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19 July 2018

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

AFG MORTGAGE INDEX – Q4 2018

Please see attached statement regarding AFG's Mortgage Index for the fourth quarter of financial year 2018.

Yours faithfully,

Lisa Bevan
Company Secretary

CONTACT DETAILS

Alison Clarke, AFG Head of Corporate Communications
David Bailey, CEO

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The new normal

Today's quarterly AFG Mortgage Index figures (ASX:AFG) show it is 'business as usual' as a vibrant mortgage broking industry delivering choice and competition to the market continues to be embraced by Australian consumers.

Total mortgage lodgement numbers for the last quarter were up on the prior quarter to finish the 2018 financial year at 28,896. Lodgement volume for the quarter increased on the previous quarter to \$14,589,632,848.

AFG Chief Executive Officer David Bailey said regulatory intervention in 2017 and tightened lending criteria appear to have established a structural change that may be the 'new normal' for the market.

"Investors are sitting steady at 28% of lodgements, first home buyers have been at 13% for the past four consecutive quarters," said Mr Bailey. "Refinancers are at 22% and upgrader categories at 43% are also forming an established pattern."

Mortgage holders are also taking advantage of low interest rates to pay down the principal with P&I loans sitting at 81%.

The popularity of fixed rates has fallen with a drop to 15.5% for the quarter recorded, down from 26.4% in the first quarter of FY18.

"A sign that regulators will welcome is the drop in Loan to Value Ratios across the states, with the national LVR now at 67.9%," he said.

"Another pleasing aspect of these figures is the fact that the gap between major and non-major lenders continues to shrink.

"Non-major growth across multiple categories – investors, refinancers and upgraders suggest consumer comfort with looking outside of the Big 4 for a lending proposition that meets their needs.

Interest rate, loan features, fees and lender criteria are all key features for a consumer evaluating their options. A mortgage broker is uniquely placed to be able to efficiently and fairly compare the alternatives available across major and non-major lenders. "As outlined in the ACCC Residential Mortgage Price Inquiry Interim Report¹, discounting by the major banks is lacking in transparency and the time and effort required for a consumer to obtain interest rate comparisons and negotiate for a discount is very difficult," said Mr Bailey.

"The presence of the mortgage broking channel is one of the few drivers of competitive tension in the Australian lending market. A consumer dealing directly with a lender has limited negotiating power or knowledge of the interest rates and lending criteria offered by competitors. A mortgage broker with access to a panel of lenders drives competition between lenders to the benefit of all consumers, not just their own clients" he concluded.

¹<https://www.accc.gov.au/about-us/inquiries/residential-mortgage-products-price-inquiry/interim-report>

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TABLE 1 - ALL AUSTRALIA

AFG MORTGAGES LODGED

Fiscal Year	Fiscal Quarter	Lodge #	Lodge Volume	Avg Loan	Inv %	First Home Buyers %	Refinance %	Upgrader %	Interest Only %	Principal & Interest %
2013	1	21,572	\$8,416,747,858	\$390,170	36%	15%	34%	28%	53%	47%
2013	2	21,409	\$8,487,498,307	\$396,445	36%	12%	34%	31%	51%	48%
2013	3	21,210	\$8,322,945,106	\$392,407	36%	12%	33%	31%	52%	48%
2013	4	24,446	\$9,799,859,820	\$400,878	37%	11%	33%	30%	54%	46%
2014	1	25,819	\$10,542,068,141	\$408,307	38%	10%	31%	32%	54%	46%
2014	2	25,896	\$10,985,009,498	\$424,197	39%	9%	32%	31%	56%	44%
2014	3	24,232	\$10,303,134,053	\$425,187	39%	9%	32%	31%	57%	43%
2014	4	26,966	\$11,551,679,672	\$428,379	39%	9%	34%	30%	58%	42%
2015	1	28,133	\$12,204,496,350	\$433,814	39%	8%	34%	31%	58%	42%
2015	2	28,664	\$12,890,904,077	\$449,725	39%	7%	36%	30%	59%	41%
2015	3	27,496	\$12,267,611,650	\$446,160	40%	8%	35%	30%	59%	41%
2015	4	31,231	\$14,356,030,533	\$459,672	40%	8%	37%	28%	59%	40%
2016	1	29,920	\$14,074,487,291	\$470,404	33%	9%	36%	34%	54%	46%
2016	2	28,851	\$13,708,380,726	\$475,144	31%	7%	38%	35%	50%	50%
2016	3	27,275	\$12,898,667,650	\$472,912	33%	8%	38%	34%	48%	52%
2016	4	30,359	\$14,490,632,141	\$477,309	34%	7%	39%	33%	47%	53%
2017	1	31,571	\$15,123,672,777	\$479,037	32%	8%	38%	34%	46%	54%
2017	2	30,727	\$14,967,064,285	\$487,098	34%	9%	38%	32%	47%	53%
2017	3	29,024	\$14,144,367,496	\$487,333	32%	10%	35%	34%	44%	55%
2017	4	30,055	\$14,546,852,514	\$484,008	31%	10%	29%	39%	33%	67%
2018	1	30,469	\$14,946,504,487	\$490,548	29%	13%	25%	41%	19%	81%
2018	2	29,679	\$14,817,425,607	\$499,256	28%	13%	22%	44%	19%	81%
2018	3	27,740	\$13,815,384,808	\$498,031	28%	13%	23%	43%	20%	80%
2018	4	28,896	\$14,589,632,848	\$504,901	28%	13%	22%	43%	19%	81%

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TABLE 2 - BY BUYER TYPE

MAJOR VS NON MAJOR LENDER MARKET SHARE

Fiscal Year	Fiscal Quarter	Lodge Volume		Investment Volume		First Home Buyers Volume		Refinance Volume		Upgrader Volume		Interest Only Volume		Principal & Interest Volume	
		Major	Non-Major	Major	Non-Major	Major	Non-Major	Major	Non-Major	Major	Non-Major	Major	Non-Major	Major	Non-Major
2013	1	77.1%	22.9%	79.4%	20.6%	74.5%	25.5%	72.9%	27.1%	79.5%	20.5%	81.3%	18.7%	72.4%	27.6%
2013	2	77.6%	22.4%	80.8%	19.2%	74.2%	25.8%	73.6%	26.4%	79.3%	20.7%	81.6%	18.4%	73.4%	26.6%
2013	3	78.2%	21.8%	80.0%	20.0%	77.1%	22.9%	73.4%	26.6%	80.4%	19.6%	82.2%	17.8%	74.0%	26.0%
2013	4	77.0%	23.0%	79.3%	20.7%	74.5%	25.5%	72.6%	27.4%	79.3%	20.7%	80.4%	19.6%	73.1%	26.9%
2014	1	74.1%	25.9%	76.5%	23.5%	72.8%	27.2%	67.3%	32.7%	76.9%	23.1%	77.0%	23.0%	70.7%	29.3%
2014	2	73.6%	26.4%	75.4%	24.6%	72.2%	27.8%	67.5%	32.5%	76.1%	23.9%	76.5%	23.5%	69.8%	30.2%
2014	3	74.3%	25.7%	77.1%	22.9%	71.1%	28.9%	68.3%	31.7%	76.7%	23.3%	77.3%	22.7%	70.5%	29.5%
2014	4	74.8%	25.2%	77.3%	22.7%	71.6%	28.4%	69.3%	30.7%	77.9%	22.1%	77.8%	22.2%	70.5%	29.5%
2015	1	73.7%	26.3%	76.8%	23.2%	69.7%	30.3%	66.5%	33.5%	77.3%	22.7%	77.0%	23.0%	69.1%	30.9%
2015	2	69.8%	30.2%	74.2%	25.8%	67.0%	33.0%	62.5%	37.5%	72.6%	27.4%	73.9%	26.1%	63.8%	36.2%
2015	3	73.4%	26.6%	76.4%	23.6%	72.3%	27.7%	67.1%	32.9%	75.5%	24.5%	76.9%	23.1%	68.3%	31.7%
2015	4	71.7%	28.3%	74.8%	25.2%	70.7%	29.3%	64.8%	35.2%	75.5%	24.5%	76.5%	23.5%	64.9%	35.1%
2016	1	73.7%	26.3%	72.7%	27.3%	73.8%	26.2%	68.9%	31.1%	78.1%	21.9%	78.2%	21.8%	68.6%	31.4%
2016	2	69.9%	30.1%	71.1%	28.9%	70.4%	29.6%	61.2%	38.8%	75.4%	24.6%	76.6%	23.4%	63.4%	36.6%
2016	3	70.6%	29.4%	72.0%	28.0%	70.0%	30.0%	64.8%	35.2%	74.5%	25.5%	76.2%	23.8%	65.4%	34.6%
2016	4	70.9%	29.1%	73.9%	26.1%	72.2%	27.8%	66.2%	33.8%	73.4%	26.6%	75.0%	25.0%	67.3%	32.7%
2017	1	71.1%	28.9%	74.5%	25.5%	77.0%	23.0%	65.4%	34.6%	73.4%	26.6%	75.6%	24.4%	67.4%	32.6%
2017	2	65.2%	34.8%	68.4%	31.6%	68.3%	31.7%	58.2%	41.8%	69.0%	31.0%	69.8%	30.2%	61.3%	38.7%
2017	3	65.6%	34.4%	67.3%	32.7%	70.2%	29.8%	58.0%	42.0%	69.4%	30.6%	69.0%	31.0%	62.8%	37.2%
2017	4	64.7%	35.3%	68.4%	31.6%	70.1%	29.9%	57.4%	42.6%	65.9%	34.1%	62.7%	37.3%	65.7%	34.3%
2018	1	64.4%	35.6%	68.9%	31.1%	68.0%	32.0%	57.6%	42.4%	64.2%	35.8%	58.3%	41.7%	65.9%	34.1%
2018	2	64.1%	35.9%	66.5%	33.5%	69.5%	30.5%	57.6%	42.4%	64.3%	35.7%	63.5%	36.5%	64.3%	35.7%
2018	3	63.2%	36.8%	65.0%	35.0%	67.6%	32.4%	58.9%	41.1%	63.2%	36.8%	65.0%	35.0%	62.9%	37.1%
2018	4	59.3%	40.7%	57.5%	42.5%	68.4%	31.6%	54.0%	46.0%	60.0%	40.0%	59.5%	40.5%	59.3%	40.7%

CONTACT DETAILS

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TABLE 3 - BY STATE/TERRITORY

TOTAL LODGEMENT VOLUME

Fiscal Year	Fiscal Quarter	National	NSW	NT	QLD	SA	VIC	WA
2013	1	\$8,416,747,858	\$2,317,367,446	\$112,863,129	\$1,700,649,487	\$539,250,818	\$1,863,981,141	\$1,882,635,836
2013	2	\$8,487,498,307	\$2,398,852,212	\$110,388,955	\$1,624,079,026	\$538,593,522	\$1,900,825,060	\$1,914,759,532
2013	3	\$8,322,945,106	\$2,280,966,495	\$101,610,181	\$1,596,742,132	\$557,028,090	\$1,773,185,026	\$2,013,413,182
2013	4	\$9,799,859,820	\$2,888,883,235	\$122,968,345	\$1,721,114,526	\$548,935,991	\$2,182,800,665	\$2,335,157,058
2014	1	\$10,542,068,141	\$3,363,650,441	\$139,190,621	\$1,838,570,242	\$585,449,797	\$2,299,156,557	\$2,316,050,484
2014	2	\$10,985,009,498	\$3,472,344,992	\$147,198,387	\$1,928,422,689	\$590,007,574	\$2,477,238,645	\$2,369,797,211
2014	3	\$10,303,134,053	\$3,187,107,101	\$131,039,892	\$1,767,079,902	\$546,204,335	\$2,425,749,349	\$2,245,953,475
2014	4	\$11,551,679,672	\$3,628,819,262	\$149,390,595	\$1,966,392,889	\$619,877,859	\$2,704,255,935	\$2,482,943,132
2015	1	\$12,204,496,350	\$3,982,906,593	\$152,960,284	\$2,058,793,631	\$607,398,884	\$2,916,486,393	\$2,485,950,565
2015	2	\$12,890,904,077	\$4,471,631,948	\$149,649,155	\$2,158,925,047	\$688,396,536	\$3,062,350,192	\$2,359,951,199
2015	3	\$12,267,611,650	\$4,279,279,704	\$148,109,278	\$1,993,246,499	\$644,051,341	\$2,933,481,013	\$2,269,443,815
2015	4	\$14,356,030,533	\$5,330,395,403	\$116,485,391	\$2,265,378,579	\$771,411,097	\$3,392,137,612	\$2,480,222,452
2016	1	\$14,074,487,291	\$5,270,467,626	\$113,864,980	\$2,137,838,711	\$760,635,526	\$3,517,077,687	\$2,274,602,761
2016	2	\$13,708,380,726	\$4,986,730,658	\$116,645,325	\$2,128,924,246	\$772,308,708	\$3,576,347,152	\$2,127,424,638
2016	3	\$12,898,667,650	\$4,693,179,835	\$104,974,788	\$2,135,145,631	\$712,290,474	\$3,368,595,762	\$1,884,481,160
2016	4	\$14,490,632,141	\$5,288,411,179	\$116,619,716	\$2,411,258,756	\$791,790,063	\$3,878,196,520	\$2,004,355,908
2017	1	\$15,123,672,777	\$5,469,129,452	\$105,881,101	\$2,584,026,902	\$800,951,939	\$4,229,595,397	\$1,934,087,986
2017	2	\$14,967,064,285	\$5,414,821,887	\$95,196,435	\$2,497,132,961	\$773,296,604	\$4,398,472,172	\$1,788,144,227
2017	3	\$14,144,367,496	\$5,084,508,452	\$100,197,613	\$2,356,559,853	\$750,083,201	\$4,240,813,181	\$1,612,205,196
2017	4	\$14,546,852,514	\$5,235,157,894	\$64,301,293	\$2,424,148,349	\$770,982,709	\$4,440,510,735	\$1,611,751,533
2018	1	\$14,946,504,487	\$5,249,786,950	\$83,166,205	\$2,375,343,122	\$760,134,506	\$4,920,362,744	\$1,557,710,961
2018	2	\$14,817,425,607	\$5,135,130,248	\$89,197,485	\$2,366,856,584	\$758,622,600	\$4,901,767,882	\$1,565,850,810
2018	3	\$13,815,384,808	\$4,788,925,766	\$94,803,973	\$2,160,053,919	\$696,514,847	\$4,569,101,928	\$1,505,984,375
2018	4	\$14,589,632,848	\$4,962,476,319	\$58,395,147	\$2,354,080,523	\$742,499,929	\$5,010,528,954	\$1,461,651,975

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TABLE 4 - BY STATE/TERRITORY

AVERAGE MORTGAGE SIZE IN DOLLARS

Fiscal Year	Fiscal Quarter	National	NSW	NT	QLD	SA	VIC	WA
2013	1	\$390,170	\$454,208	\$393,251	\$344,540	\$315,721	\$382,905	\$403,048
2013	2	\$396,445	\$471,380	\$379,343	\$343,648	\$314,049	\$385,016	\$411,688
2013	3	\$392,407	\$459,502	\$376,334	\$346,140	\$331,960	\$378,078	\$403,086
2013	4	\$400,878	\$482,929	\$401,857	\$341,559	\$314,037	\$384,431	\$410,180
2014	1	\$408,307	\$496,846	\$397,687	\$347,950	\$318,525	\$389,292	\$408,402
2014	2	\$424,197	\$515,950	\$384,330	\$356,060	\$332,961	\$413,286	\$423,103
2014	3	\$425,187	\$513,057	\$378,728	\$358,725	\$333,255	\$415,795	\$425,773
2014	4	\$428,379	\$522,659	\$410,414	\$364,958	\$330,073	\$411,983	\$425,964
2015	1	\$433,814	\$523,722	\$388,224	\$362,783	\$332,639	\$423,600	\$432,490
2015	2	\$449,725	\$560,917	\$399,064	\$368,480	\$350,686	\$434,438	\$433,337
2015	3	\$446,160	\$550,602	\$392,863	\$370,699	\$338,262	\$429,751	\$433,100
2015	4	\$459,672	\$558,098	\$422,049	\$380,033	\$352,403	\$440,137	\$447,129
2016	1	\$470,404	\$582,372	\$399,526	\$386,310	\$362,035	\$455,226	\$435,414
2016	2	\$475,144	\$581,611	\$422,628	\$393,371	\$371,660	\$463,918	\$443,029
2016	3	\$472,912	\$588,708	\$383,120	\$394,521	\$372,342	\$446,408	\$453,218
2016	4	\$477,309	\$591,479	\$407,761	\$398,621	\$378,485	\$455,294	\$448,101
2017	1	\$479,037	\$596,806	\$408,807	\$400,252	\$378,701	\$458,542	\$444,312
2017	2	\$487,098	\$602,383	\$385,411	\$403,349	\$377,955	\$476,334	\$444,812
2017	3	\$487,333	\$602,501	\$414,040	\$404,143	\$385,251	\$476,335	\$440,253
2017	4	\$484,008	\$593,959	\$401,883	\$408,381	\$378,118	\$473,099	\$433,267
2018	1	\$490,548	\$596,906	\$399,838	\$411,814	\$388,617	\$481,916	\$441,028
2018	2	\$499,256	\$611,180	\$469,460	\$416,187	\$389,437	\$495,278	\$440,464
2018	3	\$498,031	\$603,976	\$443,009	\$418,129	\$398,008	\$493,637	\$439,703
2018	4	\$504,901	\$610,091	\$405,522	\$426,541	\$398,551	\$503,723	\$444,406

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TABLE 5 - BY STATE/TERRITORY

LOAN VALUE RATIOS (LOAN STATED AS % OF PROPERTY VALUE)

Fiscal Year	Fiscal Quarter	LVR						
		National	NSW	NT	QLD	SA	VIC	WA
2013	1	69.6%	69.8%	68.3%	70.2%	69.0%	70.4%	70.1%
2013	2	70.2%	70.5%	67.1%	70.5%	70.3%	71.1%	72.0%
2013	3	70.3%	70.0%	68.0%	70.2%	70.4%	71.8%	71.2%
2013	4	70.0%	69.7%	68.0%	69.8%	70.3%	72.0%	70.3%
2014	1	69.9%	69.6%	66.3%	70.4%	69.3%	71.9%	71.6%
2014	2	70.4%	69.3%	67.2%	71.3%	71.3%	71.9%	71.6%
2014	3	69.9%	69.0%	66.2%	70.1%	70.8%	72.7%	70.6%
2014	4	69.6%	68.6%	65.1%	69.4%	71.4%	72.8%	70.1%
2015	1	70.1%	68.7%	68.3%	69.0%	70.9%	72.5%	71.2%
2015	2	70.5%	68.7%	69.1%	69.8%	71.7%	73.1%	70.5%
2015	3	69.8%	68.4%	66.0%	70.0%	70.8%	72.9%	70.7%
2015	4	69.7%	66.9%	66.4%	69.6%	71.8%	72.7%	71.0%
2016	1	69.8%	67.4%	68.2%	69.2%	69.6%	73.0%	71.5%
2016	2	69.7%	66.0%	67.8%	70.3%	71.4%	71.7%	71.2%
2016	3	69.3%	66.3%	64.3%	70.2%	71.1%	72.7%	71.2%
2016	4	69.4%	66.1%	67.1%	70.0%	70.2%	72.2%	70.6%
2017	1	69.6%	66.3%	68.1%	70.1%	70.6%	71.1%	71.5%
2017	2	69.4%	65.6%	67.8%	69.6%	70.3%	71.9%	71.3%
2017	3	69.1%	65.5%	66.9%	68.9%	70.9%	71.6%	70.9%
2017	4	67.8%	64.1%	63.6%	68.1%	69.9%	70.9%	69.9%
2018	1	68.6%	64.5%	66.1%	68.9%	68.8%	70.8%	72.3%
2018	2	68.5%	64.5%	66.8%	68.5%	70.8%	69.4%	71.1%
2018	3	68.4%	64.0%	66.8%	69.2%	70.7%	68.9%	70.9%
2018	4	67.9%	63.5%	67.0%	68.4%	69.3%	68.3%	70.7%

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David Bailey, CEO

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TABLE 6 - ALL AUSTRALIA

LOAN TYPE

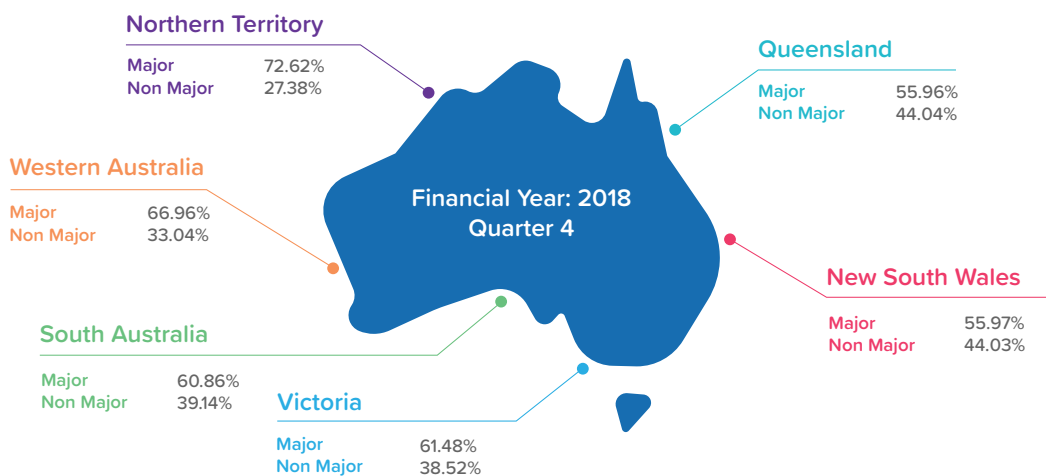
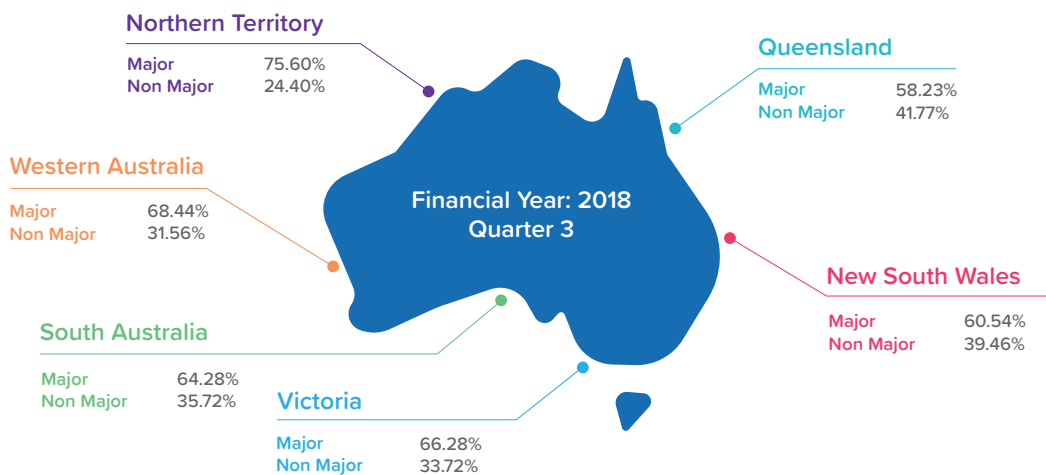
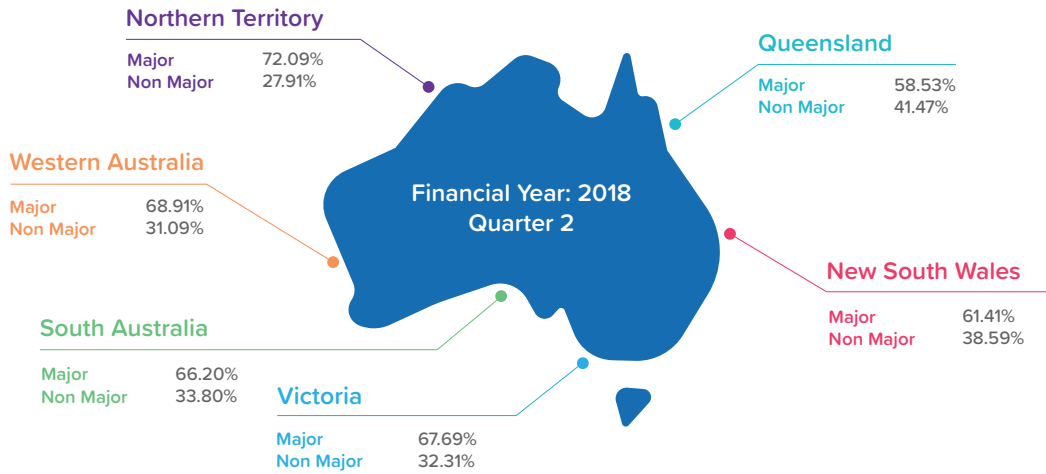
Fiscal Year	Fiscal Quarter	Loan Type				
		Basic Variable	Equity	Fixed	Intro	Standard Variable
2013	1	10.8%	7.0%	14.6%	2.5%	65.1%
2013	2	10.9%	6.1%	15.6%	1.9%	65.6%
2013	3	9.9%	5.3%	18.3%	3.1%	63.4%
2013	4	9.6%	5.8%	21.8%	3.8%	59.0%
2014	1	10.1%	5.6%	20.4%	4.6%	59.3%
2014	2	9.5%	5.4%	20.3%	4.4%	60.4%
2014	3	9.0%	5.3%	17.9%	5.8%	62.0%
2014	4	8.1%	5.5%	17.5%	5.2%	63.6%
2015	1	7.9%	4.7%	17.6%	5.6%	64.1%
2015	2	6.8%	4.9%	16.8%	4.6%	66.9%
2015	3	7.2%	4.2%	14.4%	7.0%	67.3%
2015	4	6.6%	3.7%	14.5%	6.3%	68.9%
2016	1	10.0%	3.5%	11.4%	5.3%	69.7%
2016	2	8.9%	3.5%	14.3%	4.0%	69.2%
2016	3	9.4%	2.7%	17.7%	2.9%	67.2%
2016	4	8.1%	2.6%	18.6%	3.6%	67.1%
2017	1	8.4%	2.9%	16.1%	6.1%	66.5%
2017	2	10.6%	2.6%	16.5%	5.0%	65.2%
2017	3	9.4%	2.2%	18.1%	4.7%	65.6%
2017	4	8.7%	1.8%	23.9%	2.3%	63.3%
2018	1	8.2%	1.2%	26.4%	2.5%	61.6%
2018	2	9.2%	1.1%	21.9%	3.6%	64.3%
2018	3	9.9%	0.9%	19.6%	5.0%	64.6%
2018	4	10.4%	0.7%	15.5%	5.2%	68.2%

CONTACT DETAILS

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MAJOR VS NON MAJOR



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