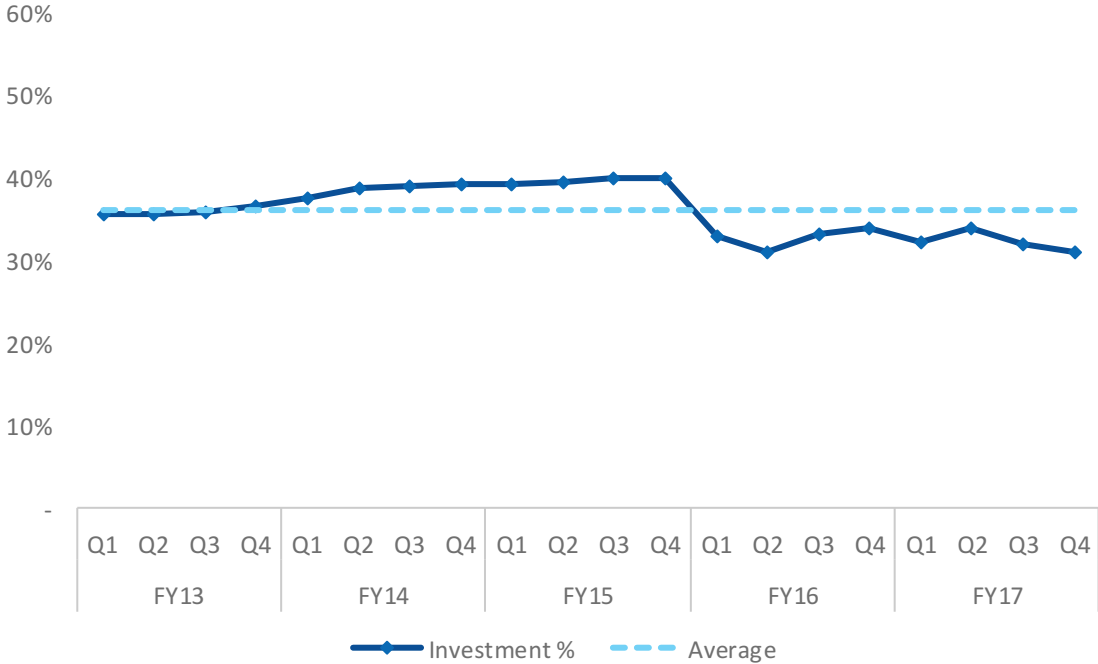
National average loan size



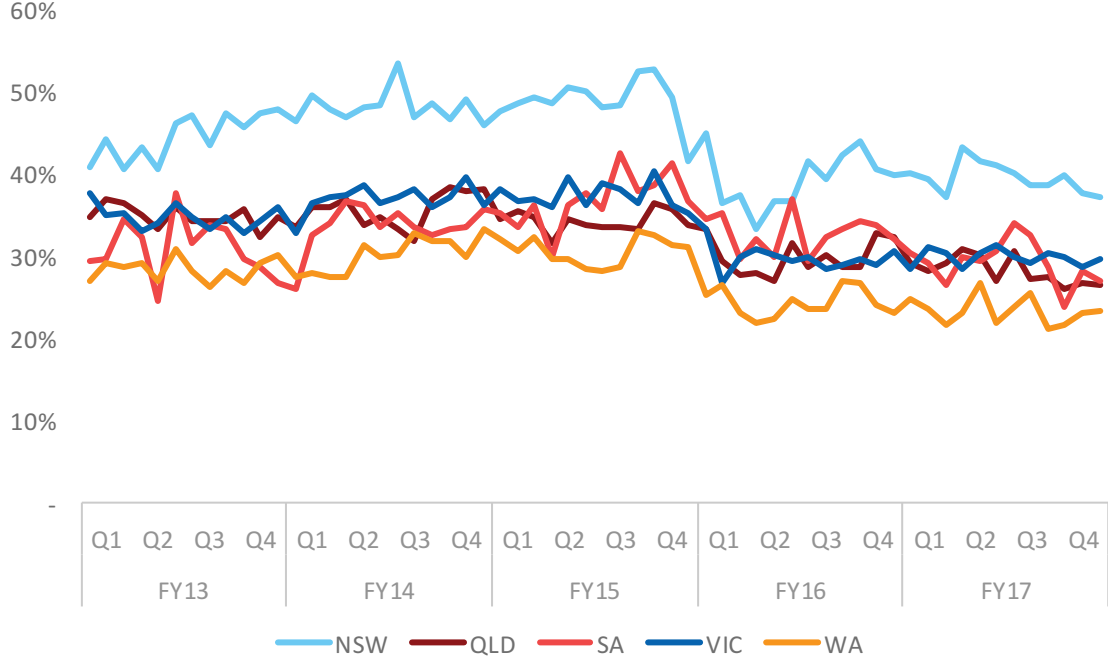
Investor loans

Regulatory changes to investor lending have stabilised volumes as a percentage of overall product mix

Investor Loans %



Investor Loans % per State



Balance sheet

	Jun 2017 \$000's	Jun 2016 \$000's
Assets		
Cash and cash equivalents	124,801	130,665
Trade and other receivables	737,580	650,059
Loans and advances	1,152,171	1,046,412
Other financial assets	31	49
Property, plant and equipment	1,898	2,379
Intangible assets	745	757
Total assets	2,017,226	1,830,321

	Jun 2017 \$000's	Jun 2016 \$000's
Liabilities		
Interest-bearing liabilities	1,164,478	1,072,215
Trade and other payables	715,803	646,113
Employee benefits	4,559	3,818
Current tax payable	1,249	1,060
Deferred income	2,693	4,876
Provisions	1,667	322
Deferred tax liability	19,482	13,397
Total liabilities	1,909,931	1,741,801
Net assets	107,295	88,520
Equity		
Share capital	43,541	43,541
Share-based payment reserve	408	97
Other capital reserves	(91)	(74)
Retained earnings	63,410	44,980
Total equity attributable to equity holders of the Company	107,268	88,544
Non-controlling interest	27	(24)
Total equity	107,295	88,520

Consolidated income statement

	Jun 2017 \$000's	Jun 2016 \$000's
Continuing Operations		
Commission and other income	539,759	482,331
Securitisation interest income	46,342	46,597
Operating income	586,101	528,928
Commission and other cost of sales	(474,557)	(440,790)
Securitisation interest expense	(31,711)	(33,036)
Gross profit	79,833	55,102
Other income	16,700	15,345
Administration expenses	(2,885)	(3,314)
Other expenses	(38,955)	(36,881)
Results from operating activities	54,693	30,252
Finance income	2,277	2,708
Finance expenses	(14)	(34)
Net finance income	2,263	2,674
Profit before tax from continuing operations	56,956	32,926
Income tax expense	(17,852)	(10,282)
Profit for the period	39,104	22,644

	Jun 2017 \$000's	Jun 2016 \$000's
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	2	2
Total comprehensive income for the period	39,106	22,646
Profit attributable to:		
Equity holders of the Company	39,053	22,667
Non-controlling interests	51	(23)
Profit for the period	39,104	22,644
Total comprehensive income for the period attributable to:		
Equity holders of the Company	39,055	22,669
Non-controlling interests	51	(23)
Total comprehensive income for the period	39,106	22,646
Earnings per share		
Basic earnings per share (cents per share)	18.20	10.54
Diluted earnings per share (cents per share)	18.15	10.54

Cash flows

Cash reconciliation	Jun 2017	Jun 2016
Un-restricted net cash	90,835	85,945
Restricted cash (Securities)	33,966	44,720
Total cash	124,801	130,665

	Jun 2017 \$000's	Jun 2016 \$000's
Cashflows from Operating activities		
Cash receipts from customers	462,454	440,572
Cash paid to suppliers and employees	(439,031)	(410,148)
Interest received	46,341	46,598
Interest paid	(31,711)	(33,036)
Income taxes paid	(11,536)	(7,780)
Net cash from operating activities	26,517	36,206
Cash flows from investing activities		
Interest received	2,303	2,617
Purchase of property, plant and equipment	(280)	(136)
Investment in intangible assets	(150)	(205)
Loans and advances	(539)	718
(Loans advanced to)/ repayments from borrowers	(105,608)	(23,185)
Cash flows from investing activities	(104,274)	(20,191)
Cash flows from financing activities		
(Repayments of)/proceeds from warehouse facility	(48,905)	190,685
(Repayments to)/proceeds from bondholders	141,677	(159,839)
Loans from funders	(257)	(528)
Dividends paid	(20,622)	(6,444)
Net cash from /(used in) financing activities	71,893	23,874
Net increase in cash and cash equivalents	(5,864)	39,889
Cash and cash equivalents at the beginning of period	130,665	90,776
Cash and cash equivalents at the end of the period	124,801	130,665

Impact of securitisation SPVs on balance sheet

The proforma balance sheet below shows the Group's balance sheet with the 'non-recourse' special purpose vehicles (SPVs) relating to the securitisation business and the balance sheet of the Group separately

	AFG SPV's \$000's	AFG ex SPV's \$000's	Re-classifications	AFG Limited \$000's
Assets				
Cash	32,536	92,265	-	124,801
Receivables	-	737,611	-	737,611
Loans and advances	1,149,222	2,949	-	1,152,171
Investment in subordinated notes	-	10,614	(10,614)	-
Property, plant and equipment	-	1,898	-	1,898
Intangible assets	-	745	-	745
Total assets	1,181,758	846,082	(10,614)	2,017,226
Liabilities				
Interest bearing liabilities	1,175,418	(326)	(10,614)	1,164,478
Trade and Other payables	5,531	714,214	-	719,745
Employee benefits	-	4,559	-	4,559
Provisions	-	1,667	-	1,667
Deferred tax liability	-	19,482	-	19,482
Total liabilities	1,180,949	739,596	(10,614)	1,909,931
Net assets	809	106,486	-	107,295

Points to note:

1. The AFG business is largely debt free outside the non-recourse securitisation book within the special purpose vehicles
2. AFGs total subordinated notes subscribed of \$10.6 million (FY16: \$8.7 million) reflects the total cash exposure to the securitisation business at 30 June 2017

Impact of trail book accounting

Statutory	Jun 2017 \$000's		Jun 2016 \$000's	
	Operating income	Profit After Tax	Operating income	Profit After Tax
Underlying results from continuing operations	499,020	26,160	472,602	22,466
Change in the carrying value of trailing commission receivable and payable	88,531	13,959	56,326	178
Provision for clawbacks	(1,450)	(1,015)	-	-
Results from continuing operations	586,101	39,104	528,928	22,644
Key Assumptions	Jun 2017		Jun 2016	
Average loan life	Between 3.1 and 5.0 years		Between 4.3 and 5.2 years	
Discount rate per annum ¹	Between 5% and 13.5%		Between 5% and 13.5%	
Percentage paid to members ²	Between 85% and 93%		Between 85% and 92%	

¹ Discount rates once set are not adjusted during the life of the loan. The spread in discount rate captures loans settled in previous financial years as well as the current financial year.

² The percentage paid to members is fixed by the terms of their agreement with the Group. As a consequence, management does not expect changes to the percentage paid to members to be reasonably possible.

Q & A
Thank you

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This presentation contains general information which is current as at 25 August 2017.

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