

AFG

2019 Morgans Conference

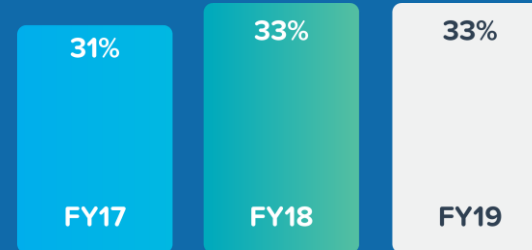
AFG Overview

- AFG commenced business in 1994
- One of Australia's largest mortgage broking groups, and one of the country's leaders in the provision of lending solutions
- Listed on the ASX in May 2015
- Market capitalisation of approximately \$475m
- Generated ongoing growth in maintainable earnings over an extended period and challenging regulatory environment
- Delivering earnings diversification through residential and commercial aggregation, AFG Home Loans and the new AFG Business platform

FY19 results – Highlights



Underlying NPAT up 2% to \$28.6M



Reported Return on equity has remained constant at 33%



FY19 Residential Settlements of \$31.3B



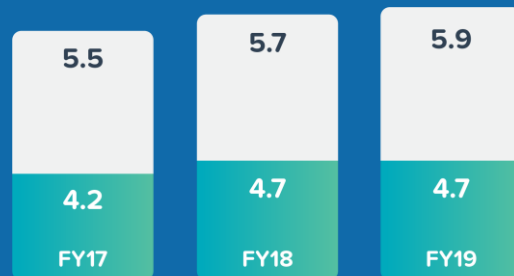
AFG Home Loans now services over 23,000 retail customers



with Residential trail book up 7% to \$147.4B



Asset Finance up 3% to \$553M



Ordinary Dividends (cents per share)

● Interim ● Final

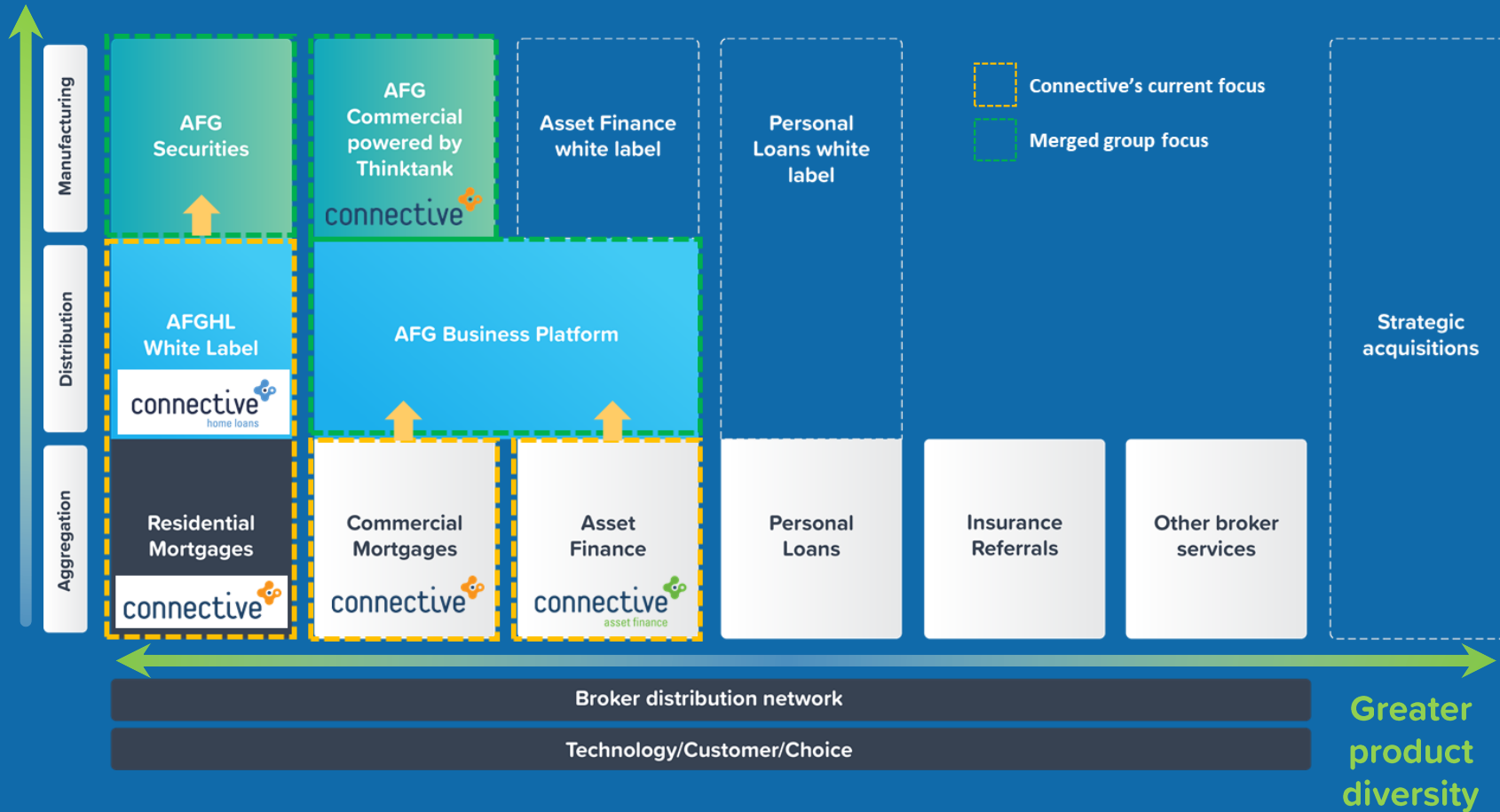
AFG Securities settlements up **108%** to **\$1.06B**
with loan book up **50%** to **\$2.06B**

AFG connective

AFG to merge with the aggregation business Connective Group. The transaction values Connective at **\$120m**

Executing on AFG's earnings diversification strategy

The Connective transaction is consistent with our long-term strategy, significantly grows the distribution network and allows AFG to increase the penetration of products such as AFG Securities, white label products and the AFG Business Platform



Future proof manufacturing

- Continued investment to lock in long term higher manufacturing margin
- Utilising and continuing to invest in technology to improve customer outcomes and broker experience
- Further product diversification

Transform aggregation

- Strong core distribution network providing choice and competition
- Focussed on growing broker market share
- Brokers and customer needs are evolving. Focus on technology to deliver value for both
- Aggregator of choice for brokers, leading in compliance, governance and advocacy

Strategic & market outlook

Well positioned for future growth opportunities

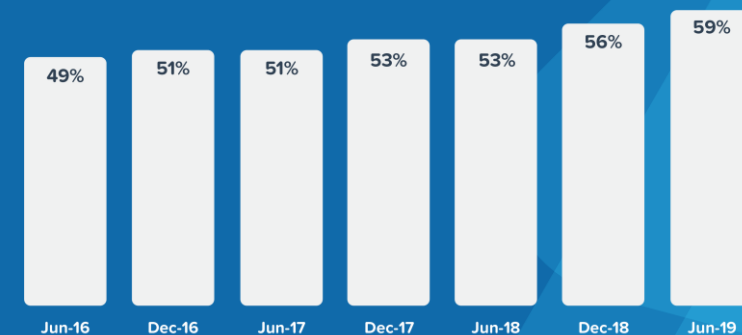
- ✓ Capital light, strong balance sheet with no debt
- ✓ Established distribution network
- ✓ Well developed compliance and technology platforms
- ✓ Choice and competition to drive good customer outcomes
- ✓ Strong cashflow generation
- ✓ Investing in technology to grow scale efficiently
- ✓ Continuing earnings diversification strategy

Market outlook

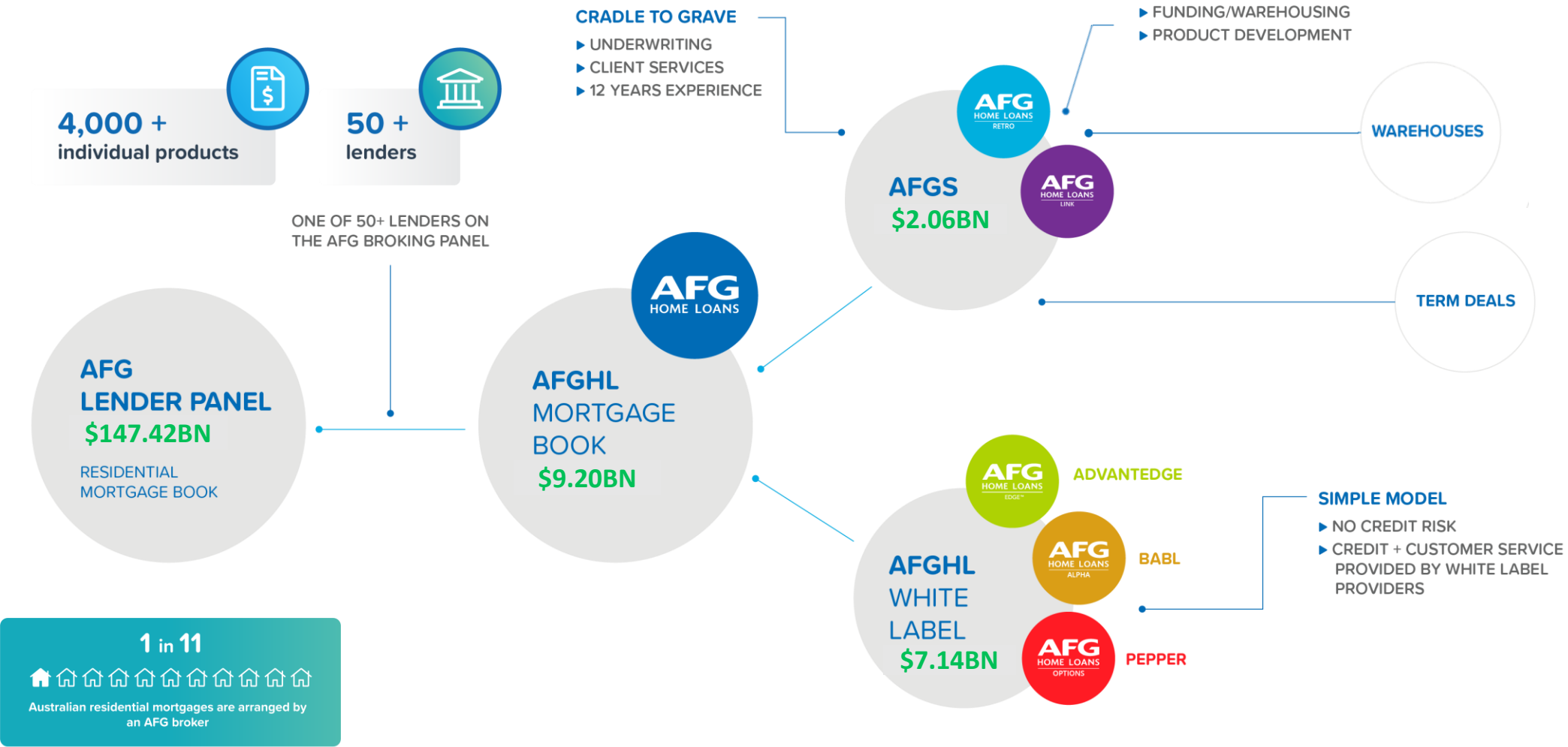
Underlying market dynamics continue to be supportive of the broker proposition

- RBA implemented two interest rate decreases
- APRA approves the lowering of the serviceability floor
- Banks continue to reduce branch numbers
- Product complexity remains
- Participating in industry discussions on best interest duty for brokers

% of Aus Mortgages written through a broker



AFG, AFGHL & AFGS



AFG Home Loans

- AFG Home Loans' book continued strong growth, up 25% to \$9.2 billion
- Changing mix towards AFG funded Retro and Link, with white label lender appetites consistent with the overall market
- Changing mix impacts earning profile. White label income is recognized at settlement, while RMBS funded loans generate income over the life of the loan. The investment in AFG Securities provides a strong future earnings platform

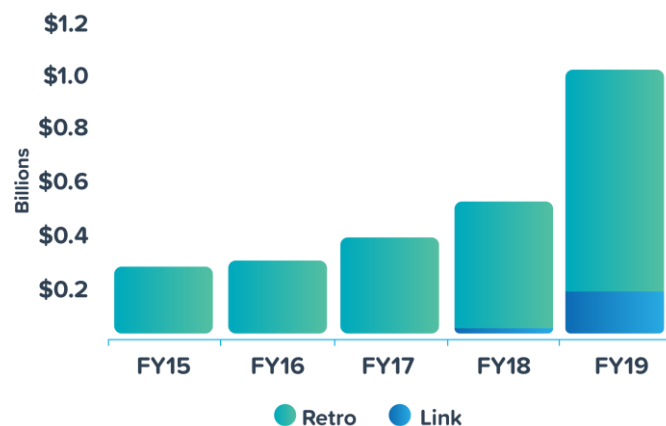


AFGHL Settlements

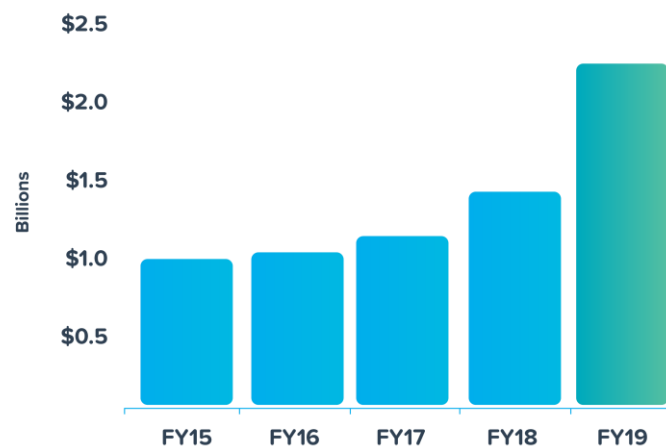


AFG Securities

Settlements



Loan Book

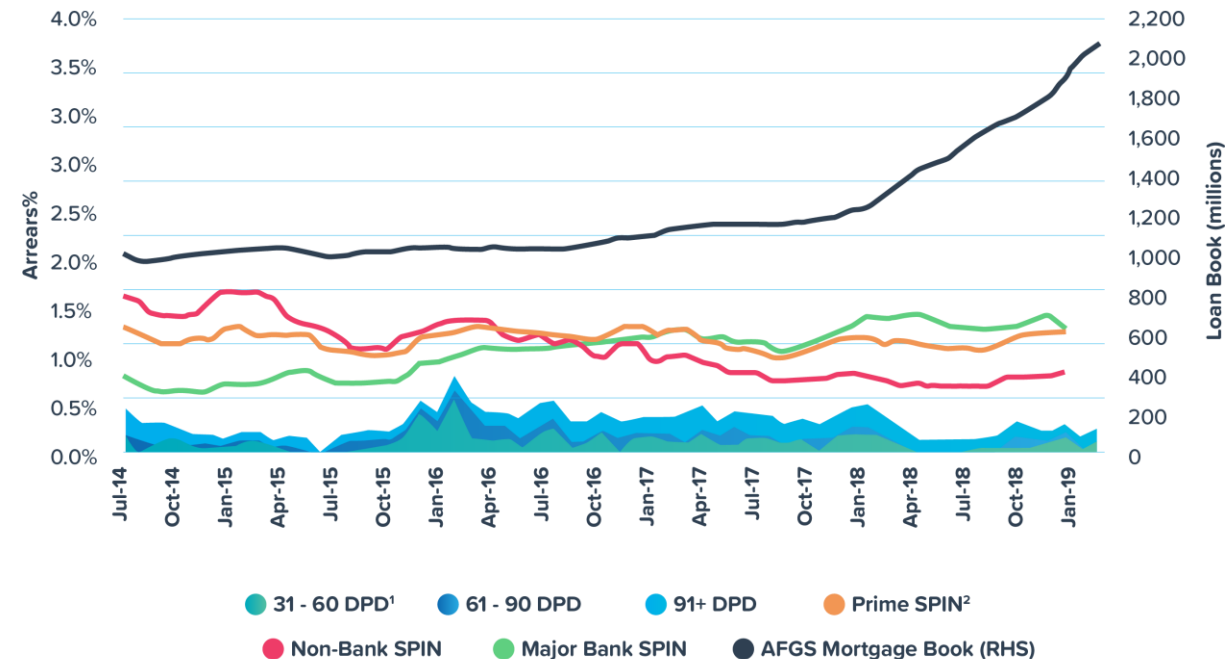
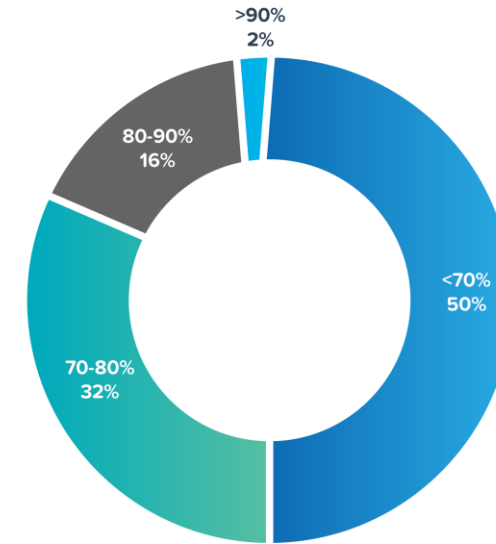


- AFG Securities is providing choice to customers in a complex market, including the near prime sector through the higher margin Link product
- AFG Home Loans Link launched in 2018, with Lodgments of \$345 million and Settlements of \$171 million in FY19, up from \$69 million lodged and \$23 million settled in FY18
- AFG Securities settlements of \$1.06 billion and lodgements of \$1.78 billion were up 108% and 78% on FY18
- Growth driven by considered product improvements following broker consultation, with arrears remaining well below industry averages
- Focused on book growth during FY19. Net interest margin was lower in FY19, impacted by sustained adverse BBSW pricing

AFG Securities – Operational

- Strong growth achieved whilst maintaining the quality of the book
- Half of the overall book has an LVR <70%, with all loans greater than 80% covered by LMI
- At June 2019 there were only 13 loans in arrears greater than 30 days, demonstrating a measured approach to expanding product range
- No losses incurred on non-LMI insured loans

AFGS Loan Book LVR



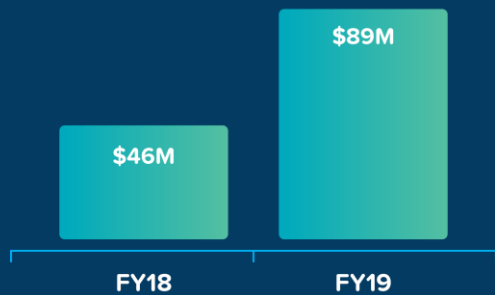
¹ Days passed due
² Standard & Poor's Mortgage Performance Index



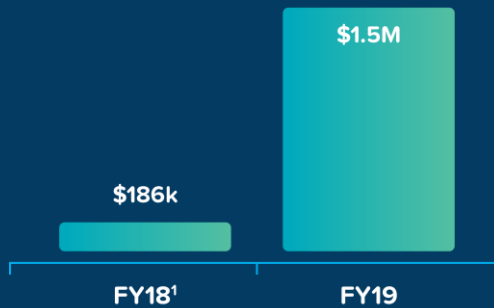
AFG Commercial powered by Thinktank

- Settlements have increased to \$89 million from \$46 million in FY18
- Number of Brokers lodging AFG Commercial deals has grown from 50 in FY18 to 186 in FY19
- The Thinktank equity interest delivered earnings of \$1.5 million in FY19. Thinktank continues to perform well with additional white label agreements executed or in discussion with a number of aggregators

Settlements



Contribution to Earnings

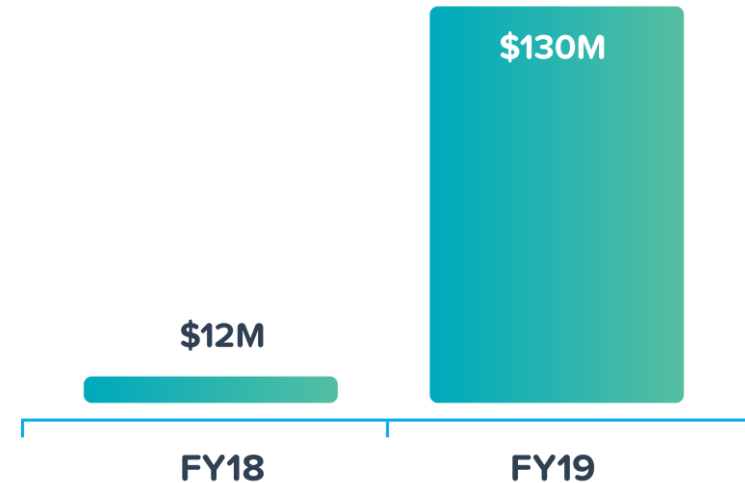


AFG Business

- Settlements across the platform increased from \$12 million in FY18 to \$130 million in FY19. Lodgements in Q1 FY20 were over \$140 million
- Expanding the panel delivers further choice and a wider product offering for brokers to meet their customers need.
- Continue to invest with dedicated Commercial sales resulting in the number of brokers using the platform increasing from 18 in FY18 to 198 in FY19
- Asset finance products launched into the platform in FY19 – and has grown to currently have 5 lenders

22 lenders on the panel across Mortgages and Asset Finance

Settlements



AFG

Mortgage Market Update

Q1 FY20 trading

- Total residential lodgements \$15.7 billion, up 11% on Q1 FY19
- Although AFG Home Loans lodgements were down 7%, AFG Securities lodgements were up 38%
- Residential lodgement growth evident across all states

Comparison of Q1 lodgements

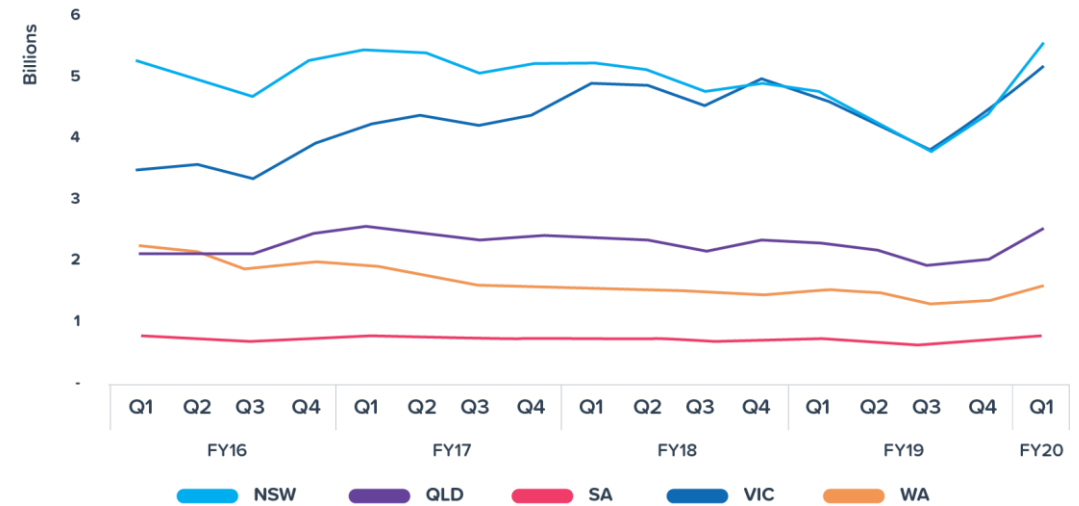
		Changes on Q1 FY19
NSW	↑	16%
QLD	↑	10%
SA	↑	5%
VIC	↑	10%
WA	↑	4%
AFGHL	↓	(7%)
AFGS	↑	38%

Lending volumes

Total National Lodgements

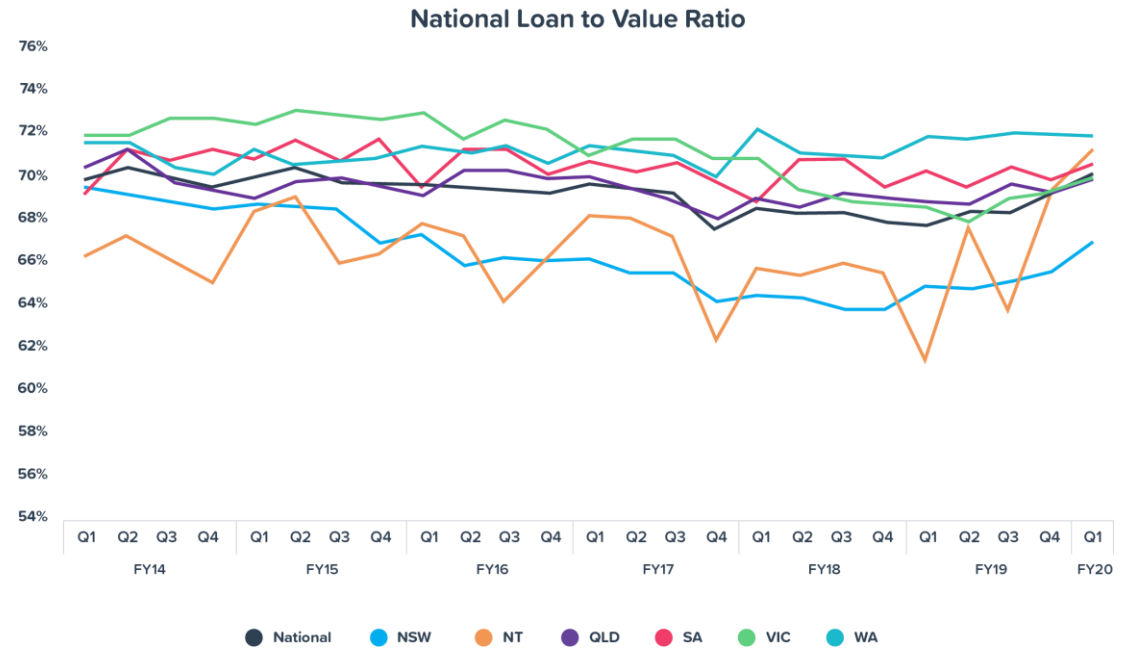
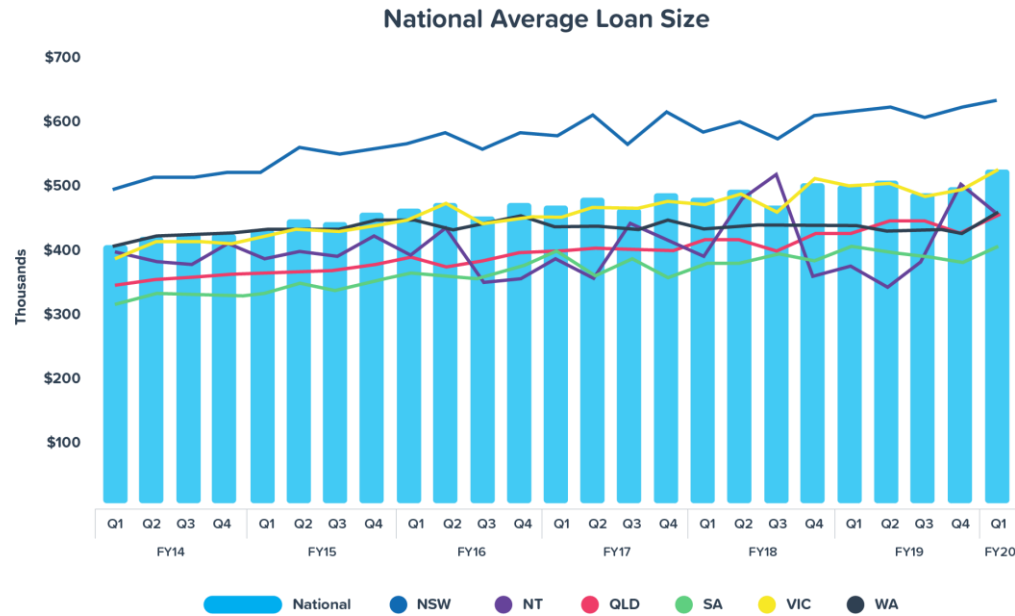


Total Lodgements by State



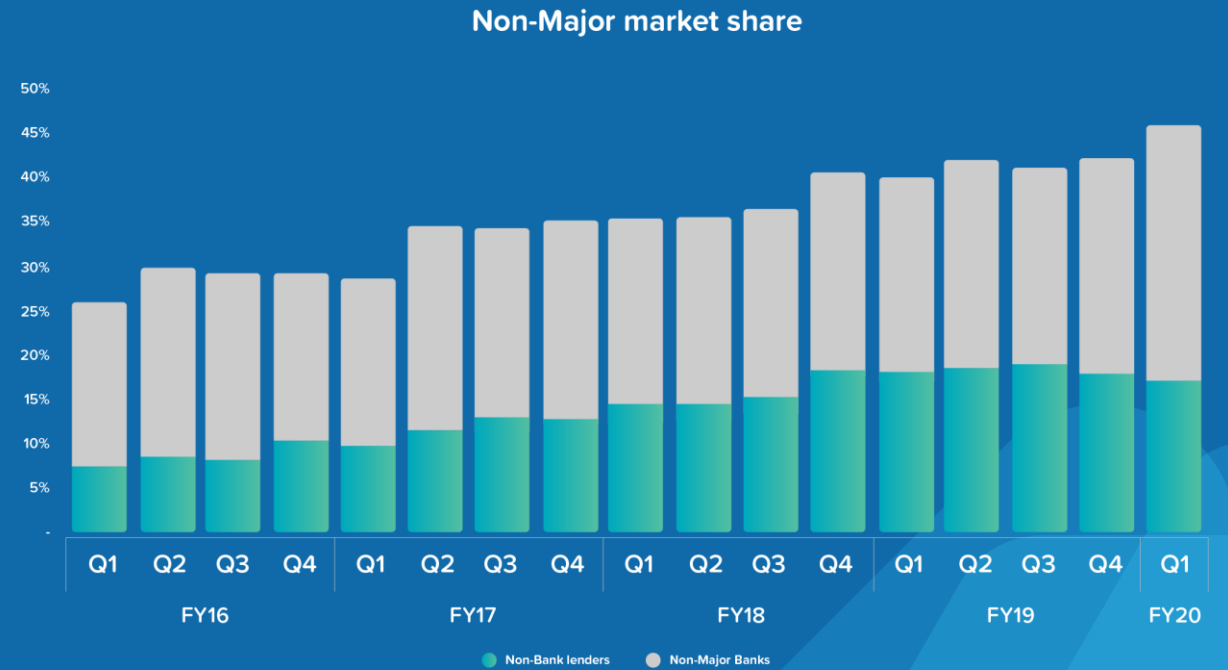
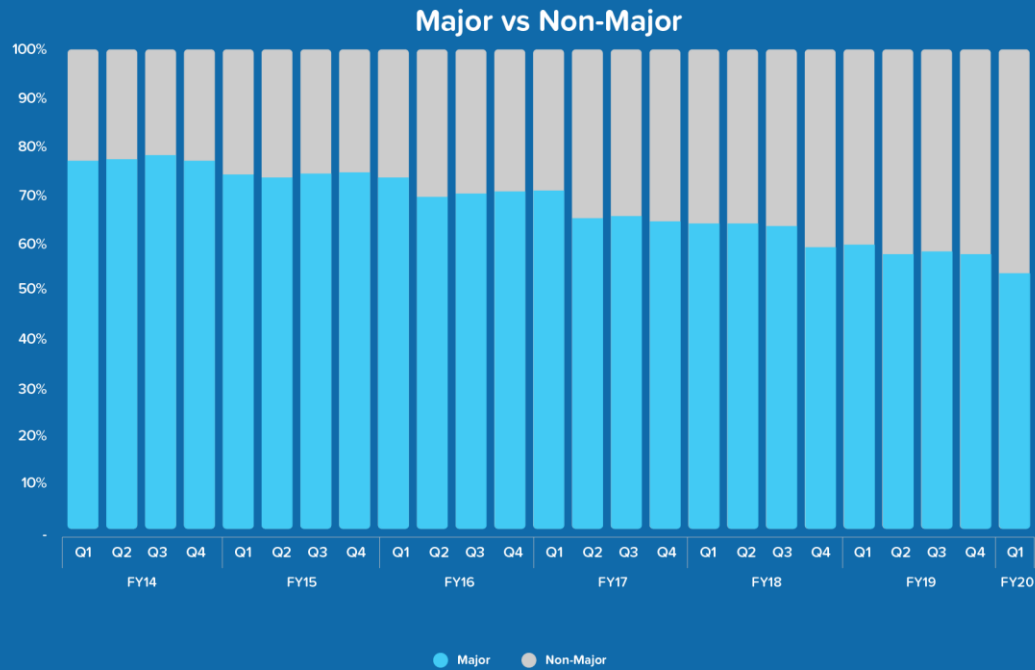
- Total lodgements increased 11% in Q1 FY20 v Q1 FY19 following regulatory changes, interest rate cuts and the Federal election
- NSW, VIC and QLD particularly driving the national increase

Average loan size and LVR



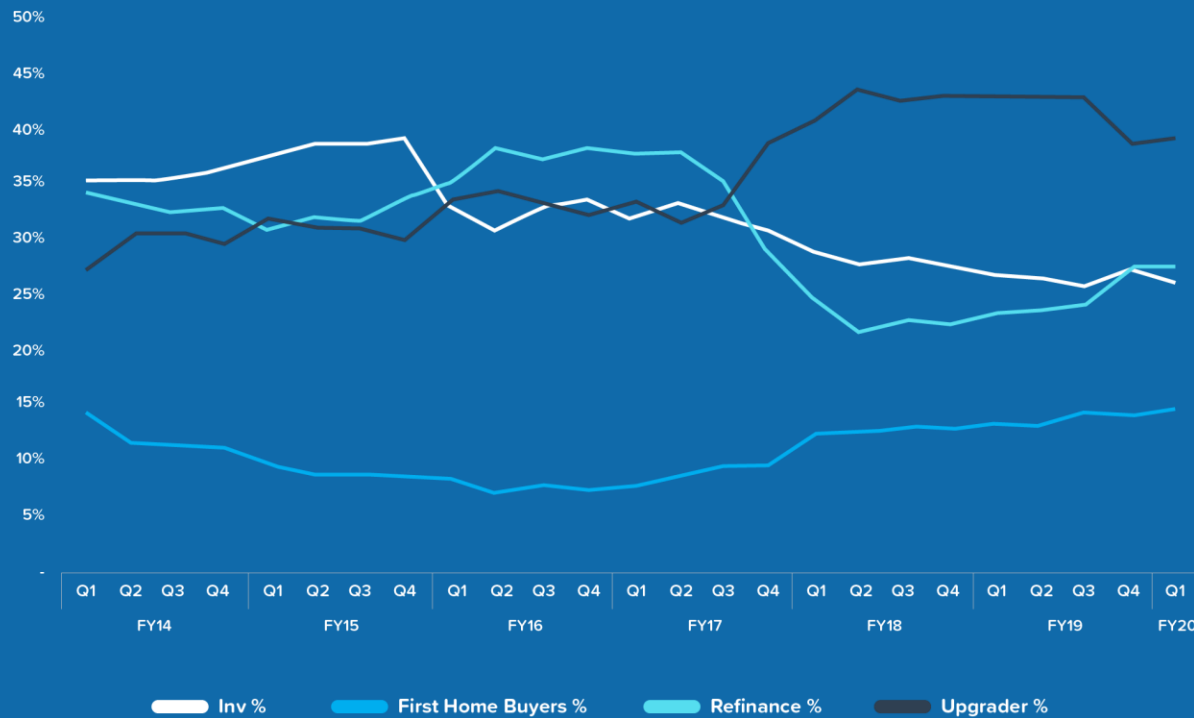
- Average loan size increased to over \$530k in Q1 FY20
- National LVR increased in Q1 back in line with FY15 levels

Lender market share



- Non-major split of Q1 FY20 lodgements increased to 46%, continuing to provide choice and competition.
- Non-major banks predominately driving the increase in flows to non-majors

Types of lodgements



- Slight increase in percentage of refinance volumes and upgraders both recovering from their previous recent decrease
- First home buyer percentage of volumes continuing to increase – back in line with FY14 levels

First home buyers and Refinancing

First Home Buyers

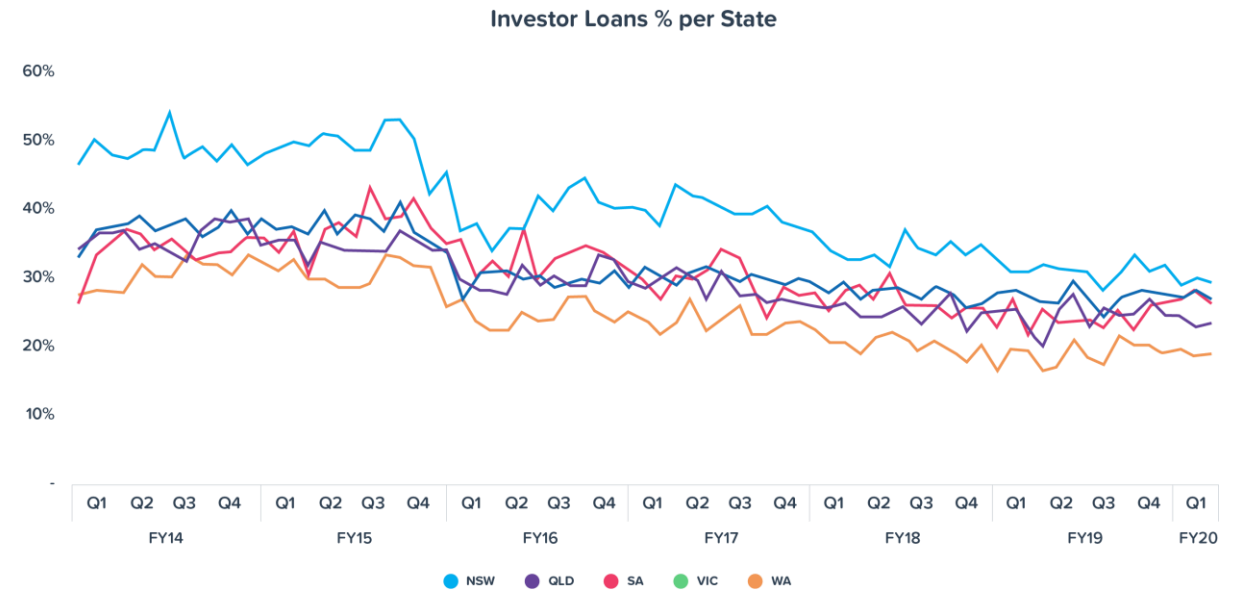
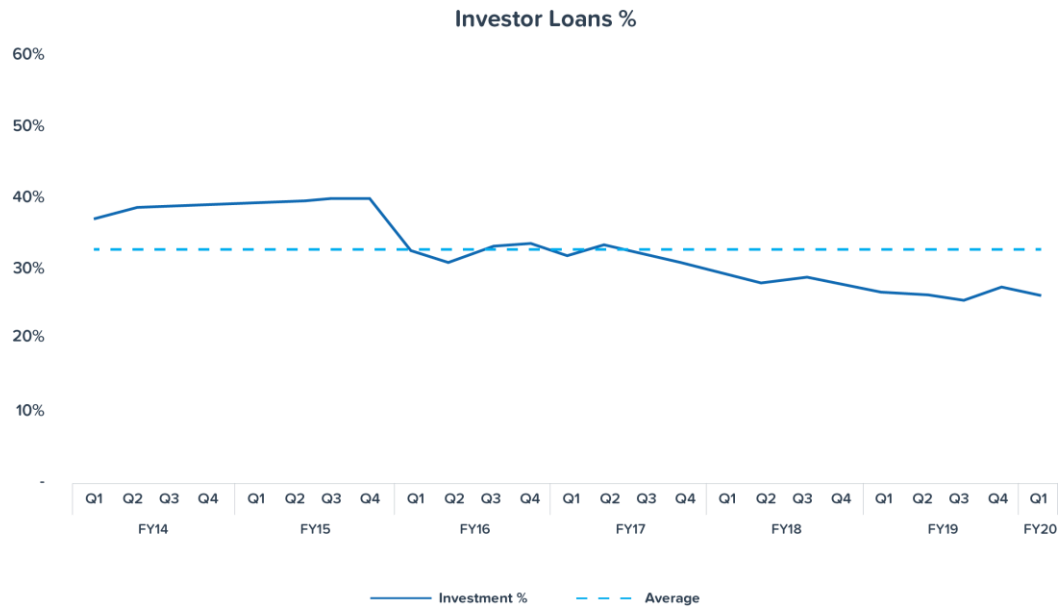


Refinancing



- Volumes of first home buyers and refinancing loans both increased through Q1 FY20
- Non-major split of refinancing volumes increased to over 50% in Q1 FY20 while for First home buyers, this split is significantly lower

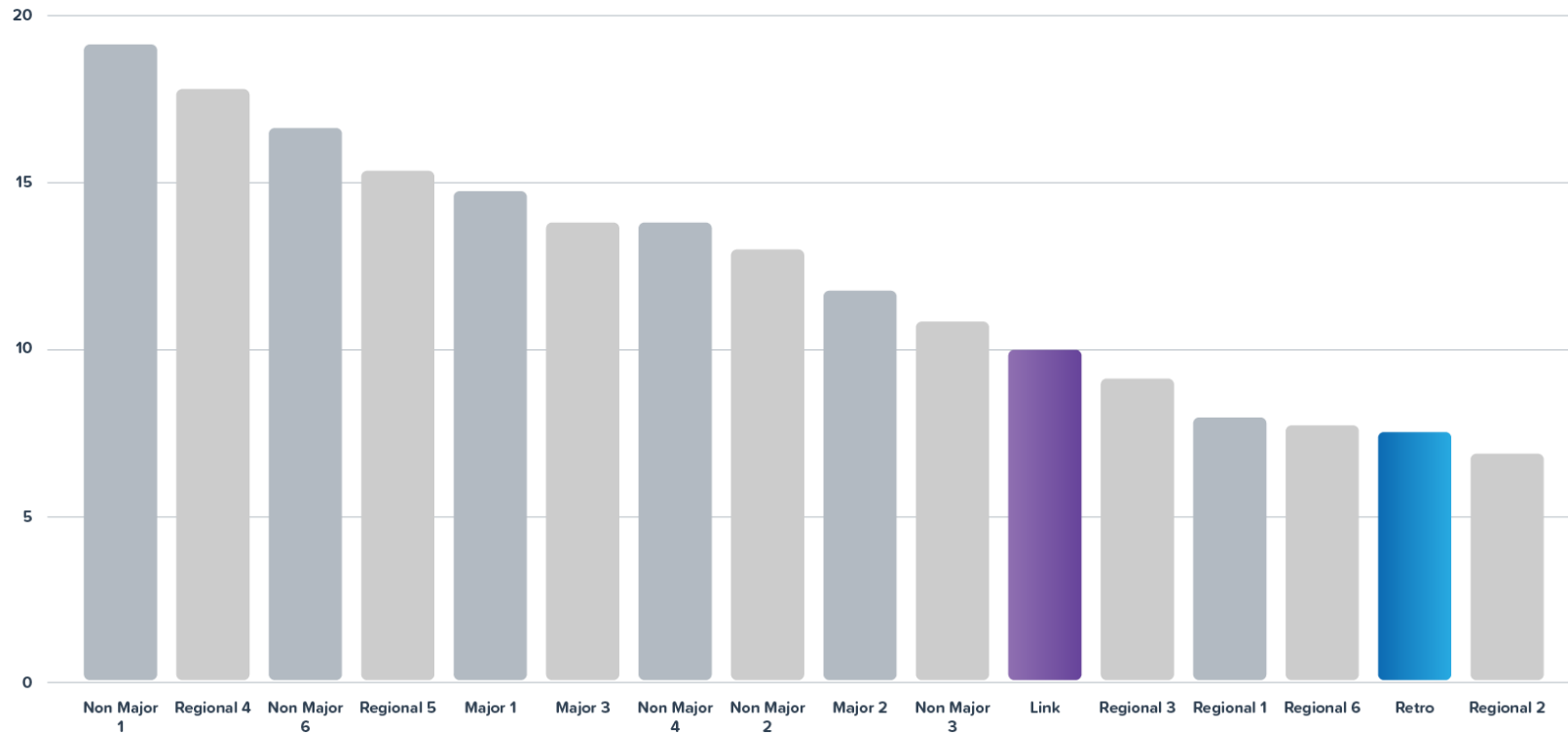
Investor loans



- Investor loans continue to be at lower split of volumes below 30%

AFG Securities

Turn Around Times for Unconditional Approval



* Turn Around Times, based on the Most Popular Owner Occupied P&I Product available between July - September 2019. Link is based on the Link Premium Product with a variable rate of 3.79% and Retro's discounted product with a variable rate of 3.34%.

In conclusion



Overall activity in the industry has shown increase in Q1 FY20 post election, regulatory changes and interest rate cuts



Non-major split continues to increase demonstrating increased competition and choice in the market



Investment loans continue to represent lower split of overall volumes



AFG Home Loans and Securitisation programme continue to grow while maintaining quality arrears and loan performance



While changes have been made in the market to increase lending activity, complexity remains – brokers are well placed to continue to be a dominant channel for home lending



AFG is well positioned for future growth opportunities

AFG

Q & A
Thank you

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