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AFG

100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

Phone 08 9420 7888
Fax 08 9420 7856

www.afgonline.com.au

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

Dear Sir/Madam

MACQUARIE CONFERENCE PRESENTATION

The Company will address the Macquarie Australia Virtual Conference today. Attached is the accompanying presentation.

Authorised for disclosure by:



Lisa Bevan
Company Secretary

CONTACT DETAILS

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

Mob 0402 781 367
Tel (08) 9420 7888

AFG

2020

MACQUARIE CONFERENCE PRESENTATION

H1 FY20 results - Highlights



Reported NPAT up 10% to \$18.3M



Underlying NPAT up 20% to \$17.7M



Interim dividend up 15%

● Final ● Interim

AFG Securities settlements up 46% to \$690M with loan book up 51% to \$2.5B

H1 FY20 Residential Settlements flat with \$16.9B

Q2 lodgements and settlements are up 19% and 6% on last year

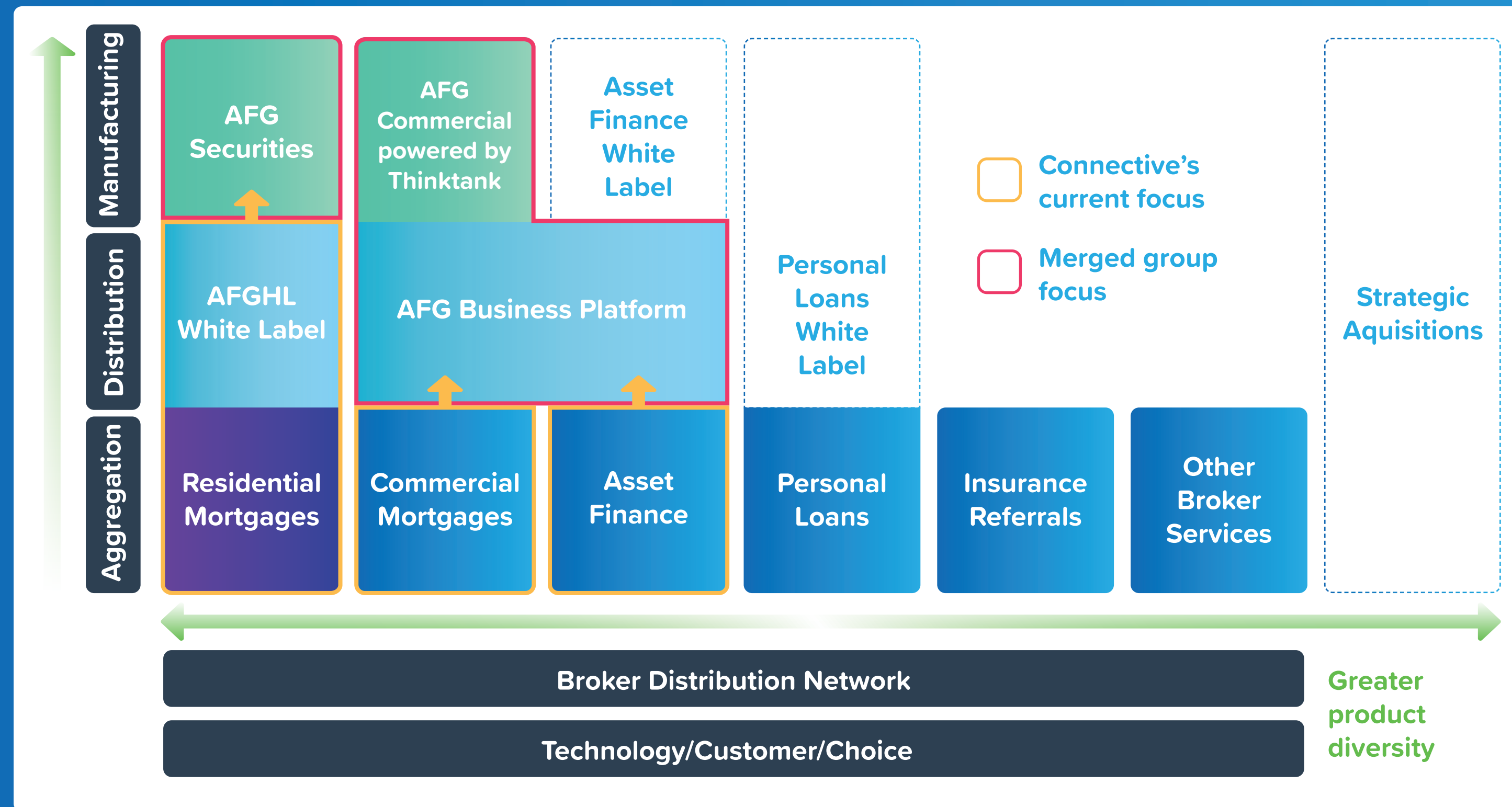
AFG Home Loans now services over 25,000 retail customers

Residential trail book up 5% to \$151.7B

AFG Home Loans trail book up 17% to \$9.8B

Stable platform continues to support future growth

Over half of overall profit now generated outside traditional aggregation. Providing a stable platform for future growth



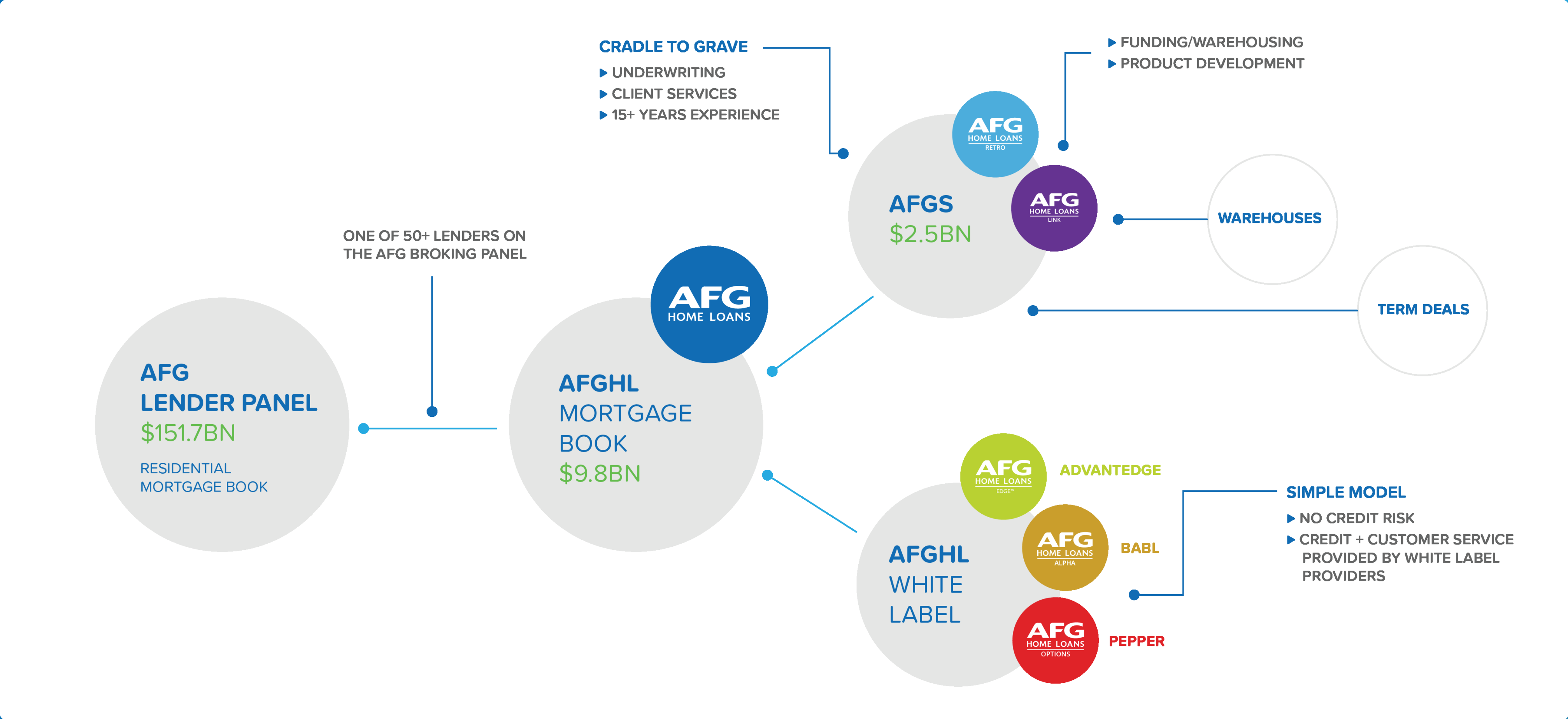
Strengths of the business model:

- ▶ Established and diversified network with 2,975+ brokers across Australia offering over 4,000 products
- ▶ Diversity with traditional wholesayed itale broking/ aggregation, distribution and manufacturing, with the ability to adapt focus in changing market conditions whilst having a significant actuarilly assessed cash flow stream being delivered
- ▶ Investment in broker technologies has supported brokers to continue to help their customers whilst observing social distancing rules and meeting their compliance obligations

Update on Connective merger:

- ▶ AFG expects to submit our response to the ACCC's Statement of Issues in the coming week
- ▶ Court case: Closing arguments complete. Judge retired to consider evidence

AFG, AFGHL & AFGS



Strategic & market outlook

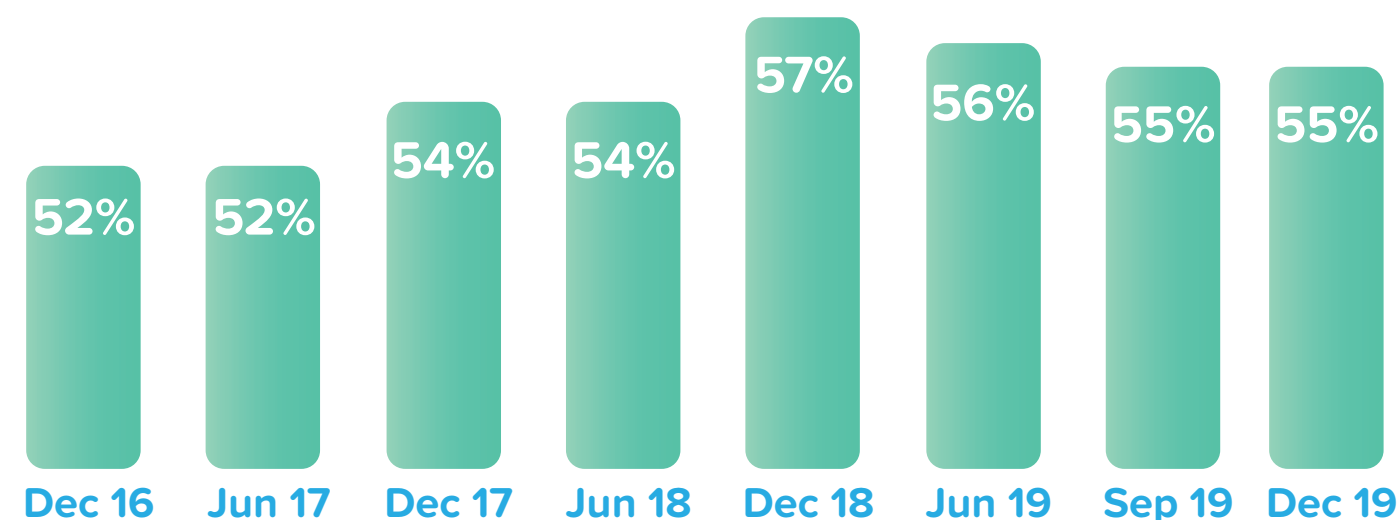
AFG is well positioned to capture future growth opportunities. Disruption from COVID-19 will likely result in some market disruption in the short term, with the government implementing a number of initiatives to support lenders through the pandemic



Well positioned for future growth opportunities

- ▶ Capital light, strong balance sheet with no debt
- ▶ Established distribution network with further opportunities for brokers as customers are not able to attend bank branches
- ▶ Strong cashflow generation including annuity type stream from organisations with strong credit ratings
- ▶ Ongoing investment in technology to grow scale efficiently
- ▶ Delivering on AFG's earnings diversification strategy
- ▶ Continuing to drive competition and choice

% of Aus Mortgages written through a broker¹



Market outlook

- ▶ RBA cash rate set at 0.25%
- ▶ Government funding initiatives to support bank and non-bank lenders. Including Term Funding Facility offered by the RBA to bank lenders and \$15bn Structured Finance Support Fund managed by the AOFM
- ▶ The AOFM has confirmed Delegate Approval to provide AFG with mezzanine funding to replace some of the existing providers and allow increased warehouse limits. This is in process of being documented with the AOFM
- ▶ Disruption from COVID-19 is expected to result in increased unemployment levels and a drop in house prices
- ▶ In response to the environment, some lenders are strengthening credit underwriting criteria which may impact conversion of lodgements to settlements
- ▶ COVID-19 impacting AFG Securities with 4.6% of the book in hardship, with approximately the same percentage entering into a payment arrangement such as moving to interest only
- ▶ Market outlook remains uncertain and dynamic

AFG Mortgage index update

Record month to close the quarter as major lenders put their foot down

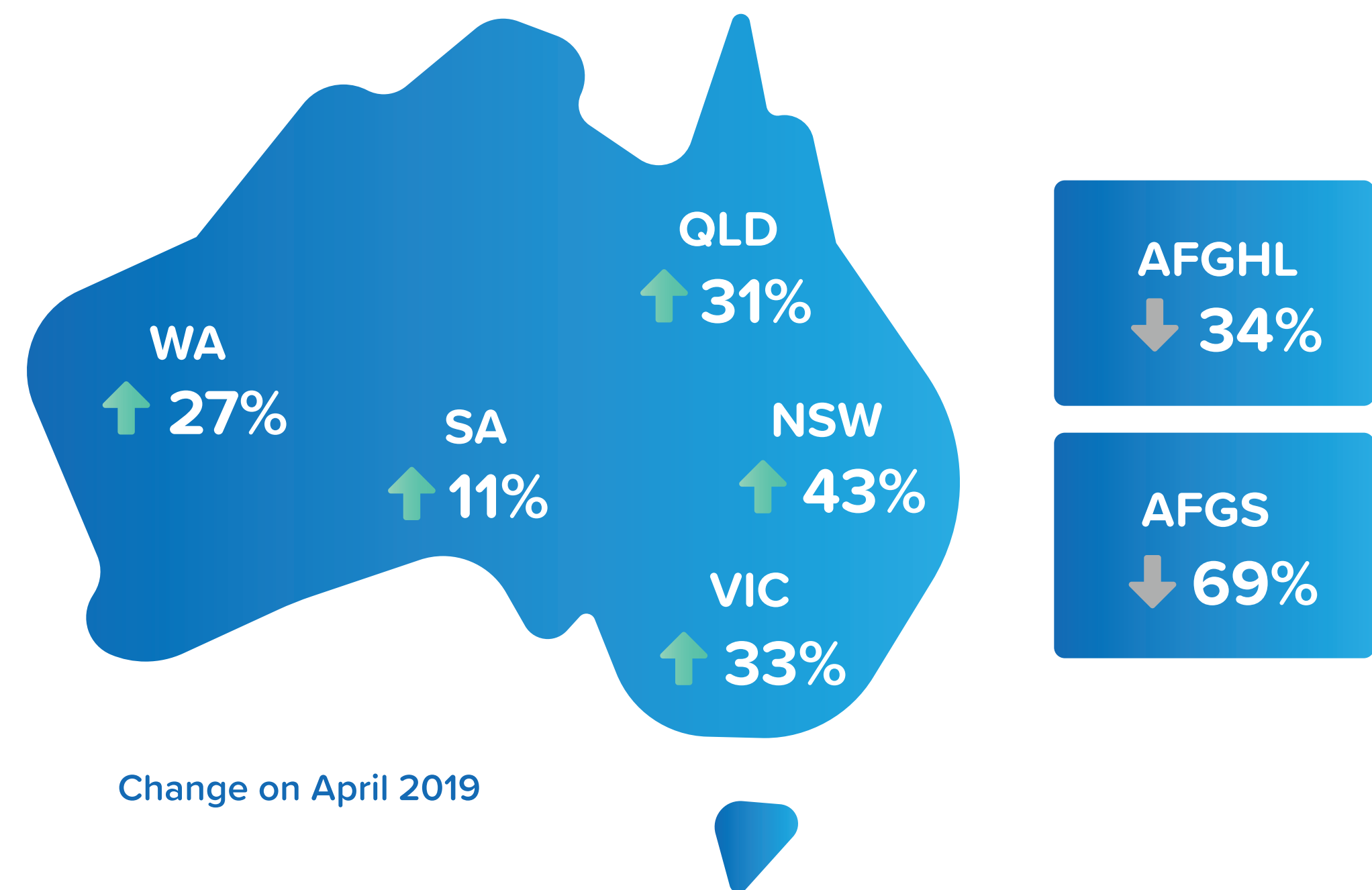
	Jan 2020	Feb 2020	Mar 2020	Q3 FY20	Q3 FY19
Lodge #	7,203	9,945	11,196	28,344	23,036
Lodge Vol (\$000's)	3,764,133	5,491,165	6,147,542	15,402,840	11,610,804
Average loan size	522,578	552,153	549,084	543,425	504,029
Investor %	25%	25%	26%	25%	26%
First Home Buyers %	17%	16%	13%	15%	14%
Refinance %	27%	27%	33%	30%	25%
Upgrader %	39%	41%	38%	39%	43%
Interest Only %	17%	17%	18%	17%	19%
Principal and Interest %	83%	83%	82%	83%	81%

- ▶ Largely driven by record low interest rates, brokers helped borrowers shore up their positions against the impacts of COVID-19 ahead of potential shutdowns
- ▶ March was a record month with **\$6.15 billion** lodgement volume. Volumes for the quarter were **33%** up on the same period last year, headlined by Victoria being **40%** up
- ▶ Increase in major market share from **53%** to **60%** driven by all four actively pursuing market share with cash back offers
- ▶ The decrease in Upgraders has been offset by significant increase in the proportion of Refinancers
- ▶ Across all lenders, processing times have increased resulting in a backlog for some lenders

April 2020 trading

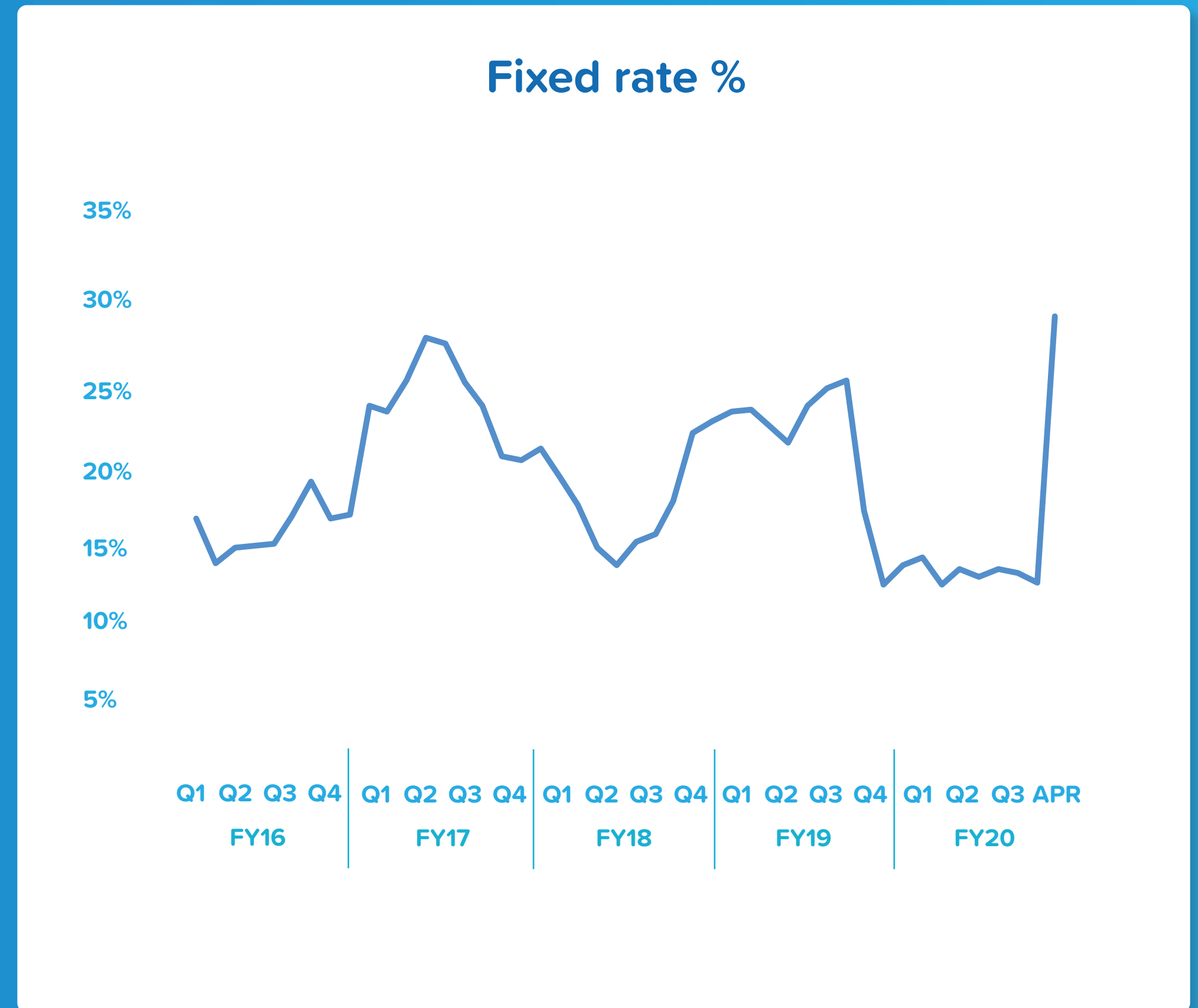
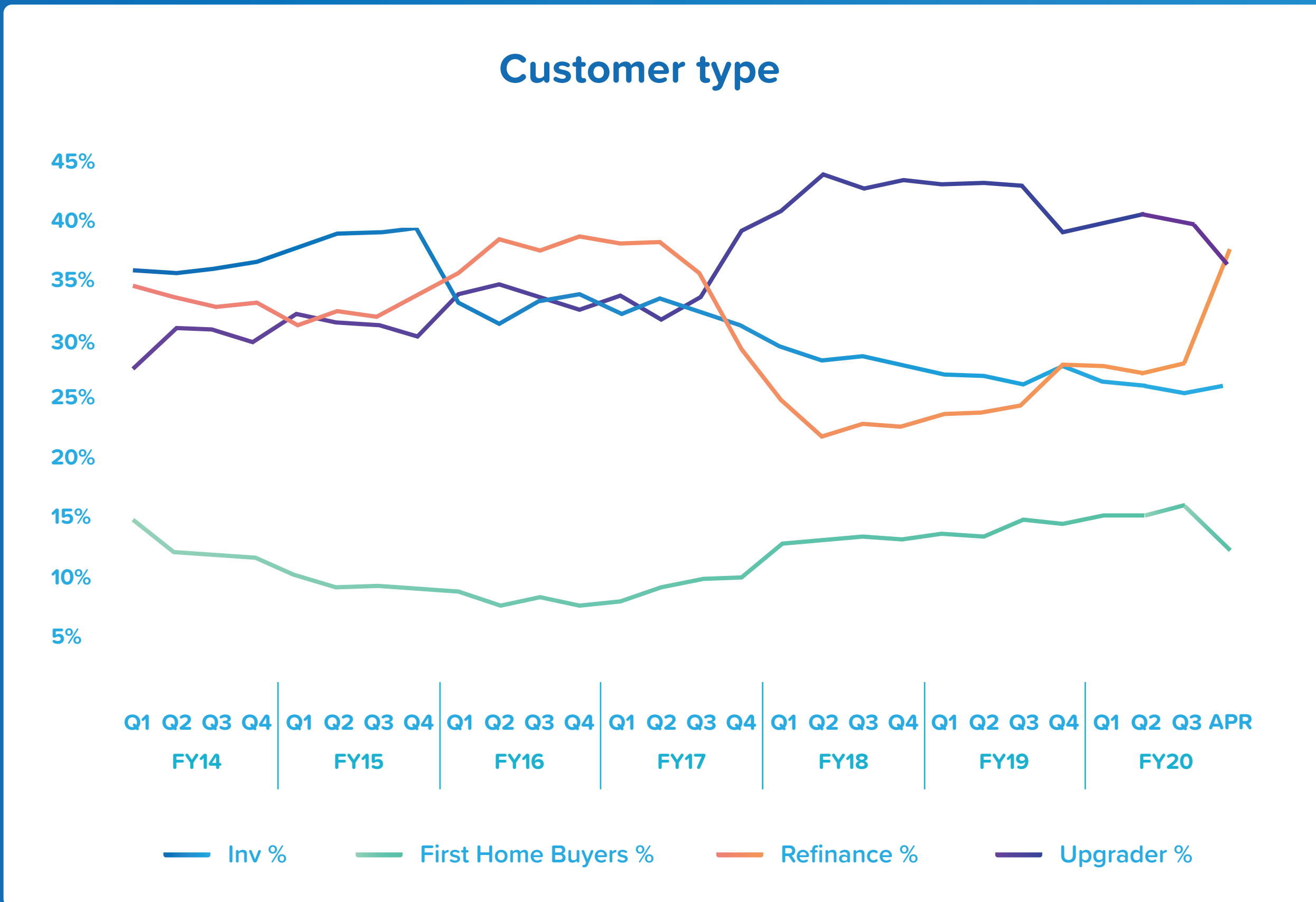
- ▶ Total residential lodgements **\$5.2 billion**, up **34%** on April 2019 with growth in all states, fuelled by a spike in refinance activity. It is noted credit activity in April 2019 was benign following the Royal Commission and in the lead up to the Federal Election
- ▶ AFG Home Loans lodgements down **34%** on the back of increased competition from the major banks
- ▶ AFG Securities lodgements down **69%** which reflects reduced credit appetite and increased pricing to manage the existing pipeline in this period of COVID-19 disruption
- ▶ Significant shift in mix towards the majors continues, while the further decrease in Upgraders has been offset by significant increase in the proportion of Refinancers
- ▶ Conversion ratio remains uncertain

Comparison of April 2020 lodgements to April 2019



Types of lodgements

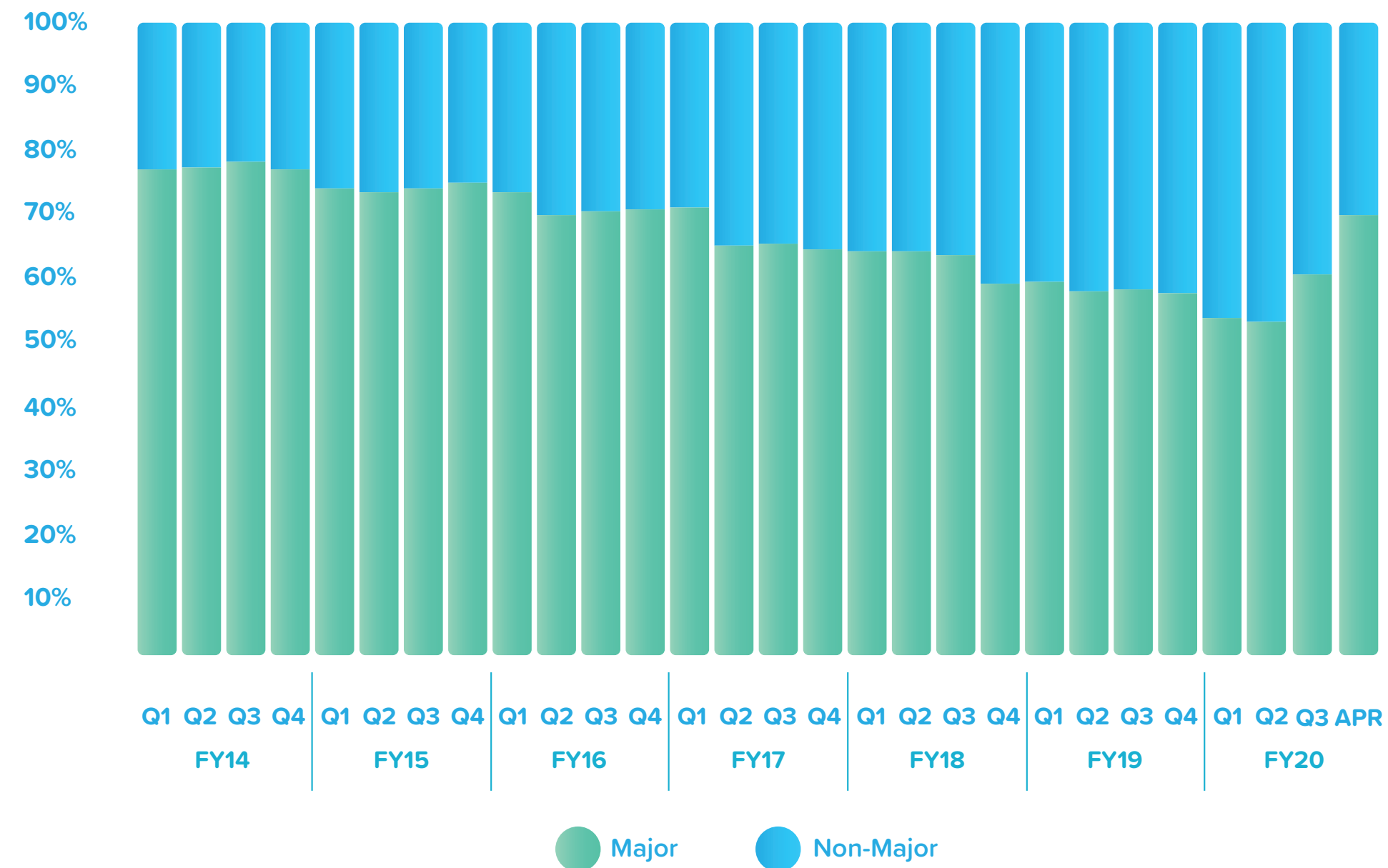
Significant shift in customer mix with refinancers increasing, and decreases for First Home Buyers and Upgraders
 Also a large increase in the percentage of lodgements choosing a fixed interest rate with the cash at 0.25%



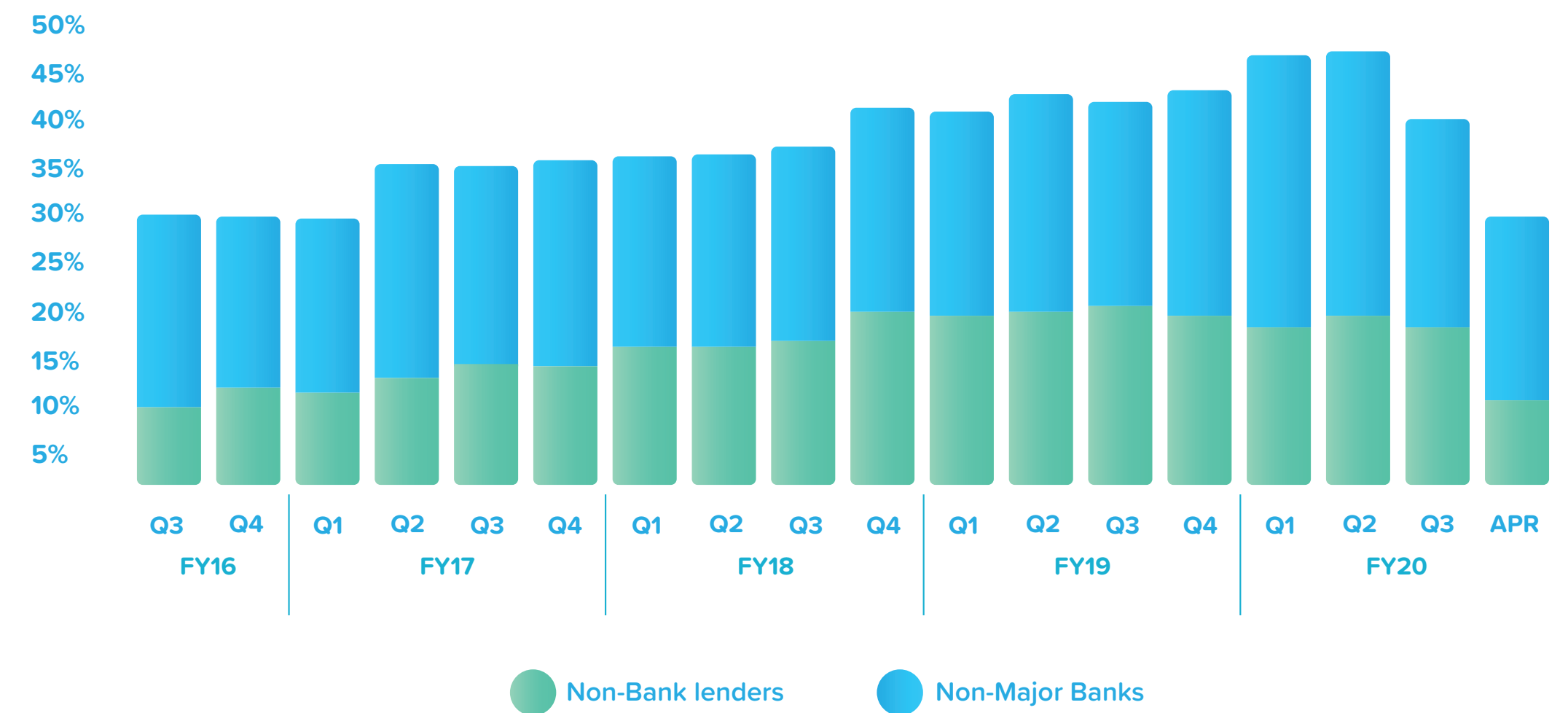
Lending activity

Majors taking back market share during COVID-19. Brokers playing a critical role in providing distribution and fulfilment in the absence of branch

Major vs Non-Major

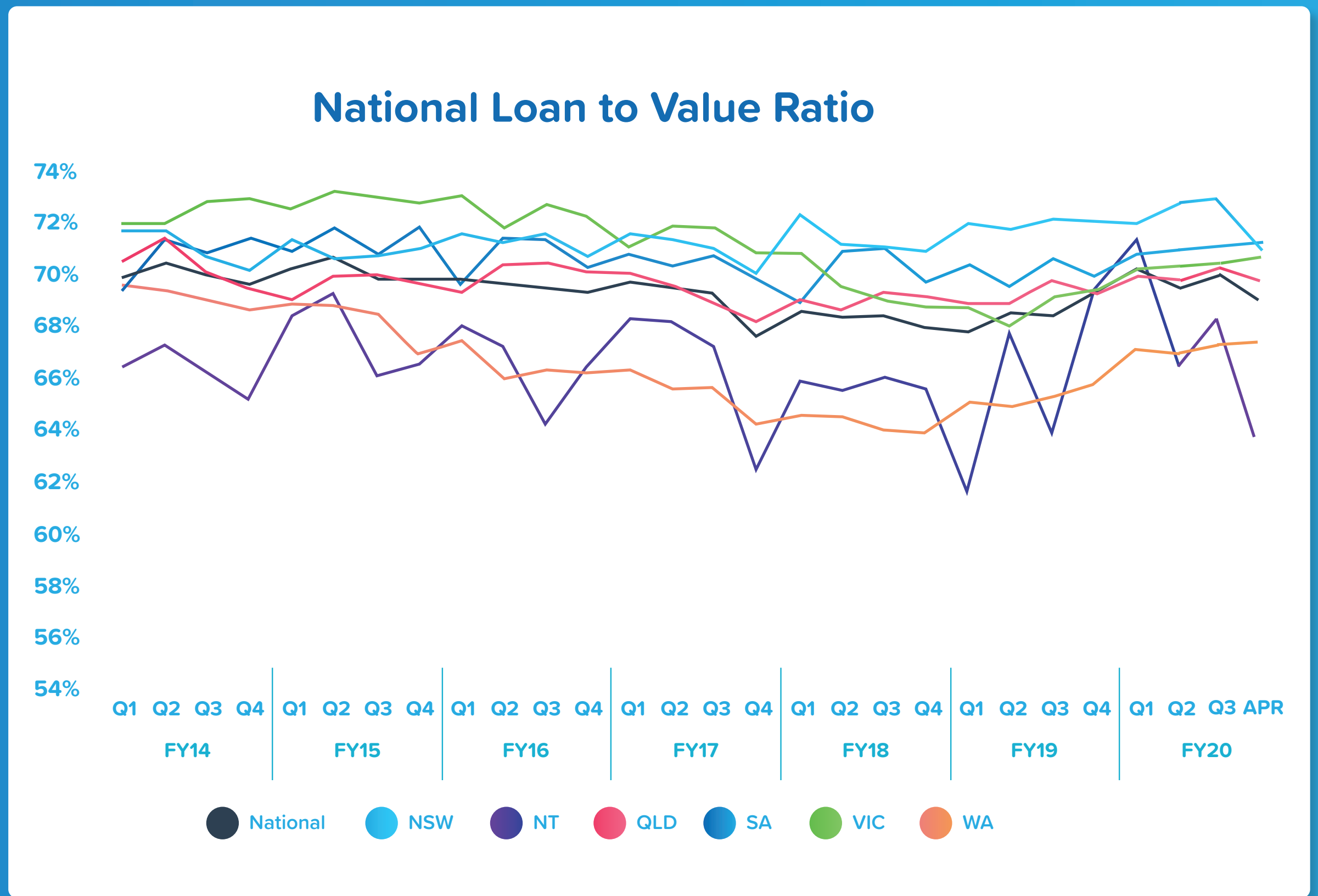
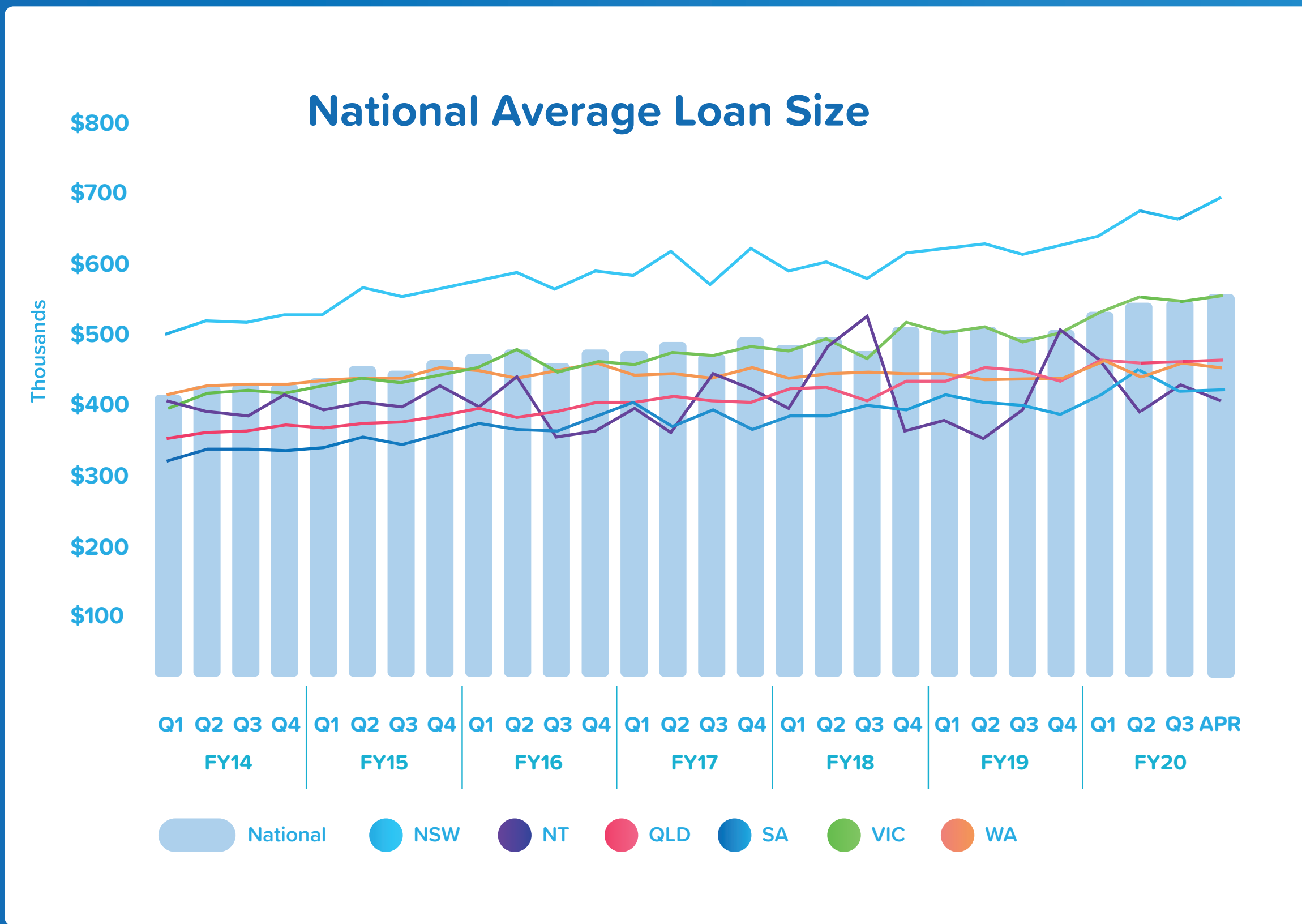


Non-Major Market Share



Lending activity

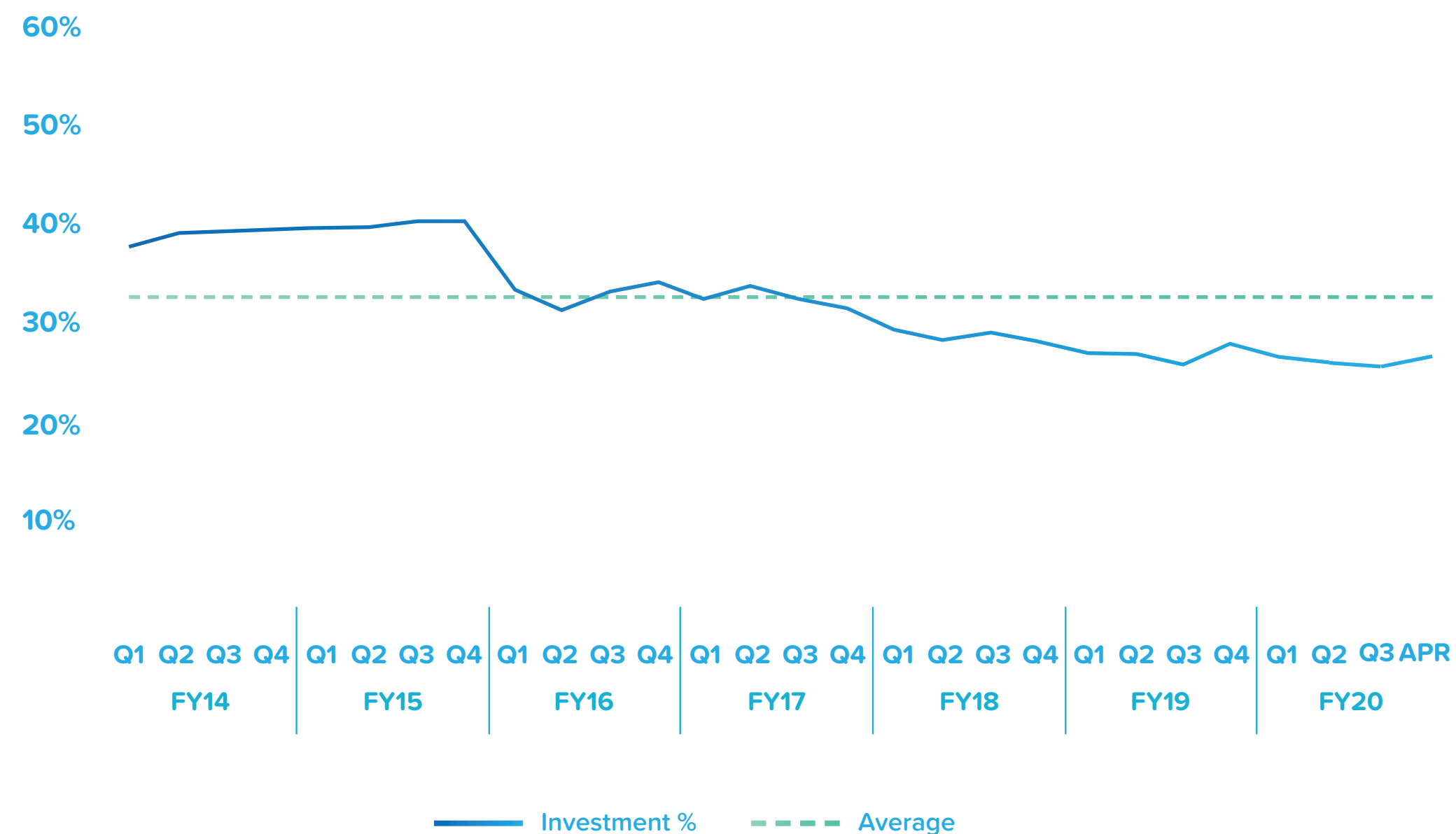
Average loan size has marginally increased while the national average LVR has reduced slightly in April



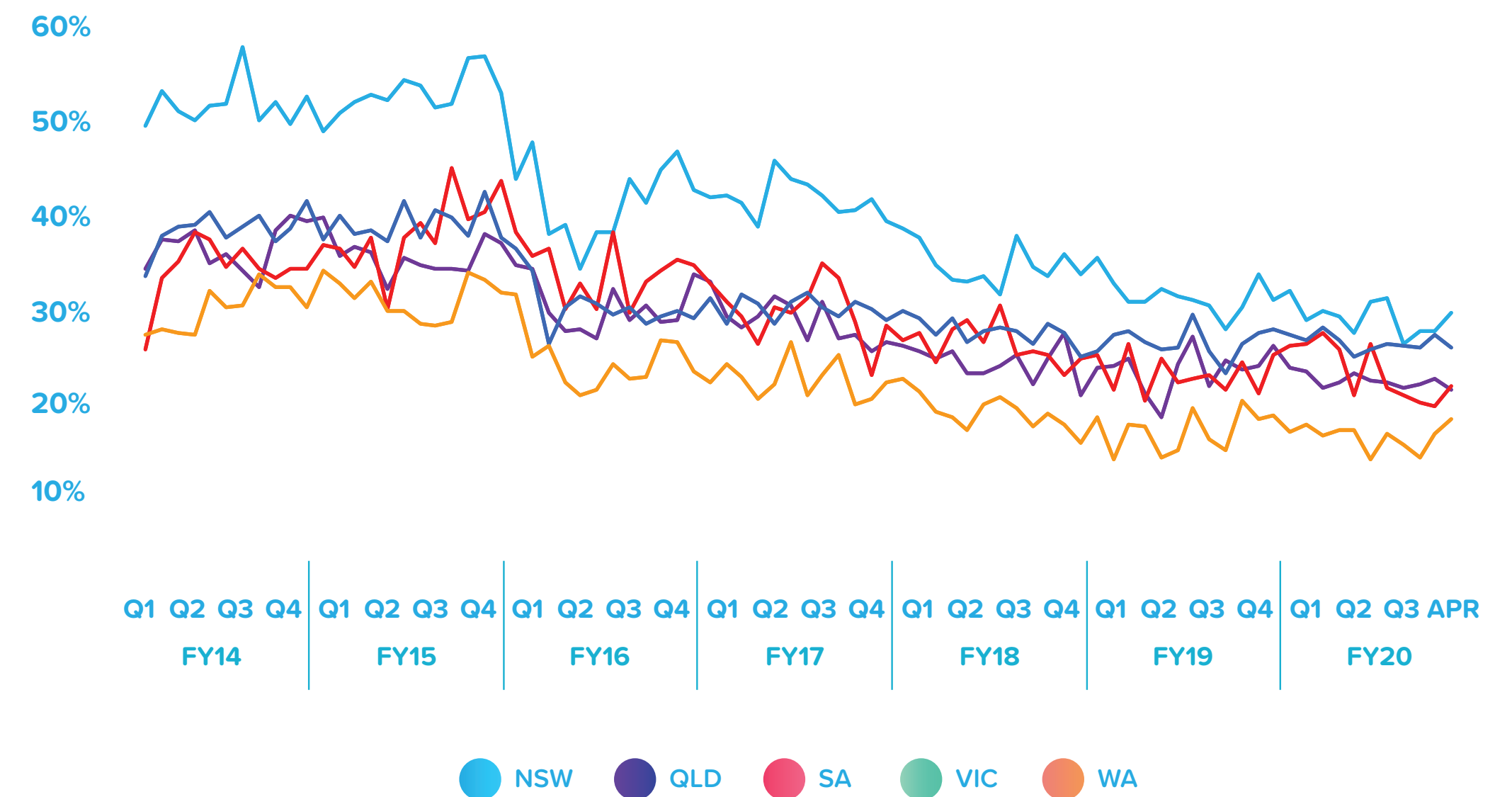
Investor loans

While the percentage of Investor loans is flat overall, the proportion of refinancing increased to offset lower new Investor loans

Investor Loans %

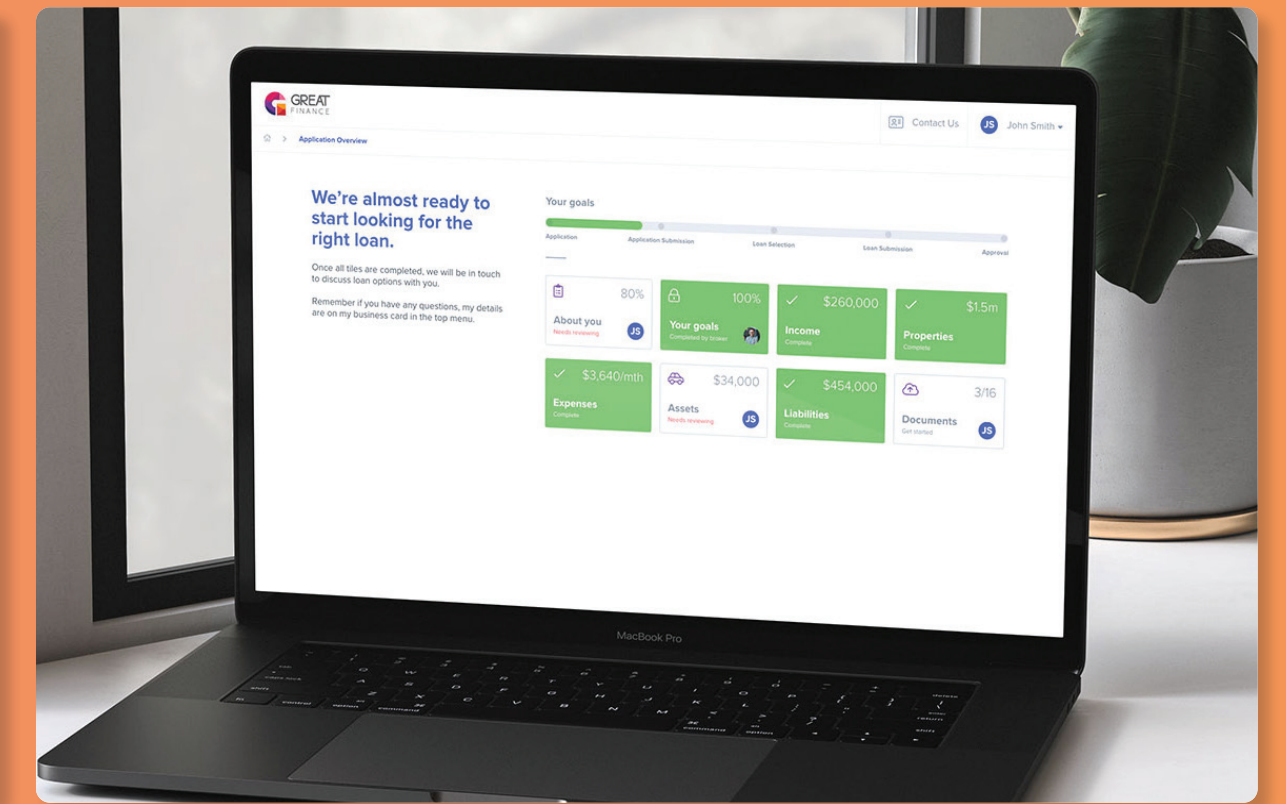
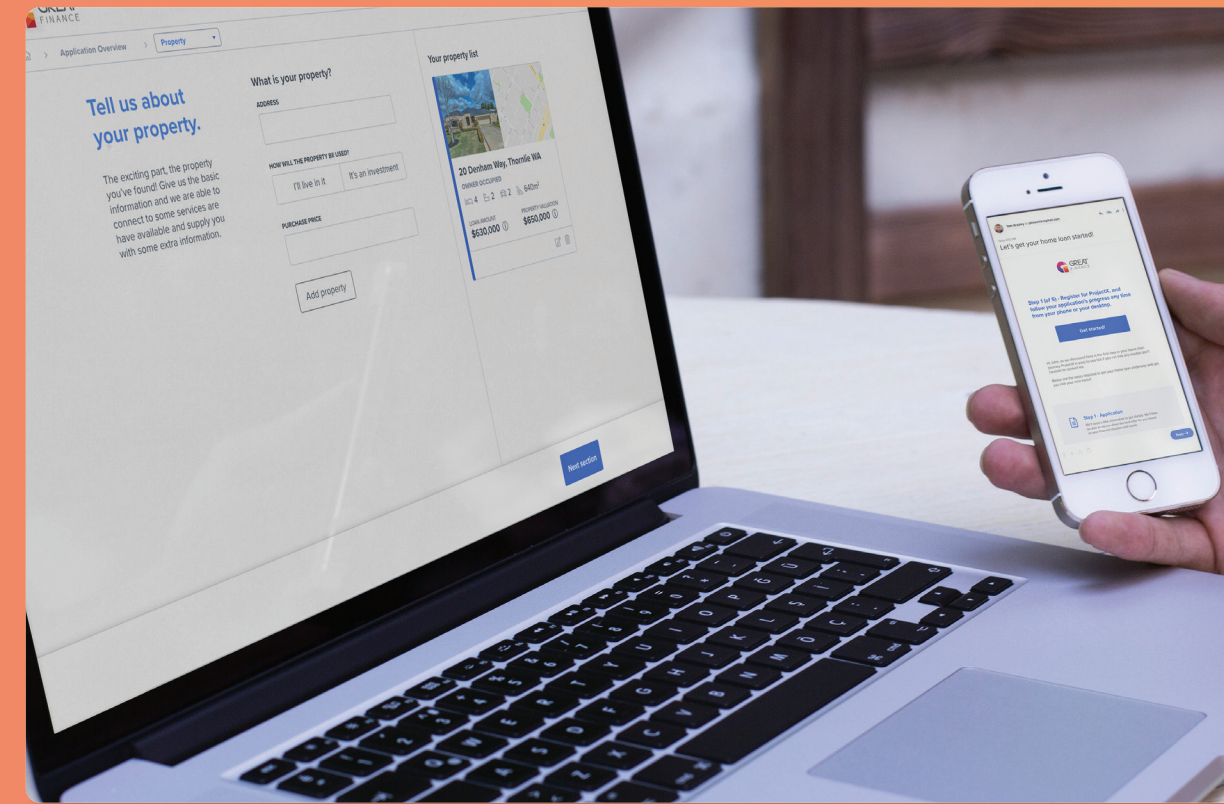


Investor Loans % per State



Continued investment in technology

- ▶ Supporting the execution of our strategy to attract & retain brokers - upgrading AFG's core broker platform with the latest technology for growth, efficiency and customer management
- ▶ Allows the option of online interaction between broker and customer
- ▶ Improve process efficiency, submission quality and compliance capability
- ▶ New customer portal in pilot mode with broker portal to be released in H1 FY21
- ▶ Even more important in a post COVID-19 market



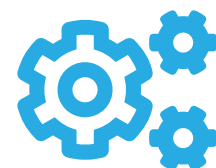
In conclusion



H1 FY20 result generally demonstrated the robust nature of the business driven by AFG's earnings diversification strategy.



Complexity remains in the market. Greater competition and choice evidenced by the growth in non-major lenders prior to COVID-19. Brokers continue to be a dominant channel for home lending.



Proposed merger with Connective ongoing with court process awaiting decision from judge and AFG responding to the ACCC's Statement of Issues. Positive resolution on both elements required for transaction to close.



Investment in technology to update the core broker platform with the latest technology capabilities for brokers' growth, efficiency and customer management. Delivering better outcomes for brokers and customers, particularly important in a post COVID-19 market.



The cash flow generation capability of the business combined with a debt free balance sheet and an annuity style flow from trail book continues to be a feature of the AFG business model.



AFG is still exploring future growth initiatives.

Q&A

Thank you

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For further information visit: www.afgonline.com.au

Or contact:

Alison Clarke
Head of Corporate Communications
+61 402 781 367

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