

20 May 2020

## Retail Entitlement Offer – AFG completes despatch of Retail Entitlement Offer Booklet

Australian Finance Group Ltd (ACN 066 385 822) (**AFG**) (ASX: AFG) confirms that the attached Retail Entitlement Offer Booklet and personalised Entitlement and Acceptance Forms in relation to the retail component of its accelerated non-renounceable pro rata entitlement offer of fully paid ordinary shares in AFG, details of which were announced to ASX on Wednesday, 13 May 2020 (**Retail Entitlement Offer**) were despatched to AFG's eligible shareholders (**Eligible Retail Shareholders**) today.

### Further information

Eligible Retail Shareholders are encouraged to carefully read the Retail Entitlement Offer Booklet for further details relating to the Retail Entitlement Offer. Eligible Retail Shareholders can access the Retail Offer Booklet and accept the offer at <https://events.miraqle.com/AFG-offer>.

If you have any questions in respect of the Retail Entitlement Offer, please call the AFG Offer Information Line on 1300 658 099 (within Australia) or + 61 1300 658 099 (outside Australia) at any time between 8.30am and 5.00pm (Perth time), Monday to Friday before the Retail Entitlement Offer closes on Tuesday, 2 June 2020. For other questions, you should consult your stockbroker, solicitor, accountant, or other professional adviser.

**The release of this announcement was authorised by AFG's Board of Directors.**



**Lisa Bevan**  
Company Secretary

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### For further information:

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NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Shares have been or will be registered under the U.S. Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up by, and the New Shares may not be offered or sold in the United States or to any person acting for the account or benefit of a person in the United States unless they are registered under the US Securities Act or unless they are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any applicable U.S. state securities laws.



**Australian Finance Group Ltd**  
**ACN 006 385 822**

## **Retail Entitlement Offer Booklet**

**1 for 5.5 pro rata accelerated non-renounceable entitlement offer of AFG ordinary shares at \$1.15 per New Share**

**Retail Entitlement Offer closes at  
5.00pm (Sydney time) on Tuesday, 2 June 2020**

**If you are an Eligible Retail Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. This document is not a prospectus under the *Corporations Act 2001* (Cth) and has not been lodged with the Australian Securities and Investments Commission. You should consult your stockbroker, solicitor, accountant, or other professional adviser if you have any questions.**

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

## Important notices

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This Retail Offer Booklet is dated Wednesday, 20 May 2020 and relates to the Retail Entitlement Offer, which is part of the Entitlement Offer by AFG to raise approximately \$45 million. Capitalised terms in this section have the meaning given to them in this Retail Offer Booklet.

### **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This Retail Offer Booklet has been issued by Australian Finance Group Ltd (ACN 006 385 822) (AFG).

The Retail Entitlement Offer is made pursuant to section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). This Retail Offer Booklet is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with ASIC. This Retail Offer Booklet does not contain all of the information which would be required to be disclosed in a prospectus or product disclosure statement. As a result, it is important for you to read and understand the publicly available information on AFG and the Entitlement Offer (for example, the information available on AFG's website at [www.afgonline.com.au](http://www.afgonline.com.au) or on the ASX's website at [www.asx.com.au](http://www.asx.com.au)) prior to deciding whether to accept your Entitlement and apply for New Shares. The information in this Retail Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation, or particular needs.

Please contact your professional advisor or the AFG Offer Information Line on 1300 658 099 (within Australia) or + 61 1300 658 099 (outside Australia) between 8.30am and 5.00pm (Perth time) on Monday to Friday or visit the offer website at <https://events.miraqle.com/AFG-offer> if you have any questions.

This Retail Offer Booklet should be read in its entirety (including the accompanying Entitlement and Acceptance Form) before you decide to participate in the Retail Entitlement Offer. In particular, the Investor Presentation in Appendix A of this Retail Offer Booklet details important factors and risks that could affect the financial and operating performance of AFG. Please refer to the 'Key Risks' section of the Investor Presentation for details. When making an investment decision in connection with the Retail Entitlement Offer, it is essential that you consider these risk factors carefully in light of your individual personal circumstances, including financial and taxation issues (some of which have been outlined in Section 5 of this Retail Offer Booklet).

In addition to reading this Retail Offer Booklet in conjunction with AFG's other periodic and continuous disclosure announcements including the Investor Presentation and AFG's announcements to the ASX and on its website, you should conduct your own independent review, investigations and analysis of AFG and the New Shares and obtain any professional advice you require to evaluate the merits and risks of an investment in AFG before making any investment decision.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY<sup>®1</sup> in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Retail Offer Booklet and you

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<sup>1</sup> Registered by BPAY Pty Ltd (ABN 69 079 137 518).

have acted in accordance with and agree to the terms of the Retail Entitlement Offer detailed in this Retail Offer Booklet.

**No overseas offering**

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Retail Offer Booklet does not constitute an offer to Ineligible Retail Shareholders.

This Retail Offer Booklet is not to be distributed in, and no offer of New Shares is to be made, in countries other than Australia and New Zealand.

No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements, or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Retail Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this Retail Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for AFG to lawfully receive your Application Monies.

**New Zealand**

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct Act 2013* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*.

This document has been prepared in compliance with Australian law and has not been registered, filed with, or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

**United States disclaimer**

None of the information in this Retail Offer Booklet or the accompanying Entitlement and Acceptance Form constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Retail Offer Booklet (or any part of it), the accompanying ASX Announcements nor the accompanying Entitlement and Acceptance Form may be released or distributed directly or indirectly, to persons in the United States.

The Entitlements and the New Shares have not been, and will not be, registered under the *U.S. Securities Act of 1933*, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up or exercised by persons in the United States, and the New Shares may not be offered

or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

### **Definitions, time, and currency**

Defined terms used in this Retail Offer Booklet are contained in Section 7 of this Retail Offer Booklet. All references to time are to Sydney time, unless otherwise indicated. All references to '\$' are AUD unless otherwise noted.

### **Taxation**

There will be taxation implications associated with participating in the Retail Entitlement Offer and receiving New Shares. Section 6 of this Retail Offer Booklet provides for a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders.

The guide does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute taxation advice. AFG recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

### **Privacy**

AFG collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in AFG.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to AFG (directly or through the Share Registry). AFG collects, holds, and will use that information to assess your Application. AFG collects your personal information to process and administer your shareholding in AFG and to provide related services to you. AFG may disclose your personal information for purposes related to your shareholding in AFG, including to the Share Registry, AFG's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that AFG holds about you. To make a request for access to your personal information held by (or on behalf of) AFG, please contact AFG through the Share Registry.

### **Governing law**

This Retail Offer Booklet, the Retail Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law of Western Australia, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Western Australia, Australia.

### **No representations**

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Retail Offer Booklet. Any information or representation in connection with the Retail Entitlement Offer not contained in the Retail Offer Booklet may not be relied upon as having been authorised by AFG or any of its officers.

### **Past performance**

Investors should note that AFG's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guarantee or guidance as to) AFG's future performance including AFG's future financial position or share price performance.

### **Future performance and forward-looking statements**

This Retail Offer Booklet contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of AFG, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of AFG's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise.

Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and except as required by law or regulation, none of AFG, its representatives or advisers assumes any obligation to update these forward-looking statements.

No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to AFG as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of AFG, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Refer to the 'Key Risks' section of the Investor Presentation included in Appendix A of this Retail Offer Booklet for a summary of general and specific risk factors that may affect AFG. Investors should consider the forward-looking statements contained in this Retail Offer Booklet in light of those risks and disclosures.

### **Lead Manager**

Macquarie Capital (Australia) Limited (**Lead Manager**) has acted as lead manager to, and underwriter of, the Entitlement Offer. Neither the Lead Manager, its affiliates, related bodies corporate (as that term is defined in the Corporations Act), nor its directors, employees, officers, representatives, agents, partners, consultants and advisers (together, the **Lead Manager Parties**), nor the advisers to AFG or any other person, has authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Retail Offer Booklet (or any other materials released by AFG) and none of them makes or purports to make any statement in this Retail Offer Booklet and there is no statement in this Retail Offer Booklet which is based on any statement by any of them.

The Lead Manager Parties may, from time to time, hold interests in the securities of, or earn brokerage, fees, or other benefits from AFG.

### **Disclaimer**

Determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints, and the discretion of AFG and the Lead Manager. To the maximum extent permitted by law, AFG and the Lead Manager and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion. To the maximum extent permitted by law, the Lead Manager Parties disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Retail Entitlement Offer and the information in this Retail Offer Booklet being inaccurate or due to information being omitted from this Retail Offer Booklet, whether by way of negligence or otherwise, and make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this Retail Offer Booklet.

The Lead Manager Parties take no responsibility for any part of this Retail Offer Booklet or liability for any loss or damage whatsoever arising from the use of any part of this Retail Offer Booklet or otherwise arising in connection with it.

The Lead Manager Parties make no recommendation as to whether you or your related parties should participate in the Retail Entitlement Offer nor do they make any representations or warranties, express or implied, to you concerning the Entitlement Offer or any such information, and by returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form, you represent, warrant and agree that you have not relied on any statements made by the Lead Manager Parties in relation to the New Shares or the Entitlement Offer generally.

### **Risks**

An investment in New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of AFG, including possible delays in repayment and loss of income and principal invested. AFG does not guarantee any particular rate of return or the performance of AFG, nor does it guarantee the repayment of capital from AFG or any particular tax treatment.

Refer to the 'Key Risks' section of the Investor Presentation included in Appendix A of this Retail Offer Booklet for a summary of general and specific risk factors that may

affect AFG. You should consider these risks carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Retail Entitlement Offer.

**No cooling off**

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw an Application once it has been accepted.

**Trading New Shares**

AFG will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by AFG or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your stockbroker, solicitor, accountant, or other professional adviser.

**No Entitlements trading**

Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

**Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Retail Offer Booklet.

Any information or representation that is not in this Retail Offer Booklet may not be relied on as having been authorised by AFG, or its related bodies corporate in connection with the Retail Entitlement Offer.

**This document has been authorised for release to ASX by the AFG Board of Directors.**



**Wednesday, 20 May 2020**

Dear Shareholder

On behalf of the Board of Australian Finance Group Ltd (**AFG**), I am pleased to invite you to participate in a 1 for 5.5 accelerated non-renounceable pro-rata entitlement offer of new ordinary shares in AFG (**New Shares**) at an offer price of \$1.15 per New Share (**Offer Price**), which is intended to raise gross proceeds of approximately \$45 million (**Entitlement Offer**).

**Entitlement Offer and Placement**

The Entitlement Offer forms part of the equity raising announced by AFG on Wednesday, 13 May 2020, which also comprises an institutional placement of new Shares (**Placement**) at the same Offer Price (together, the **Offer**), to raise an aggregate of approximately \$60 million.<sup>1</sup>

The Entitlement Offer comprises an institutional component to raise approximately \$31.9 million (**Institutional Entitlement Offer**), and a retail component to raise approximately \$13.1 million (**Retail Entitlement Offer**).

The Institutional Entitlement Offer and the Placement successfully completed on Wednesday, 13 May 2020, and together raised approximately \$46.9 million.

The Entitlement Offer is fully underwritten by Macquarie Capital (Australia) Limited.<sup>2</sup>

**Use of proceeds**

The Offer proceeds will be deployed across the business over the short to medium term and be used to strengthen AFG's capital position, provide liquidity and support growth in the AFG Securities lending book along with other ongoing growth initiatives.

The Offer purpose is described in more detail in the ASX Announcement and Investor Presentation lodged with the Australian Securities Exchange (**ASX**) on Wednesday, 13 May 2020 (and included in Section 4 of this Retail Offer Booklet) (**Investor Presentation**).

**Retail Entitlement Offer**

This Retail Offer Booklet (**Retail Offer Booklet**) relates to the Retail Entitlement Offer.

Under the Retail Entitlement Offer, Eligible Retail Shareholders have the opportunity to invest at the same price as the Institutional Investors who participated in the Institutional Entitlement Offer or the Placement.

Eligible Retail Shareholders are entitled to subscribe for 1 New Share at the Offer Price for every 5.5 existing AFG shares (**Existing Shares**) held on the record date at 7.00pm (Sydney time) on Friday, 15 May 2020 (**Entitlement**).

The Offer Price of \$1.15 per New Share represents a 14.4% discount to the Theoretical Ex-Rights Price (**TERP**)<sup>3</sup> of \$1.34 and a 17.3% discount to the closing price of AFG of \$1.39 per share on Tuesday, 12 May 2020, being the last trading day prior to the announcement of the Offer.

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<sup>1</sup> All references to the amounts raised under the Offer in this Retail Offer Booklet are approximations and remain subject to final reconciliation.

<sup>2</sup> See Section 4.6 of this Retail Offer Booklet for further information.

<sup>3</sup> Theoretical ex-rights price (**TERP**) includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which Shares should trade immediately after the ex-date for the Entitlement

Each New Share issued under the Entitlement Offer will rank equally with existing AFG shares on issue and will be entitled to dividends on the same basis as existing shares. AFG will, upon issue of the New Shares, seek quotation of the New Shares on ASX.

I am pleased to confirm that certain AFG directors and management who are shareholders have confirmed their intention to participate in the Entitlement Offer by taking up approximately \$5 million of their pro rata entitlement for New Shares and also sub-underwriting up to \$0.7million of the Retail Entitlement Offer.

The Entitlement Offer is non-renounceable and therefore Entitlements will not be tradeable on the ASX or any other exchange, or otherwise transferable. I encourage you to consider this offer carefully.

### **How to apply**

The number of New Shares for which you are entitled to subscribe for under the Retail Entitlement Offer is set out in your personalised entitlement and acceptance form (**Entitlement and Acceptance Form**), which accompanies this Retail Offer Booklet.

If you decide to take this opportunity to increase your investment in AFG please ensure that your payment via BPAY® or your personalised Entitlement and Acceptance Form with your Application Monies paid by cheque are received by the Share Registry before the Retail Entitlement Offer closes at 5.00pm (Sydney time) on Tuesday, 2 June 2020.

### **Further information**

Further information on the Retail Entitlement Offer and AFG's business is detailed in this Retail Offer Booklet. You should carefully read this Retail Offer Booklet in its entirety and consult your stockbroker, accountant, or other professional adviser before making your investment decision. In particular, you should read and consider the "Key Risks" section of the Investor Presentation included in Section 4 of this Retail Offer Booklet, which contains a summary of some of the key risks associated with an investment in AFG.

If you have any questions in respect of the Entitlement Offer, please call the AFG Offer Information Line on 1300 658 099 (within Australia) or +61 1300 658 099 (outside Australia) from 8.30am to 5.00pm (Perth time) Monday to Friday before the Retail Entitlement Offer closes on Tuesday, 2 June 2020 or visit the offer website at <https://events.miraql.com/AFG-offer>.

On behalf of the Board and management team of AFG, I invite you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully



Anthony Gill  
Independent Non-Executive Chairman  
Australian Finance Group Ltd

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Offer. TERP is a theoretical calculation only and the actual price at which Shares trade on ASX immediately after the ex-date for the Entitlement Offer depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of AFG's Shares as traded on ASX on Tuesday, 12 May 2020, being the last trading day prior to the announcement of the Offer.

## Summary of the Offer

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### Placement

Offer Price	\$1.15 per New Share
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Size	Approximately 12,979,760 New Shares
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Gross proceeds	Approximately \$15 million
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### Entitlement Offer

Ratio	1 New Share for every 5.5 Existing Shares held
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Offer Price	\$1.15 per New Share
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Size	Approximately 27.8 million New Shares under the Institutional Entitlement Offer Approximately 11.4 million New Shares under the Retail Entitlement Offer
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Gross proceeds	Approximately \$45 million, comprising approximately \$31.9 million under the Institutional Entitlement Offer and approximately \$13.1 million under the Retail Entitlement Offer
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### Total gross proceeds

Expected total gross proceeds of the Offer	Approximately \$60 million
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## Key dates

Activity	Date
Announcement of Offer	Wednesday, 13 May 2020
Institutional Entitlement Offer and Placement opens	Wednesday, 13 May 2020
Institutional Entitlement Offer and Placement closes	Wednesday, 13 May 2020
Shares recommence trading / announcement of results of Institutional Entitlement Offer and Placement	Thursday, 14 May 2020
Record Date for Entitlement Offer (7.00pm Sydney time)	Friday, 15 May 2020
Retail Offer Booklet and Entitlement and Acceptance Form despatched	Wednesday, 20 May 2020
Retail Entitlement Offer opens	Wednesday, 20 May 2020
Allotment and commencement of trading of New Shares under the Institutional Entitlement Offer and Placement	Monday, 25 May 2020
Retail Entitlement Offer closes (5.00pm Sydney time)	Tuesday, 2 June 2020
Allotment of New Shares under the Retail Entitlement Offer	Wednesday, 10 June 2020
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 11 June 2020
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Friday, 12 June 2020

### **Notes to key dates**

This timetable (and each reference to it or to dates in it in this Retail Offer Booklet) is indicative only and subject to change without notice. All times and dates in the timetable refer to Sydney, Australia time.

AFG reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, AFG reserves the right to extend the Closing Date for the Retail Entitlement Offer, to accept late Applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. Any extension of the Retail Entitlement Offer Closing Date will have a consequential effect on the allotment date of New Shares.

The quotation of New Shares is subject to confirmation from the ASX.

AFG also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

### **Enquiries**

If you have any doubt about whether you should participate in the Retail Entitlement Offer, you should seek professional financial advice from your stockbroker, solicitor, accountant, or other professional adviser before making any investment decision.

If you have questions on how to complete the Entitlement and Acceptance Form or how to take up your Entitlement or have lost your Entitlement and Acceptance Form and would like a replacement form, please call the AFG Offer Information Line on 1300 658 099 (within Australia) or +61 1300 658 099 (outside Australia) between 8.30 am and 5.00pm (Perth time) on Monday to Friday, before the Retail Entitlement Offer closes on Tuesday, 2 June 2020 or visit the offer website at <https://events.miraqle.com/AFG-offer>.

## 1 Summary of options available to you

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If you are an Eligible Retail Shareholder<sup>5</sup>, you may take one of the following actions:

- Take up all of your Entitlement (see Section 3.3 of this Retail Offer Booklet).
- Take up part of your Entitlement and allow the balance to lapse (see Section 3.4 of this Retail Offer Booklet).
- Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements (see Section 3.5 of this Retail Offer Booklet).

The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Tuesday, 2 June 2020.

If you are a retail Shareholder that is not an Eligible Retail Shareholder, you are an “**Ineligible Retail Shareholder**”. Ineligible Retail Shareholders are not entitled to participate in the Retail Entitlement Offer.

Options	Key considerations
<p><b>Option 1</b> Take up all of your Entitlement</p>	<ul style="list-style-type: none"> <li>• You may elect to purchase New Shares at the Offer Price (see Section 3 of this Retail Offer Booklet for instructions on how to take up your Entitlement).</li> <li>• The New Shares will rank equally in all respects with Existing Shares from their date of issue.</li> </ul>
<p><b>Option 2</b> Take up part of your Entitlement</p>	<ul style="list-style-type: none"> <li>• If you do not take up your Entitlement in full, those Entitlements not taken up will lapse and you will not receive any payment or value for them.</li> <li>• If you do not take up your Entitlement in full, you will have your percentage holding in AFG reduced as a result of the Entitlement Offer.<sup>6</sup></li> <li>• Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable, which means it is non-transferrable and cannot be sold, traded on ASX or any other exchange, nor can it be privately transferred.</li> </ul>
<p><b>Option 3</b> Do nothing, in which case your</p>	<ul style="list-style-type: none"> <li>• If you do nothing with respect to your Entitlement, you will not be allocated New Shares, your Entitlements will lapse and you will not</li> </ul>

<sup>5</sup> See Section 2.4 of this Retail Offer Booklet for further details.

<sup>6</sup> All retail shareholders, including those Eligible Retail Shareholders who participate in the Retail Entitlement Offer, will have their percentage holding in AFG reduced by the Placement.

<b>Entitlement will lapse and you will receive no value for those lapsed Entitlements</b>	<p>receive any payment or value for them.</p> <ul style="list-style-type: none"> <li>• If you do not take up your Entitlement you will have your percentage holding in AFG reduced as a result of the Entitlement Offer.<sup>6</sup></li> <li>• Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable, which means your Entitlements are non-transferrable and cannot be sold, traded on ASX or any other exchange, nor can they be privately transferred.</li> </ul>
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## 2 Overview of the Offer

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### 2.1 Overview

Under the Entitlement Offer, AFG is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 5.5 Existing Shares held on the Record Date. The Offer Price per New Share is \$1.15.

The Entitlement Offer is intended to raise approximately \$45 million.

AFG has also conducted a Placement to certain institutional investors which raised approximately \$15 million. The proceeds of the Entitlement Offer and Placement will be deployed across the business over the short to medium term and be used to strengthen AFG's capital position, provide liquidity and support growth in the AFG Securities lending book along with other ongoing growth initiatives.

The Entitlement Offer has two components:

- **Institutional Entitlement Offer** – Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement, and a bookbuild process to sell Entitlements for New Shares not taken up by Eligible Institutional Shareholders as well as New Shares that otherwise would have been offered to Ineligible Shareholders was carried out. The Institutional Entitlement Offer raised approximately \$31.9 million.
- **Retail Entitlement Offer** (to which this Retail Offer Booklet relates) – Eligible Retail Shareholders will be given the opportunity to take up all or part of their Entitlement. The Retail Entitlement Offer is expected to raise approximately \$13.9 million.

The Entitlement Offer is non-renounceable, which means that the Entitlements cannot be traded or otherwise transferred on the ASX or any other exchange or privately. If you do not participate in the Entitlement Offer, you will not receive any value for your Entitlement.

New Shares issued under the Retail Entitlement Offer are to be issued at the same price as New Shares issued under the Institutional Entitlement Offer and Placement. In addition, Eligible Shareholders' Entitlements under the Institutional Entitlement Offer and the Retail Entitlement Offer are calculated based on the same ratio.

Please refer to the ASX Announcements and the Investor Presentation included in this Retail Offer Booklet for information on the rationale for the Entitlement Offer, the use of proceeds of the Entitlement Offer, and for further information on AFG.<sup>7</sup>

The Entitlement Offer is fully underwritten by the Lead Manager in accordance with the terms of the Underwriting Agreement (see Section 4.6 of this Retail Offer Booklet).

## 2.2 Institutional Entitlement Offer and Placement

AFG has already raised approximately \$46.9 million from Institutional Investors as part of the Institutional Entitlement Offer and Placement, at \$1.15 per New Share.<sup>8</sup>

New Shares are expected to be issued under the Institutional Entitlement Offer and Placement on Monday, 25 May 2020.

## 2.3 Retail Entitlement Offer

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allows rights issues to be offered without a prospectus, provided certain conditions are satisfied.

As a result, the Retail Entitlement Offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read and understand the information on AFG and the Retail Entitlement Offer made publicly available prior to taking up all or part of their Entitlement. In particular, please refer to the materials in Appendix A of this Retail Offer Booklet and other announcements made by AFG (available at [www.asx.com.au](http://www.asx.com.au)) and all other parts of this Retail Offer Booklet carefully before making any decisions in relation to your Entitlement.

Eligible Retail Shareholders are being invited to subscribe for all or part of their Entitlement and are being sent this Retail Offer Booklet with a personalised Entitlement and Acceptance Form.

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders, who are invited to apply for 1 New Share for every 5.5 Existing Shares held on the Record Date. The Offer Price of \$1.15 per New Share represents a 14.4% discount to the TERP<sup>9</sup> of \$1.34 and a 17.3% discount to the closing price of AFG of \$1.39 per share on Tuesday, 12 May 2020, being the last trading day prior to the announcement of the Offer. The Offer Price under the Retail Entitlement Offer is the same as the Offer Price under the Institutional Entitlement Offer.

<sup>7</sup> The ASX Announcements and the Investor Presentation are current as at the date of their release. There may be other announcements that have been made by AFG after their release and before the Retail Entitlement Offer closes at 5.00pm (Sydney time) on Tuesday, 2 June 2020 that may be relevant to your consideration of whether to take part in the Retail Entitlement Offer. Therefore, it is prudent to check whether any further announcements have been made by AFG before submitting an Application.

<sup>8</sup> Settlement of the Institutional Entitlement Offer is due to occur on Friday, 22 May 2020 and is subject to certain conditions and termination events. Refer to Section 4.6 of this Retail Offer Booklet.

<sup>9</sup> Refer to footnote 4 of this Retail Offer Booklet.



The Retail Entitlement Offer opens on Wednesday, 20 May 2020. This is also the date when the Retail Offer Booklet will be dispatched, along with a personalised Entitlement and Acceptance Form to Eligible Retail Shareholders. The Retail Entitlement Offer is expected to close at 5.00pm (Sydney time) on Tuesday, 2 June 2020.

Please consult your financial adviser, accountant, or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer. In particular, please refer to the “Key Risks” section of the Investor Presentation (see Appendix A of this Retail Offer Booklet).

## 2.4 Eligibility of Retail Shareholders

The Retail Entitlement Offer is being offered to Eligible Retail Shareholders only.

“**Eligible Retail Shareholders**” are Shareholders on the Record Date who:

- are registered as a holder of Existing Shares;
- have a registered address in Australia or New Zealand as noted on AFG’s share register or persons that AFG has determined in its discretion are Eligible Retail Shareholders;
- are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States in respect of the relevant underlying holders of Existing Shares;
- were not invited to participate in the Institutional Entitlement Offer and were not treated as Ineligible Institutional Shareholders under the Institutional Entitlement Offer (other than as a nominee or custodian, in each case in respect of other underlying holdings); and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Ineligible Retail Shareholders are Shareholders who are not Eligible Retail Shareholders, Eligible Institutional Shareholders, or Ineligible Institutional Shareholders.

AFG has determined that it is unreasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders because of the small number of such Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside Australia and New Zealand, but reserves its right to do so (subject to compliance with relevant laws).

## 3 How to apply

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### 3.1 Your Entitlement

An Entitlement and Acceptance Form setting out your Entitlement (calculated as 1 New Share for every 5.5 Existing Shares held on the Record Date with fractional entitlements rounded up to the nearest whole number of New Shares) accompanies this Retail Offer Booklet. Eligible Retail Shareholders may subscribe for all or part of their Entitlement. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

Please note that the Entitlement stated on your Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States (refer to the definition of Eligible Retail Shareholders in Section 2.4 of this Retail Offer Booklet).

Eligible Retail Shareholders who hold Shares in the capacity as trustee, nominee, or custodian (or in any other capacity) for a person that is in the United States cannot take up Entitlements or purchase New Shares on behalf of that person. See Section 3.12 of this Retail Offer Booklet for the notice to nominees and custodians.

Eligible Retail Shareholders should be aware that an investment in AFG involves both known and unknown risks. The key risks identified by AFG are set out in the section entitled 'Key Risks' of the Investor Presentation (enclosed in Appendix A of this Retail Offer Booklet).

### 3.2 Options available to you

The number of New Shares to which Eligible Retail Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form.

Eligible Retail Shareholders may:

- take up their Entitlement in full by the Closing Date (refer to Section 3.3 of this Retail Offer Booklet);
- take up part of their Entitlement by the Closing Date, in which case the balance of the Entitlement would lapse (refer to Section 3.4 of this Retail Offer Booklet); or
- do nothing and allow their Entitlement to lapse (refer to Section 3.5 of this Retail Offer Booklet).

The Retail Entitlement Offer is an offer to Eligible Retail Shareholders only. Ineligible Retail Shareholders may not participate in the Retail Entitlement Offer.

AFG reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date. The directors of AFG reserve the right to issue any shortfall (including any excess shortfall) under the Offer at their discretion. Any excess shortfall may, subject to the terms of the Underwriting Agreement, be allocated to the Lead Manager or to third party investors as directed by the Lead Manager. The basis of allocation of any other shortfall will be determined by

the directors of AFG at their discretion, taking into account whether investors are existing shareholders, AFG's register and any potential control impacts.

The Closing Date for acceptance of the Retail Entitlement Offer is **5.00pm (Sydney time) on Tuesday, 2 June 2020** (however, that date may be varied by AFG, in accordance with the Listing Rules and the Underwriting Agreement).

### 3.3 Taking up all of your Entitlement

If you wish to take up all or part of your Entitlement, you are encouraged to make payment via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form or available online at <https://events.miraqle.com/AFG-offer>.

Payment must be **received** by the Share Registry by no later than 5.00pm (Sydney time) on Tuesday, 2 June 2020.

If you are a New Zealand Shareholder who does not have an Australian bank account or do not wish to pay via BPAY®, you may make payment by cheque, bank draft or money order, as set out in Section 3.9 of this Retail Offer Booklet.

Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as set out in their personalised Entitlement and Acceptance Form.

### 3.4 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, you are encouraged to make payment via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form or available online at <https://events.miraqle.com/AFG-offer>.

Payment must be **received** by the Share Registry by no later than 5.00pm (Sydney time) on Tuesday, 2 June 2020.

If you are a New Zealand Shareholder who does not have an Australian bank account or do not wish to pay via BPAY®, you may make payment by cheque, bank draft or money order, as set out in Section 3.9 of this Retail Offer Booklet.

If AFG receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment may be treated as an Application for as many New Shares as your Application Monies will pay for in full.

Eligible Retail Shareholders who do not take up their Entitlements in full will not receive any value for those Entitlements they do not take up.

### 3.5 Allow your Entitlement to lapse

If you do not wish to take up all or any part of your Entitlement, do not take any further action and all or that part of your Entitlement will lapse.

By allowing your Entitlement to lapse you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement. Your percentage interest in AFG will also be reduced as a result of the Entitlement Offer.

### 3.6 Consequences of not taking up all or part of your Entitlement

If you do not take up all or part of your Entitlement in accordance with the instructions set out above, your Entitlements will lapse and those New Shares for which you would have otherwise been entitled under the Retail Entitlement Offer (including New Shares that relate to the portion of your Entitlement that has not been taken up) may be acquired by the Lead Manager or any sub-underwriters.

By allowing your Entitlement to lapse, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement and you will not receive any value for your Entitlement. Eligible Retail Shareholders who do not participate fully in the Retail Entitlement Offer will have their percentage holding in AFG reduced. All retail shareholders, including those Eligible Retail Shareholders who participate in the Retail Entitlement Offer, will have their percentage holding in AFG reduced by the Placement.

### 3.7 Payment and refunds

You are encouraged to pay your Application Monies using BPAY® if possible.

If you are a New Zealand Shareholder who does not have an Australian bank account or do not wish to pay via BPAY®, you may make payment by cheque, bank draft or money order, as set out in Section 3.9 of this Retail Offer Booklet.

Cash payments will not be accepted. Receipts for payment will not be issued.

AFG will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by direct credit to the nominated bank account as noted on the share register as at the Closing Date or by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders).

### 3.8 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form or available online at <https://events.miraql.com/AFG-offer>. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

Please note that by paying by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 3.10 of this Retail Offer Booklet; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on Tuesday, 2 June 2020. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

### 3.9 If you are unable to pay by BPAY®

AFG encourages payments by BPAY® if possible.

If you are a New Zealand Shareholder or are otherwise intending to pay by cheque, bank draft or money order you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to “AFG Retail Offer” and crossed “Not Negotiable”.

It is your responsibility to ensure that your payment by cheque, bank draft or money order is **received** by the Share Registry by no later than 5.00pm (Sydney time) on Tuesday, 2 June 2020. You must ensure that cleared funds are held in your account as your cheque, bank draft or money order will be banked as soon as it is received. You should consider postal and cheque clearance timeframes in order to meet this deadline.

Your cheque, bank draft or money order must be:

- for an amount equal to \$1.15 (being the Offer Price) multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident Shareholders must arrange for payment to be made in Australian dollars.

Please return your completed Entitlement and Application Form and cheque, bank draft or money order to the Share Registry at the address below:

Australian Finance Group Ltd  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque, bank draft or money order will be processed on the day of receipt. If the amount of your cheque, bank draft or money order for Application

Monies (or the amount for which the cheque, bank draft or money order clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

### **3.10 Payment through BPAY® or submission of Entitlement and Acceptance Form is binding**

A payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application Monies constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Retail Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. AFG's decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By making a payment by BPAY® or by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies, you will also be deemed to have acknowledged, represented, and warranted on behalf of each person on whose account you are acting that:

- (a) you are (or the person whose account you are acting is) an Eligible Retail Shareholder;
- (b) you have received, and read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- (c) you agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet (and accompanying Entitlement and Acceptance Form), and AFG's constitution;
- (d) you authorise AFG to register you as the holder(s) of New Shares allotted to you under the Retail Entitlement Offer;
- (e) all details and statements in the personalised Entitlement and Acceptance Form are complete, accurate and up to date;
- (f) if you are a natural person, you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (g) you accept that there is no cooling off period under the Retail Entitlement Offer and that once AFG receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- (h) you agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;

- (i) you authorise AFG, the Lead Manager, the Share Registry and their respective officers, employees or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (j) you acknowledge and agree that:
  - (1) determination of eligibility of investors for the purposes of the Institutional Entitlement Offer and the Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and Share Registry constraints and the discretion of AFG and/or the Lead Manager; and
  - (2) each of AFG and the Lead Manager, and each of their respective related body corporates and affiliates, disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- (k) you represent and warrant (for the benefit of AFG, the Lead Manager and each of their respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Institutional Shareholder under the Institutional Entitlement Offer, and are otherwise eligible to participate in the Retail Entitlement Offer;
- (l) you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date and are an Eligible Retail Shareholder;
- (m) the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation, or particular needs;
- (n) this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in AFG and is given in the context of AFG's past and ongoing continuous disclosure announcements to ASX;
- (o) you acknowledge the statement of risks in the 'Key Risks' section of the Investor Presentation in Appendix A of this Retail Offer Booklet, and that an investment in AFG is subject to risks;
- (p) none of AFG, the Lead Manager, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the New Shares or the performance of AFG, nor do they guarantee the repayment of capital from AFG;
- (q) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;

- (r) you authorise AFG to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (s) the law of any place does not prohibit you from being given this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- (t) for the benefit of AFG, the Lead Manager and their respective related bodies corporate and affiliates, you acknowledge that you are not in the United States and you are not acting for the account or benefit of a person in the United States and you are not otherwise a person to whom it would be illegal to make an offer of or issue of New Shares under the Retail Entitlement Offer and under any applicable laws and regulations;
- (u) you understand and acknowledge that the Entitlement and the New Shares have not been, and will not be, registered under the U.S. Securities Act or under the laws of any state or other jurisdiction of the United States and that, accordingly the Entitlements may not be taken up or exercised by a person in the United States and the New Shares may not be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws;
- (v) you are subscribing for or purchasing the New Shares outside the United States in an “offshore transaction” (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act;
- (w) you are not engaged in the business of distributing securities;
- (x) you and each person on whose account you are acting have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any country outside Australia and New Zealand;
- (y) if, in the future, you decide to sell or otherwise transfer the New Shares acquired under the Retail Entitlement Offer, you will only do so in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, including in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States;
- (z) you are eligible under applicable securities laws to exercise Entitlements and acquire New Shares under the Retail Entitlement Offer;
- (aa) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Retail Entitlement Offer Booklet, the Entitlement and Acceptance Form or



any information or materials relating to the Retail Entitlement Offer to any such person; and

- (bb) you make all other representations and warranties set out in this Retail Offer Booklet.

### **3.11 Brokerage and stamp duty**

No brokerage fee is payable by Eligible Retail Shareholders who accept their Entitlement.

No stamp duty is payable for the grant of the Entitlement, or for exercising the Entitlement in order to subscribe for New Shares under the Retail Entitlement Offer.

### **3.12 Notice to nominees and custodians**

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders.

Nominees with registered addresses in the eligible jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold Existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

Nominees and custodians who hold Shares as nominees or custodians will have received, or will shortly receive, a letter from AFG. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to:

- beneficiaries on whose behalf they hold Existing Shares who would not satisfy the criteria for an Eligible Retail Shareholder;
- Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not);
- Ineligible Institutional Shareholders who were ineligible to participate in the Institutional Entitlement Offer; or
- Shareholders who are not eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In particular, persons acting as nominees for other persons may not take up Entitlements on behalf of, or send any documents relating to the Retail Entitlement Offer to, any person in the United States.

AFG is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws. AFG is not able to advise on foreign laws.

### 3.13 Rights of AFG

For the avoidance of doubt, AFG reserves the right (in its absolute sole discretion) to reduce the number of Entitlements or New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if their claims prove to be overstated or if they (or their nominees/custodians) fail to provide information to substantiate their claims. In that case AFG may, in its discretion and subject to the terms of the Underwriting Agreement, require the relevant Shareholder to transfer excess New Shares to the Lead Manager at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer Existing Shares held by them or purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses and expenses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Offer, you irrevocably acknowledge and agree to do the above as required by AFG in its absolute discretion. You acknowledge that there is no time limit on the ability of AFG to require any of the actions set out above.

AFG also reserves the right to reject any acceptance of an Entitlement that it believes comes from a person who is not eligible to accept an Entitlement.

### 3.14 Withdrawal of the Entitlement Offer

Subject to applicable law, AFG reserves the right to withdraw the Entitlement Offer at any time before the issue of New Shares, in which case AFG will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest being payable to Applicants. In circumstances where New Shares have been allotted under the Institutional Entitlement Offer, provided it is able to obtain any necessary regulatory relief, AFG will only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to AFG will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to AFG.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by direct credit to the nominated bank account as noted on the AFG share register as at the Closing Date or by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders).

### 3.15 Risks

Eligible Retail Shareholders should be aware that an investment in AFG involves risks. The key risks identified by AFG are set out in the Investor Presentation in Appendix A of this Retail Offer Booklet, but these are not an exhaustive list of the risks associated with an investment in the Shares. You should consider these risks carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Retail Entitlement Offer.

### 3.16 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions regarding the Entitlement Offer, please contact the AFG Offer Information Line on 1300 658 099 (within Australia) or +61 1300 658 099 (outside Australia) at any time from 8.30am to 5.00pm (Perth time) on Monday to Friday, before the Retail Entitlement Offer closes on Tuesday, 2 June 2020 or visit the offer website at <https://events.miraql.com/AFG-offer>. If you have any further questions, you should contact your stockbroker, solicitor, accountant, or other professional adviser.

## 4 Additional information

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### 4.1 Responsibility for this Retail Offer Booklet

This Retail Offer Booklet (including the enclosed ASX Announcements and Investor Presentation and attached Entitlement and Acceptance Form) has been prepared by AFG. No party other than AFG has authorised or caused the issue of this Retail Offer Booklet, or takes any responsibility for, or makes or gives any statements, representations, or undertakings in, this Retail Offer Booklet.

### 4.2 Date of this Retail Offer Booklet

This Retail Offer Booklet is dated Wednesday, 20 May 2020. Subject to the following paragraph, statements in this Retail Offer Booklet are made only as of the date of this Retail Offer Booklet unless otherwise stated and the information in this Retail Offer Booklet remains subject to change without notice. AFG is not responsible for updating this Retail Offer Booklet.

The ASX Announcements and Investor Presentation set out in Appendix A of this Retail Offer Booklet are current as at the date on which they were released. There may be additional announcements that are made by AFG (including after the date of this Retail Offer Booklet) that may be relevant to your consideration of whether to take up your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by AFG before submitting an Application.

### 4.3 Ranking of New Shares

The New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally with Existing Shares with effect from their date of issue. New Shares will be entitled to any dividends on ordinary shares with a record date after the date of issue.

The rights attaching to the New Shares are set out in AFG's constitution and are regulated by the Corporations Act, Listing Rules, and general law.

#### **4.4 Allotment, quotation, and trading**

AFG will apply for quotation of the New Shares on ASX in accordance with Listing Rule requirements. If ASX does not grant quotation of the New Shares, AFG will repay all Application Monies (without interest).

Subject to ASX approval being granted, it is expected that the New Shares allotted under the Retail Entitlement Offer will commence trading on a normal basis on Thursday, 11 June 2020. Application Monies will be held by AFG on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies, and any interest earned on Application Monies will be for the benefit of AFG and will be retained by AFG irrespective of whether New Shares are issued.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in such Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk. AFG and the Lead Manager disclaim all liability whether in negligence or otherwise (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by AFG or the Share Registry or otherwise.

#### **4.5 Reconciliation**

In any entitlement offer, investors may believe that they own more Existing Shares on the Record Date than they ultimately do. This may result in a need for reconciliation to ensure all eligible Shareholders have the opportunity to receive their full Entitlement.

AFG may need to issue a small quantity of additional New Shares to ensure all eligible Shareholders have the opportunity to receive their appropriate allocation of New Shares. The price at which these New Shares would be issued, if required, is the same as the Offer Price.

AFG also reserves the right to reduce the number of an Entitlement or New Shares allocated to eligible Shareholders or persons claiming to be eligible Shareholders, if their Entitlement claims prove to be overstated, if they or their nominees fail to provide information requested to substantiate their Entitlement claims, or if they are not eligible Shareholders.

#### **4.6 Underwriting arrangements**

AFG and the Lead Manager have entered into the Underwriting Agreement pursuant to which the Lead Manager has agreed to underwrite the Entitlement Offer and Placement on the terms and conditions set out in the Underwriting Agreement.

The Lead Manager's obligations under the Underwriting Agreement, including to underwrite the Entitlement Offer and Placement, are conditional on certain matters, including AFG delivering certain certificates, sign-offs, and opinions to the Lead Manager. If certain conditions are not satisfied or certain events occur, the Lead Manager may terminate the Underwriting Agreement.

The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- the S&P/ASX 200 Index being at a level that is 10% or more below the level of the index as at the close of trading on the day before the date of this presentation:
  - on the institutional opening date (Wednesday, 13 May 2020);
  - at market close on the business day immediately prior to the first settlement date, being Thursday, 21 May 2020;
  - at market close on two consecutive business days during the period from the date of the Underwriting Agreement until the second settlement date (inclusive), being Tuesday, 9 June 2020; or
  - at market close on the business day immediately prior to the second settlement date, being Monday, 8 June 2020.
- in the reasonable opinion of the Lead Manager, a statement contained in the Offer materials contain (whether by omission or otherwise) any statement which is false, misleading or deceptive or there is an omission from an Offer document of material required to be included by the Corporations Act or any other applicable law;
- any cleansing notice in connection with the Offer is or becomes defective, or any amendment or update to a cleansing notice is issued or is required to be issued under the Corporations Act and, in each case, that defective cleansing notice or amendment or update is adverse from the point of view of an investor;
- certain actions being taken by ASIC;
- certain delays in the timetable;
- certain insolvency events;
- certain changes in law, hostilities, or disruptions in financial markets;
- changes in the directors or senior management of AFG, or if a director is charged with an indictable offense or a regulatory body publicly announces their intention to charge;
- breaches of certain representations or warranties;
- adverse changes in the assets or liabilities, financial position or performance, profits or losses or prospects of AFG or an AFG group company, including any adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of AFG from those disclosed to ASX in accordance with the Listing Rules prior to the date of this presentation; or
- AFG being prevented from allotting and issuing shares under the Offer or ASX indicating that it will not grant permission for the quotation of the shares to be issued under the Offer.

The Lead Manager will be paid an underwriting fee equivalent to 1% of the proceeds of the Entitlement Offer and a management fee equivalent to 2% of the proceeds of the Entitlement Offer. AFG must also reimburse the Lead Manager for certain expenses.

In accordance with the Underwriting Agreement, as is customary with these types of underwriting arrangements:

- AFG has (subject to certain limitations) agreed to indemnify the Lead Manager, its affiliates, and related bodies corporate and their respective officers, agents, advisers, or employees against losses suffered or incurred directly or indirectly in relation to the Entitlement Offer; and
- AFG and the Lead Manager have given certain representations, warranties, and undertakings in connection with (among other things) the conduct of the Entitlement Offer.

Please see the ASX Announcements for further details about the Underwriting Agreement and the risks associated with the Underwriting Agreement.

#### 4.7 Lead Manager

Neither the Lead Manager nor any of its related bodies corporate and affiliates, nor any of its directors, officers, partners, employees, representatives, agents, consultants, partners or advisers (together, the **Lead Manager Parties**) have authorised, permitted or caused the issue, despatch or provision of this Retail Offer Booklet and they do not take responsibility for any statements made in this Retail Offer Booklet or any action taken by you on the basis of such information. The Lead Manager has not authorised, approved, or verified any forward-looking statements included in this Retail Offer Booklet. To the maximum extent permitted by law, each Lead Manager Party excludes and disclaims all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Retail Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise, and make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of this Retail Offer Booklet.

The Lead Manager Parties take no responsibility for any part of the Retail Offer Booklet or liability (including, without limitation, any liability arising from fault or negligence on the part of any person) for any direct, indirect, consequential or contingent loss or damage whatsoever arising from the use of any part of the Retail Offer Booklet or otherwise arising in connection with it.

None of the Lead Manager Parties make any recommendations as to whether you or your related parties should participate in the Entitlement Offer, nor do they make any representations or warranties, express or implied, to you concerning this Entitlement Offer or any such information and you represent, warrant and agree that you have not relied on any statements made by the Lead Manager Parties in relation to the New Shares or the Entitlement Offer generally.

#### 4.8 Continuous disclosure

AFG is a “disclosing entity” under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including the preparation of annual reports and half yearly reports.

AFG is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets

conducted by ASX. In particular, AFG has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of AFG shares. That information is available to the public from ASX.

Some documents are required to be lodged with ASIC in relation to AFG. These documents may be obtained from, or inspected at, an ASIC office, subject to any changes in access given the current circumstances.

#### **4.9 No cooling off rights**

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been made or accepted.

#### **4.10 Rounding of Entitlements**

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

#### **4.11 Not financial product or investment advice**

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form is for information purposes only and is not a prospectus, disclosure document or other offering document under the Corporations Act or any other law and has not been lodged with ASIC. It is also not financial product or investment advice or a recommendation to acquire New Shares and has been prepared without taking into account your objectives, financial circumstances, or particular needs. This Retail Offer Booklet should not be considered to be comprehensive and does not purport to contain all the information that you may require to make a decision about whether to submit your Entitlement and Acceptance Form and invest in New Shares. This Retail Offer Booklet should be read in conjunction with AFG's other periodic statements and continuous disclosure announcements lodged with ASX which are available at [www.asx.com.au](http://www.asx.com.au).

Before making an investment decision, you should consider the appropriateness of the information in this Retail Offer Booklet having regard to your own objectives, financial situation and needs and seek legal and taxation advice appropriate to your jurisdiction. If you have any questions about whether you should participate in the Entitlement Offer, you should seek professional financial advice before making any investment decision. AFG is not licensed to provide financial product advice in respect of New Shares.

#### **4.12 Financial data**

All dollar values are in Australian dollars (\$A).

All financial data is presented as at 31 December 2019 unless otherwise stated.

#### **4.13 Ineligible Shareholders**

All Shareholders who do not satisfy the criteria to be Eligible Retail Shareholders or Eligible Institutional Shareholders are **Ineligible Shareholders**. Ineligible Shareholders

are not entitled to participate in the Entitlement Offer, unless AFG otherwise determines.

The restrictions upon eligibility to participate in the Entitlement Offer arise because AFG has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to extend the Entitlement Offer to Ineligible Shareholders. This decision has been made after taking into account the relatively small number of Ineligible Shareholders, the number and value of New Shares to which those Ineligible Shareholders would otherwise be entitled and the potential costs of complying with legal and regulatory requirements in the jurisdictions in which the Ineligible Shareholders are located in relation to the Entitlement Offer.

AFG, in its absolute discretion, may extend the Entitlement Offer to any Shareholder if it is satisfied that the Entitlement Offer may be made to the Shareholder in compliance with all applicable laws. AFG, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder, Eligible Institutional Shareholder or an Ineligible Shareholder. To the maximum extent permitted by law, AFG disclaims all liability in respect of such determination.

## 5 Australian taxation consequences

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### 5.1 General

This Section 6 does not constitute financial product advice as defined in the Corporations Act, is confined to taxation issues only, and taxation is only one of the matters you need to consider when making a decision about your investments.

Below is a general summary of the Australian income tax (including capital gains tax (CGT)), goods and services tax (GST) and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders who are Australian resident individuals, complying superannuation entities, trusts, partnerships and companies, and hold their Shares and New Shares, on capital account.

The comments do not apply to Eligible Retail Shareholders who:

- are not a resident for Australian income tax purposes;
- are exempt from Australian income tax;
- are under a legal disability;
- hold their Shares and New Shares as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading with a view to make a profit);
- acquired their Shares or New Shares for the purpose of resale at a profit;
- are subject to the 'TOFA provisions' in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Shares or New Shares;



- hold their Shares or New Shares as an asset in a business of the Eligible Retail Shareholders that is carried on through a “permanent establishment” in Australia;
- are subject to the Investment Manager Regime under Subdivision 842-I or the *Income Tax Assessment Act 1997 (Cth)* in respect of their Shares or New Shares; or
- acquired the Shares in respect of which the Retail Entitlements are issued under any employee share scheme, or where the New Shares are acquired pursuant to any employee share scheme.

This summary is general in nature and is not intended to be an authoritative or complete statement of all potential taxation implications for each Eligible Retail Shareholder or relied upon as taxation advice. This summary does not take account of the individual circumstances of particular Eligible Retail Shareholders and therefore should not be relied upon. The precise implications of ownership or disposal of Shares or New Shares will depend upon each investor’s specific circumstances. Australian tax laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities. Eligible Retail Shareholders should seek advice from an appropriate professional advisor in relation to the taxation implications of the Retail Entitlement Offer based on their own individual circumstances.

The comments below are based on the Australian tax law as it applies as at 9:00am (Perth time) on the date of this Retail Offer Booklet. Other than as expressly discussed, the comments do not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time unless otherwise specified. The comments also do not take into account tax legislation of any country other than Australia.

AFG and its officers, employees, taxation advisers or other advisers do not accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

## 5.2 Issue of Entitlement

The issue of the Entitlement should not in itself result in any amount being included in the assessable income of an Eligible Retail Shareholder.

## 5.3 Exercise of Entitlement

New Shares will be acquired where an Eligible Retail Shareholder exercises all or part of its Entitlement under the Retail Entitlement Offer.

An Eligible Retail Shareholder should not derive any assessable income, or make any capital gain or capital loss at the time of exercising its Entitlement under the Retail Entitlement Offer.

For Australian CGT purposes, New Shares should be taken to have been acquired on the day that an Eligible Retail Shareholder exercises its Entitlement. The cost base of each New Share should be equal to the Offer Price (plus certain non-deductible incidental costs the Eligible Retail Shareholder incurs in acquiring the New Shares).

## 5.4 Lapse of Entitlement

If an Eligible Retail Shareholder does not exercise all or part of its Entitlement in accordance with the instructions set out in Section 3 of this Retail Offer Booklet, then that Entitlement, or part thereof, will lapse. The Eligible Retail Shareholder will not receive any consideration for an Entitlement that is not taken up. There should be no Australian tax implications for an Eligible Retail Shareholder from the lapse of the Entitlement.

## 5.5 Taxation of dividends on New Shares

Any future dividends or other distributions made in respect of New Shares should be subject to the same income taxation treatment as dividends or other distributions made on Shares held by the same Eligible Retail Shareholder under the same circumstances. Please refer to section below on shares being held “at risk” in relation to the availability of franking credits.

### **Australian resident individuals and complying superannuation entities**

Dividends paid by AFG on a New Share will constitute assessable income of an Australian tax resident Eligible Retail Shareholder. Australian tax resident Eligible Retail Shareholders who are individuals or complying superannuation entities should include the dividend together with any franking credit attached to that dividend in their assessable income in the year the dividend is paid.

Such Eligible Retail Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Eligible Retail Shareholder’s taxable income. Where the tax offset exceeds the tax payable by the Eligible Retail Shareholder on all taxable income for that income year, the Eligible Retail Shareholder should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, individual Eligible Retail Shareholders will generally be taxed at his or her prevailing marginal rate on the dividend received (with no tax offset). Superannuation entities will be taxed at the statutory rate for superannuation entities on the dividend received (with no tax offset).

### **Corporate investors**

Eligible Retail Shareholders that are companies are also required to include both the dividend and the associated franking credit in assessable income. Company Eligible Retail Shareholders are then entitled to a tax offset up to the amount of the franking credit attached to the dividend. Excess franking credits received by company Eligible Retail Shareholders will not give rise to a refund entitlement for the company, but can be converted into carry forward tax losses, which may be able to be used to offset future taxable income subject to satisfying relevant loss utilisation tests.

An Australian resident company that is an Eligible Retail Shareholder should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow that company to pass the franking credits on to its investor(s) on the future payment of franked dividends.

### Trusts and partnerships

Eligible Retail Shareholders who are trustees (other than trustees of complying superannuation entities or trustees of public trading trusts taxed under Division 6C of the *Income Tax Assessment Act 1936* (Cth)), or partnerships, should include both the dividend and the franking credit in assessable income when determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the franking credit attaching to the beneficiary's or partner's share of the net income of the trust or partnership depending on the specific distribution mechanism of the partnership or trust.

### Shares held at risk

The benefit of franking credits attached to dividends can be denied where an investor is not a 'qualified person' in relation to the dividend received. In this case the investor will not need to include the amount of the franking credits in their assessable income, but will also not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the 'holding period rule' and the 'related payment rule'.

Under the 'holding period rule', an investor is required to hold New Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the New Shares become ex-dividend) in order to qualify for franking benefits, including tax offsets for franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Under the 'related payment rule', a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the New Shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the New Shares become ex-dividend.

Eligible Retail Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements. Eligible Retail Shareholders should consider the impact of these rules given their own personal circumstances.

## 5.6 Disposal of New Shares

The disposal of New Shares constitutes a CGT event for CGT purposes for most Australian resident investors.

On disposal of a New Share, an Eligible Retail Shareholder should make a capital gain if the capital proceeds received on disposal exceed the total cost base of the New Share. An Eligible Retail Shareholder should make a capital loss if the capital proceeds are less than the total reduced cost base of the New Share. In the case of an arm's length on-market sale, the capital proceeds should generally equal the cash proceeds from the

sale. As outlined above, the CGT cost base of the New Shares is broadly the amount paid to acquire the New Shares plus any non-deductible transaction/incidental costs.

Where the Eligible Retail Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain or loss arising from the disposal (in their proportionate shares).

A CGT discount may be available for net capital gains (after reduction of the capital gain by applicable capital losses) where the Eligible Retail Shareholder realising the net capital gain is an individual, complying superannuation entity or trustee. In general terms, the CGT discount apply provided that the New Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes), and certain other requirements have been satisfied.

Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity or trustees of public trading trusts under Division 6C of the *Income Tax Assessment Act 1936* (Cth)) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any net capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the Eligible Retail Shareholder who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity or trustees of public trading trusts under Division 6C of the *Income Tax Assessment Act 1936* (Cth)), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies, and are otherwise eligible for the CGT discount. Eligible Retail Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for the CGT discount.

Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Eligible Retail Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

## 5.7 GST

The rights received under the Entitlement as well as the taking up of the New Shares should be classified as an “input taxed financial supply” for Australian GST purposes. Accordingly, Australian GST should not be payable in respect of amounts paid for the acquisition of the New Shares.

No GST should be payable in respect of dividends paid to Eligible Retail Shareholders.

An Australian resident Eligible Retail Shareholder registered for GST may not be entitled to claim full input tax credits in respect of GST suffered on expenses incurred relating to the acquisition, redemption or disposal of the Shares or New Shares (e.g. lawyers’ and accountants’ fees).

Eligible Retail Shareholders should seek their own tax advice on the impact of GST in their own particular circumstances.

## 5.8 Stamp duty

Stamp duty should not be payable by Eligible Retail Shareholders in respect of receiving rights under the Entitlement or the taking up of New Shares under the Retail Entitlement Offer, on the assumption that all acquisitions occur when all of the securities in AFG are quoted on the market operated by the ASX, and no Shareholder (together with interests of associated persons and interests acquired under associated transactions) holds an interest of 90% or more in AFG.

## 5.9 Tax file numbers

An investor is not required to quote their tax file number (**TFN**) to AFG. However, if a TFN (or certain exemption details) is not provided, Australian tax may be required to be deducted by AFG from dividends at the maximum marginal tax rate plus the Medicare levy. An investor who holds Shares or New Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

## 6 Definitions

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The meanings of the terms used in this agreement are set out below.

<b>Term</b>	<b>Meaning</b>
<b>A\$, \$, dollar or cents</b>	the currency of Australia.
<b>AFG</b>	Australian Finance Group Ltd (ACN 006 385 822).
<b>Applicant</b>	means an Eligible Retail Shareholder who has submitted a valid Application.
<b>Application</b>	the arranging for payment of the relevant Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form or the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies.
<b>Application Monies</b>	the aggregate amount payable for the New Shares applied for through BPAY® or in a duly completed Entitlement and Acceptance Form.

<b>Term</b>	<b>Meaning</b>
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691) or, where the context requires, the securities exchange operated by it on which Shares are quoted.
<b>ASX Announcements</b>	AFG's initial ASX announcement in relation to the Offer released to the ASX on Wednesday, 13 May 2020 and the subsequent ASX announcement in relation to the completion of the Institutional Entitlement Offer released to the ASX on Thursday, 14 May 2020, incorporated in Appendix A of this Retail Offer Booklet.
<b>Business Day</b>	the meaning given in the Listing Rules.
<b>CGT</b>	capital gains tax.
<b>Closing Date</b>	5.00pm (Sydney time) on Tuesday, 2 June 2020, being the day the Retail Entitlement Offer closes.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>CRN</b>	the unique Customer Reference Number on the personalised Entitlement and Acceptance Form.
<b>Eligible Institutional Shareholder</b>	<p>an Institutional Shareholder on the Record Date to whom the Lead Manager determines in its discretion:</p> <ul style="list-style-type: none"> <li>• is eligible to participate in the Institutional Entitlement Offer; and</li> <li>• successfully received an invitation from the Lead Manager to participate in the Institutional Entitlement Offer (either directly or through a nominee),</li> </ul> <p>and is not in the United States (and who, for the avoidance of doubt, is not an excluded institutional shareholder under</p>

<b>Term</b>	<b>Meaning</b>
	the Underwriting Agreement).
<b>Eligible Retail Shareholder</b>	the meaning given in Section 2.4 of this Retail Offer Booklet.
<b>Eligible Shareholder</b>	a person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder.
<b>Entitlement</b>	the right to subscribe for 1 New Share for every 5.5 Existing Shares held by eligible Shareholders on the Record Date, pursuant to the Entitlement Offer.
<b>Entitlement and Acceptance Form</b>	the entitlement and acceptance form accompanying this Retail Offer Booklet.
<b>Entitlement Offer</b>	the Institutional Entitlement Offer and the Retail Entitlement Offer.
<b>Existing Shares</b>	the Shares already on issue on the Record Date.
<b>GST</b>	goods and services tax, as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Ineligible Institutional Shareholder</b>	an Institutional Shareholder that is not an Eligible Institutional Shareholder.
<b>Ineligible Retail Shareholder</b>	a Shareholder (or beneficial holder of Shares) other than an Eligible Institutional Shareholder, Ineligible Institutional Shareholder or Eligible Retail Shareholder.
<b>Ineligible Shareholder</b>	the meaning given in Section 4.13 of this Retail Offer Booklet.

<b>Term</b>	<b>Meaning</b>
<b>Institutional Entitlement Offer</b>	the pro rata accelerated non-renounceable entitlement offer to Eligible Institutional Shareholders.
<b>Institutional Investors</b>	<p>a person who the Lead Manager reasonably believes to be a person to whom an offer of New Shares may be made:</p> <ul style="list-style-type: none"> <li>• in Australia, without issue of a prospectus under Chapter 6D of the Corporations Act, any other lodgement (in each case disregarding the operation of sections 708A and 708AA of the Corporations Act), and without registration or approval with or by a government agency (other than one with which AFG, in its absolute discretion, is willing to comply); or</li> <li>• in selected jurisdictions outside Australia, without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (except to the extent to which AFG, in its absolute discretion, is willing to comply with such requirements),</li> </ul> <p>in each case who is not in the United States and will acquire the New Shares in 'offshore transactions' (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act.</p>
<b>Institutional Shareholder</b>	a Shareholder who is an Institutional Investor.
<b>Investor Presentation</b>	the presentation to investors released to the ASX on Wednesday, 13 May 2020, incorporated in Appendix A of this Retail Offer Booklet.
<b>Lead Manager</b>	Macquarie Capital (Australia) Limited (ABN 79 123 199 548).
<b>Lead Manager Parties</b>	the Lead Manager's affiliates, related bodies corporate (as that term is defined in the Corporations Act), and their respective directors, employees, officers, representatives, agents, partners, consultants, and advisers.



<b>Term</b>	<b>Meaning</b>
<b>Listing Rules</b>	the official listing rules of ASX.
<b>New Shares</b>	Shares to be allotted and issued under the Entitlement Offer.
<b>Offer</b>	the Entitlement Offer and the Placement.
<b>Offer Price</b>	\$1.15 per New Share.
<b>Placement</b>	the institutional placement of new Shares at the Offer Price as announced to the ASX on Wednesday, 13 May 2020.
<b>Record Date</b>	7.00pm (Sydney time) on Friday, 15 May 2020.
<b>Retail Entitlement Offer</b>	the pro rata non-renounceable offer to Eligible Retail Shareholders to subscribe for 1 New Share for every 5.5 Existing Shares of which the Shareholder is the registered holder on the Record Date, at an Offer Price of \$1.15 per New Share pursuant to this Retail Offer Booklet.
<b>Retail Offer Booklet</b>	this Retail Entitlement Offer Booklet issued by AFG and dated Wednesday, 20 May 2020.
<b>Share</b>	a fully paid ordinary share in the capital of AFG.
<b>Share Registry</b>	Link Market Services Limited ACN 083 214 537.
<b>Shareholder</b>	a registered holder of Shares.
<b>Underwriting Agreement</b>	the underwriting agreement dated Wednesday, 13 May 2020 between AFG and the Lead Manager.

<b>Term</b>	<b>Meaning</b>
<b>U.S. Securities Act</b>	the <i>U.S. Securities Act of 1933</i> , as amended.

## Corporate information

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### **AFG**

Australian Finance Group Ltd  
100 Havelock Street  
West Perth WA 6005  
Tel: +61 8 9420 7888  
[www.afgonline.com.au](http://www.afgonline.com.au)

### **AFG Offer Information Line**

Australia: 1300 658 099

International: +61 1300 658 099

Open 8.30am to 5.00pm (Perth time) on Monday to Friday, before the Retail Entitlement Offer closes at 5.00pm (Sydney time) on Tuesday, 2 June 2020

### **Lead Manager**

Macquarie Capital (Australia) Limited  
50 Martin Place  
Sydney NSW 2000

### **Legal Adviser**

Herbert Smith Freehills  
Level 36, QV1 Building, 250 St Georges Terrace  
Perth WA 6000

### **Share Registry**

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

## Appendix A

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## AFG announces \$60 million equity raising to strengthen capital position and support future growth

### Key Highlights

- ▶ Australian Finance Group Ltd (“AFG” or the “Company”) (ASX: AFG) is raising \$60 million (“Equity Raising”) to strengthen its capital position, support future growth of AFG Securities and other ongoing growth initiatives
- ▶ Fully Underwritten Equity Raising to be conducted at an offer price of A\$1.15 via a \$45 million 1 for 5.5 pro rata accelerated non-renounceable entitlement offer (“Entitlement Offer”) and a \$15 million institutional placement (“Placement”)
- ▶ Certain AFG Directors and Management have committed to subscribe for \$5 million of the Equity Raising and to sub underwrite up to \$690,000 of the Retail Entitlement Offer
- ▶ AFG Securities has recently extended the period of its two key originating warehouse facilities and has \$546 million of undrawn funding capacity
- ▶ Operating results to April have been strong, however COVID-19 is expected to create some economic uncertainty moving forward and to have an adverse impact on lodgements and settlements into 1H FY21
- ▶ Access to wholesale funding markets and funding terms have been impacted by COVID-19 uncertainty, which is expected to result in additional capital requirements to support and grow the AFG Securities Pty Ltd (“AFG Securities”) business where AFG wants to remain a long term committed market participant
- ▶ Following completion of the Equity Raising, AFG will continue to have a conservative balance sheet with no corporate debt and proforma unrestricted cash and cash equivalents of \$112 million post completion of the Equity Raise (pre offer costs)

### Trading Update & COVID-19 Outlook

AFG has today announced a \$60 million equity raising to strengthen our capital position and support future growth. As announced to the ASX on 5 May 2020, AFG has experienced strong growth in lodgements, with the March quarter up 33% on the same period last year. This trend has continued into April, although the settlement conversion ratio remains uncertain but is expected to be lower, with settlements subject to delays given the impact of operating in the COVID-19 environment. The increased activity in the March quarter and month of April was largely driven by record low interest rates, and more recently refinancing activity as brokers helped borrowers shore up their positions against the impacts of COVID-19 ahead of potential shutdowns.

AFG expects residential settlements to fall in upcoming months, from April’s strong level of activity. This is expected to be driven by a slowdown in broader economic activity, higher levels of unemployment and a potential decrease in house price and sale volumes caused by the COVID-19 pandemic.

As a result of this confluence of factors, AFG is anticipating settlement volumes and therefore upfront commission payments to soften in the coming months. Importantly, operating cash flow from existing trail commission arrangements on AFG’s \$151.7 billion trail book originated by AFG mortgage brokers<sup>1</sup> is expected to continue. Additionally, the majority of lenders have confirmed they will continue to honour trail commission payments on COVID-19 hardship cases for six months.

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<sup>1</sup> As at 31 December 2019.

AFG Securities' existing loan book of \$2.85 billion<sup>2</sup> is expected to continue to deliver strong net interest income, although loan book growth is likely to slow over the next 12 months. AFG has recently extended its two key originating warehouse facilities and is expecting an approximately 15 bps increase in the cost of funding. AFG is anticipating it will require additional capital for AFG Securities to strengthen its strategic and competitive position, provide additional liquidity, support additional growth in facilities and provide support for potential impacts of ongoing hardship cases to assist customers through the COVID-19 pandemic. AFG currently has a collective provision of approximately \$1.2 million for losses, which is expected to increase for the FY2020 results. All loans that have a loan to value ratio greater than 80% are covered by Lenders Mortgage Insurance ("LMI"). To date AFG Securities has not incurred any losses on non-LMI insured loans. The general consensus market outlook is for property price declines of between 5% and 15%. If this assumption holds, AFG does not expect losses to be material.

While the economic and residential property outlook remains uncertain, AFG is confident that the role of brokers who deliver choice and competition to Australian borrowers will remain critically important.

### Equity Raising Overview

AFG has today announced a fully underwritten \$60 million Equity Raising to be conducted via a \$45 million 1 for 5.5 pro rata accelerated non-renounceable entitlement offer and a \$15 million placement to institutional investors.

The Equity Raising will be conducted at a fixed offer price of A\$1.15 per share ("Offer Price"), representing:

- ▶ A 14.4% discount to the Theoretical Ex Rights Price<sup>3</sup> (TERP) of A\$1.34; and
- ▶ A 17.3% discount to the closing price of AFG shares on the ASX on Tuesday, 12 May 2020.

The Equity Raising will result in the issuing of approximately 52 million New Shares representing approximately 24% of existing AFG shares on issue.

Certain AFG Directors and Management have committed to subscribe for approximately \$5 million of the Offer and to sub underwrite up to \$690,000 of the Retail Entitlement Offer. Macquarie Capital (Australia) Limited is lead manager and underwriter to the Equity Raising. Euroz Securities Limited and Morgans Corporate Limited are Co-managers to the Equity Raising.

New shares issued under the Equity Raising will rank equally with existing AFG shares as at their date of issue. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part will not receive any value in respect of those entitlements not taken up.

The Entitlement Offer is non-renounceable, and rights are not transferrable and will not be traded on the ASX or otherwise.

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<sup>2</sup> As at 30 April 2020.

<sup>3</sup> Theoretical ex-rights price ("TERP") includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which AFG shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AFG shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the last traded price on Tuesday, 12 May 2020, being A\$1.39.

## Use of Proceeds

Proceeds from the Equity Raising will be deployed across the business over the short to medium term and be used to strengthen the capital position, provide liquidity, and support growth in the AFG Securities lending book along with other ongoing growth initiatives. These proceeds will supplement AFG's existing unrestricted cash of \$52 million as at 30 April 2020 which is predominantly required for working capital purposes:

- ▶ Up to \$45 million - \$55 million of the proceeds are being set aside to strengthen the capital position, provide liquidity, and support growth in the AFG Securities lending book.
- ▶ AFG will also apply \$5 million towards accelerating its ongoing technology investment to support brokers to better engage with their clients in the current COVID-19 environment.
- ▶ AFG also expects the current environment could create market opportunities. The Company may also apply up to \$10 million for investment opportunities that AFG might choose to pursue.

## Capital Management and Funding Position

Following the Equity Raising, AFG will have pro-forma unrestricted cash and cash equivalents of \$112 million post completion of the Equity Raise (pre offer costs). In addition, AFG's corporate balance sheet is debt free once adjusting for its non-recourse funding special purpose vehicles providing a robust platform for the future.

AFG has recently extended AFG Securities' key warehouse funding facilities to December 2020 and May 2021, with \$546 million headroom available in the facilities. As part of the extension, funding costs are expected to increase by approximately 15 bps, driven by a combination of funding margin increases and higher undrawn facility capacity which attracts additional line fees.

AFG Chief Executive Officer David Bailey commented: *"AFG is taking action to reinforce its balance sheet to enable the Company to navigate current market uncertainties from a position of strength and ensure we remain well positioned for continued growth."*

*"Our diversification strategy has been in place for a number of years, and the growth in AFG Securities has been a key pillar of that strategy. We are undertaking this equity raising to further strengthen our capital position in AFG Securities to remain a long term market participant and support its growth beyond COVID-19. AFG Securities is committed to continuing to play its part in delivering choice and competition to Australian borrowers."*

*"Additional capital will also allow the company to continue to explore strategic opportunities to further diversify earnings. We expect the COVID-19 pandemic will change the way people do business in the short to medium term, if not permanently. Equity raised will assist AFG to ensure our brokers are at the forefront of technology to support their customers, make their workflows more efficient and accelerate the enhancement of our digital platform to drive competition in the lending market."*

*"We are taking a longer-term view and the equity raise will ensure AFG is well placed and well capitalised to maintain the momentum behind our business during this period of market disruption."*

## **Placement**

In accordance with ASX Listing Rule 7.1, the Placement is being undertaken within AFG's placement capacity and accordingly, no shareholder approval is required in connection with the Placement. New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

## **Institutional Entitlement Offer**

Eligible institutional and sophisticated shareholders will be invited to participate in the Institutional Entitlement Offer.

Under the Institutional Entitlement Offer, eligible institutional and sophisticated shareholders can choose to take up all, part, or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional and sophisticated investors at the Offer Price.

## **Retail Entitlement Offer**

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), Friday, 15 May 2020, will have the opportunity to invest in New Shares at the Offer Price, on the terms and conditions outlined in the Retail Offer Booklet to be sent to eligible retail shareholders on Wednesday, 20 May 2020.

Please note that shareholders with a registered address outside of Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Retail Offer Booklet.

For further information in regard to the Retail Entitlement Offer, please do not hesitate to contact the Offer Information Line on 1300 658 099 (local call cost within Australia) or +61 1300 658 099 (from outside Australia) at any time between 8.30am and 5.30pm (Sydney time), Monday to Friday during the retail offer period.



### Equity Raising Timetable

Event	Indicative date
Equity Raising announcement and Placement and Institutional Entitlement Offer opens	Wednesday, 13 May 2020
Placement and Institutional Entitlement Offer closes	Wednesday, 13 May 2020
Trading in AFG shares resumes on an ex-entitlement basis	Thursday, 14 May 2020
Record date for determining entitlement for the Entitlement Offer	Friday, 15 May 2020
Despatch of Retail Offer Booklet and Retail Entitlement Offer opens	Wednesday, 20 May 2020
Settlement of Placement and Institutional Entitlement Offer	Friday, 22 May 2020
Allotment and normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 25 May 2020
Retail Entitlement Offer closing date	Tuesday, 2 June 2020
Settlement of Retail Entitlement Offer	Tuesday, 9 June 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 10 June 2020
Normal trading of New Shares issued under the Retail Entitlement Offer	Thursday, 11 June 2020
Despatch of holding statements	Friday, 12 June 2020

The timetable is indicative only and subject to change, AFG reserves the right to alter the above dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

-ends-

#### For further information:

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## FORWARD LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of AFG, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of AFG's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and except as required by law or regulation, none of AFG, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to AFG as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of AFG, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

## NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the **US Securities Act**), as amended, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act (which AFG has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable U.S. state securities laws. This Presentation may not be distributed or released in the United States.

**The release of this announcement was authorised by AFG's Board of Directors.**



**Lisa Bevan**  
Company Secretary

**AFG**

**Equity Raising**

13 May 2020

# Importance notice and disclaimer

The following notice and disclaimer applies to this investor presentation (**Presentation**) and you are therefore advised to read this carefully before reading or making any other use of this Presentation or any information contained in this Presentation. By accepting this Presentation you present and warrant that you are entitled to receive this Presentation in accordance with the restrictions, and agree to be bound by the limitations, contained within it.

This Presentation is dated 13 May 2020 and has been prepared by Australian Finance Group Ltd (ABN 11 066 385 822) (**AFG**). This Presentation has been prepared in connection with AFG's proposed underwritten \$60m offer of new fully paid ordinary shares (**New Shares**) in AFG, comprising:

- a placement of New Shares to institutional and sophisticated investors (**Placement**) under section 708A of the *Corporations Act 2001* (Cth) (**Corporations Act**); and
- a pro rata accelerated non-renounceable entitlement offer to certain eligible shareholders of AFG (**Entitlement Offer**). The Entitlement Offer is being made to:
  - eligible institutional shareholders of AFG (**Institutional Entitlement Offer**); and
  - eligible retail shareholders of AFG (**Retail Entitlement Offer**);
- under section 708AA of the Corporations Act as modified by the Australian Securities and Investments Commission Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

The Placement and the Entitlement Offer together form the **Offer**. The distribution of this Presentation in jurisdictions outside of Australia and New Zealand may be restricted by law and any such restriction should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Refer to Slide 34 and 35 of this Presentation for further details about international offer restrictions.

## Summary information

This Presentation is for information purposes only and is a summary only. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in AFG or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. This Presentation should be read in conjunction with AFG's most recent financial report and AFG's other periodic and continuous disclosure information lodged with the Australian Securities Exchange (**ASX**), which is available at [www.asx.com.au](http://www.asx.com.au). The content of this Presentation is provided as at the date of this Presentation (unless otherwise stated). Reliance should not be placed on information or opinions contained in this Presentation and, subject only to any legal obligation to do so, AFG does not have any obligation to correct or update the content of this Presentation. Certain market and industry data used in this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. None of AFG, its representatives or advisers have independently verified any such market or industry data provided by third parties or industry or general publications.

## Not financial product advice or offer

This Presentation does not and does not purport to contain all information necessary to make an investment decision, is not intended as investment or financial advice (nor tax, accounting or legal advice), must not be relied upon as such and does not and will not form any part of any contract or commitment for the acquisition of New Shares. Any decision to buy or sell securities or other products should be made only after seeking appropriate financial advice. This Presentation is of a general nature and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Each recipient of this Presentation should make its own enquiries and investigations regarding all information in this Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of AFG and the impact that different future outcomes might have on AFG. Information in this Presentation is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. AFG is not licensed to provide financial product advice in respect of the New Shares. This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (ASIC) or any other foreign regulator). This Presentation is not, and does not constitute, an invitation or offer of securities for subscription, purchase or sale in any jurisdiction and does not and will not form any part of any contract for the acquisition of the New Shares. The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

# Importance notice and disclaimer (continued)

The retail offer booklet for the Retail Entitlement Offer (**Retail Offer Booklet**) will be available following its lodgement with ASX. Any eligible retail shareholder in Australia or New Zealand who wishes to participate in the Retail Entitlement Offer should consider the Retail Offer Booklet before deciding whether to apply for New Shares under the Retail Entitlement Offer. Anyone who wishes to apply for New Shares under the Retail Entitlement Offer will need to apply in accordance with the instructions contained in the Retail Offer Booklet and the entitlement and acceptance form. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this Presentation have not been, and will not be, registered under the US Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act (which AFG has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable U.S. state securities laws. This Presentation may not be distributed or released in the United States.

## Investment risk

An investment in New Shares is subject to known and unknown risks, some of which are beyond the control of AFG and its directors. AFG does not guarantee any particular rate of return or the performance of AFG nor does it guarantee any particular tax treatment. You should have regard to the risk factors outlined in the Key Risks section on Slides 22-32 of this Presentation when making your investment decision. Cooling off rights do not apply to the acquisition of New Shares.

## Financial information

All financial information in this Presentation is in Australian Dollars (\$) or AUD) unless otherwise stated. This Presentation includes certain historical financial information extracted from the AFG's audited consolidated financial statements for the year ended 31 December 2019 (collectively, the **Historical Financial Information**). The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the Australian Accounting Standards (**AAS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Historical Financial Information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of AFG's views on its future financial condition and/or performance. Recipients of this Presentation should also be aware that the financial data in this Presentation includes "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" and "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include EBITDA and net debt. The disclosure of such non-GAAP financial measures in the manner included in this Presentation may not be permissible in a registration statement under the US Securities Act.

AFG believes this non-IFRS financial information provides, and these non-GAAP financial measures provide, useful information to users in measuring the financial performance and conditions of AFG. This non-IFRS financial information and these non-GAAP financial measures do not have a standardised meaning prescribed by AAS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS. Recipients of this Presentation are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or non-GAAP financial measures and ratios included in this Presentation. Certain figures, amounts, percentages, estimates, calculations of value and fractions provided in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

## Past performance

Past performance, including past share price performance of AFG and pro forma financial information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of AFG's views on its future financial performance or condition. Past performance of AFG cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of AFG. Nothing contained in this Presentation nor any information made available to you is, or shall be relied upon as a promise, representation, warranty or guarantee, whether as to the past, present or future.

# Importance notice and disclaimer (continued)

## Future performance and forward-looking statements

This Presentation contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of AFG, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

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## Disclaimer

Macquarie Capital (Australia) Limited ABN 79 123 199 548 is acting as lead manager and underwriter to the Offer (**Lead Manager**). A summary of the key terms of the underwriting agreement between AFG and the Lead Manager is provided in Key Risks - Equity raising risk of this Presentation. The Lead Manager, together with its shareholders, affiliates or related bodies corporate, and their respective directors, officers, affiliates, partners, employees or agents or advisers (each a **Limited Party**), and AFG's agents or advisers, have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and do not make or purport to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them. To the maximum extent permitted by law, each of AFG, its affiliates or related bodies corporate, their respective officers, directors, employees, agents or advisers (together the **Beneficiaries**), and each Limited Party, expressly disclaims any and all liability (including, without limitation, any liability arising out of fault or negligence) for any direct, indirect, consequential or contingent loss or damage arising from this Presentation or reliance on information contained in or omitted from this Presentation. To the maximum extent permitted by law, AFG, the Beneficiaries, and each Limited Party make no representation or warranty, express or implied, as to the fairness, currency, accuracy, reliability, correctness or completeness of the information, opinions and conclusions contained in this Presentation. In particular, the Limited Parties have not independently verified such information and take no responsibility for any part of this Presentation or the Offer. The Limited Parties make no recommendations as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties to you concerning the Offer. You represent, warrant and agree that the determination and eligibility of investors for the purposes of the Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of AFG and the Lead Manager. You further acknowledge and agree that AFG, the Beneficiaries and the Limited Parties exclude and expressly disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The Limited Parties may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Offer and without having independently verified that information and the Limited Parties do not assume any responsibility for the accuracy or completeness of that information. The Lead Manager may have interests in the securities of AFG, including by providing investment banking services to AFG. Further, the Lead Manager may act as market maker or buy or sell those securities or associated derivatives as principal or agent. The Lead Manager may receive fees for acting in its capacity as a lead manager and underwriter to the Offer. Statements made in this Presentation are made only as at the date of this Presentation. None of the Limited Parties, AFG, nor the Beneficiaries have any obligation to update this Presentation. The information in this Presentation remains subject to change without notice. AFG reserves the right to withdraw the Offer or vary the timetable for the Offer without notice.

**This Presentation has been authorised for release to ASX by the AFG Board of Directors.**

# Executive Summary

## Equity Raising of \$60m to strengthen the capital position, support future growth of AFG Securities and other ongoing growth initiatives

- The March 2020 quarter was very active for AFG and the broader property market. AFG has also seen strong residential lodgements continue for April 2020
- As we progress into the June 2020 quarter, AFG expects COVID-19 to have an adverse impact on new lodgements and settlements and creates some economic uncertainty moving forward which will likely be underpinned by a slowdown in economic activity, higher levels of unemployment and a potential decrease in house price and sale volumes
- Increased refinancing activity expected to partly offset fall in new mortgages
- Increased levels of hardship
- Despite the uncertainty we remain confident of the critical role brokers play in delivering choice and competition to Australian borrowers
- Access to wholesale funding markets and funding terms have been impacted by COVID-19 uncertainty. This has a direct impact on the AFG Securities business, which relies on its existing warehouse facilities and access to RMBS markets
- AFG Securities recently extended its two key originating warehouse facilities and currently has \$546 million of undrawn capacity. As part of the roll forward, Australian Office of Financial Management (AOFM) has provided mezzanine funding to replace some of the existing providers and allow increased warehouse limits
- Whilst overall market appetite has been reduced, there are early signs of the market opening with two RMBS deals launched in May by other issuers
- AFG is anticipating increased capital funding requirements for AFG Securities mortgages from current position of 1-2% in subordinated notes

- AFG is undertaking a fully underwritten Equity Raising of \$60 million (Equity Raising or Offer) via:

- An Institutional Placement of approximately \$15 million (Placement); and
- A 1 for 5.5 pro-rata accelerated non-renounceable entitlement offer of approximately \$45 million (Entitlement Offer)

### Equity raising

- Offer to be conducted at a price of \$1.15 per share, being a discount of 17.3% to AFG's last closing price of \$1.39 and a discount of 14.4% to the Theoretical Ex-Rights Price as at 12 May 2020<sup>1</sup>
- Certain AFG Directors and Management have committed to subscribe for approximately \$5 million of the Equity Raising and to sub-underwrite up to \$690,000 of the Retail Entitlement Offer

- Provides operational flexibility to manage capital and funding for the key long-term drivers of our growth strategy

- Proceeds will be deployed across the business over the short to medium term

- Majority of the proceeds are to strengthen the capital position, provide additional liquidity for funding facilities and potential ongoing hardship impacts and support growth in the AFG Securities business

### Use of funds

- Additional \$5 million of funds allocated to accelerate and enhance AFG's technology investment

- AFG also expects the current environment could create market opportunities and the Company may also apply up to \$10 million for strategic investment opportunities

1. Theoretical ex-rights price ("TERP") includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is the theoretical price at which AFG shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AFG shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the last traded price on Tuesday, 12 May 2020, being A\$1.39.

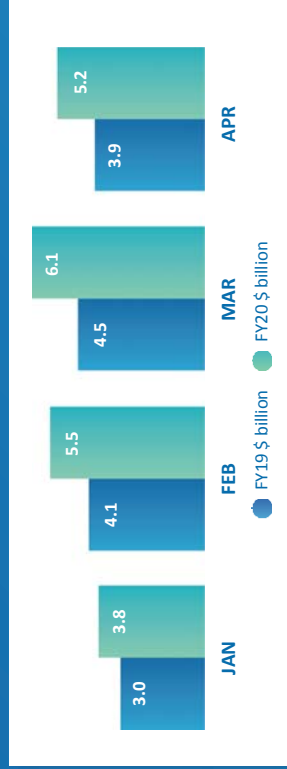
**AFG**

**Trading Update**



# Trading update

AFG has experienced strong growth in lodgements, with the March quarter up 33% on the same period last year. This trend has continued into April although the settlement conversion ratio remains uncertain, it is expected to be lower



## March Quarter performance

- Total residential lodgements of **\$15.4 billion** for the March quarter. Volumes for the quarter were 33% up on Q3 2019, headlined by Victoria being 40% higher
- AFG Home Loan lodgements of **\$1.5 billion** for the March quarter, up 17% on Q3 2019
- AFG Securities lodgements of **\$677 million** for the March quarter, up 34% on Q3 2019
- Across all lenders processing times have increased, resulting in a backlog for some lenders

## Update for April performance

- Total residential lodgements of **\$5.2 billion** in April, up 34% on April 2019 with growth in all states
- It is noted credit activity in April 2019 was subdued following the Financial Services Royal Commission and in the lead up to the Federal Election
- Refinance activity in wholesale broking being maintained from March Quarter
- AFG Home Loans lodgements of **\$268 million** for April, down 34% on prior year on the back of increased competition from the major banks
- AFG Securities lodgements of **\$51 million** for April (\$260 million for March), down 69% on prior year. This reflects reduced credit appetite and increases to pricing made to manage our existing pipeline and maintain consistent customer response times as AFG teams relocated to work from home and assisted with managing customer hardship enquiries
- Significant shift in mix towards the majors continues (currently approximately 70% market share, from 57.5% in February)
- Settlement conversion ratio remains uncertain but is expected to be lower and subject to delays given the impact of operating in COVID-19 environment

	JAN 2020	FEB 2020	MAR 2020	APR 2020	Q3 FY20	Q3 FY19
Lodge #	7,203	9,945	11,196	9,407	28,344	23,036
Lodge Vol (\$'000's)	3,764,133	5,491,165	6,147,542	5,239,456	15,402,840	11,610,804
Average loan size	522,578	552,153	549,084	556,974	543,425	504,029
Investor %	25%	25%	26%	26%	25%	26%
First Home Buyers %	17%	16%	13%	12%	15%	14%
Refinance %	27%	27%	33%	37%	30%	25%
Upgrader %	39%	41%	38%	36%	39%	43%
Interest Only %	17%	17%	18%	17%	17%	19%
Principal and Interest %	83%	83%	82%	83%	83%	81%

# Financial impact of COVID-19

AFG's financial performance is expected to be impacted. AFG is implementing a number of initiatives to support the business and manage the disruption in the market

## Residential Mortgages

44% of 1H FY20 gross profit

Residential settlements are expected to fall in upcoming months, driven by:

- Slowdown in economic activity, higher levels of unemployment and a potential decrease in housing prices and house sale volumes
- Lenders are strengthening credit underwriting criteria and restricting lending to certain segments of the economy
- During a period of slower origination of new loans, brokers historically will more actively review their back books to assist existing customers to refinance into more competitive arrangements
- Majority of lenders have confirmed they will continue to honour trail commission payments on COVID-19 hardship cases for 6 months

## AFGHL White Label

18% of 1H FY20 gross profit

- Similar thematics impacting residential mortgages will also impact AFGHL white label settlements
- All white label partners are supportive of AFG and have confirmed they will continue to honour trail commission payments of COVID-19 hardship cases for 6 months
- Trail component of earnings should support future operating cashflow

## AFG Securities

25% of 1H FY20 gross profit

- Existing loan book of \$2.85 billion is expected to continue to deliver strong net interest income although loan book growth is likely to slow
- Recently renewed both its major funding warehouses although is expecting an approximately 15 bps increase in the cost of funding, including undrawn line fees
- Similar to its competitors, AFG is actively assessing its provision levels in the current environment and will provide an update at the full year results
- Wholesale funding markets remain dislocated as a result of COVID-19. AFG will look to provide additional capital to strengthen its strategic and competitive position, provide additional liquidity, support additional growth in facilities and provide support for potential impacts of ongoing hardship cases - this is the primary purpose of the Equity Raising

## Commercial / other

13% of 1H FY20 gross profit

- Commercial volumes typically highly sensitive to economic outlook
- AFG Business is providing choice and competition for SME customers by providing brokers with improved technology and incorporating recent federal government funding initiatives for SMEs into its platform

# COVID-19 Responses

AFG is committed to assisting its customers through COVID-19, as well as supporting brokers to manage the increase in inquiries, simplifying COVID-19 information requirements and providing hardship assistance for AFG Securities customers

## Category

### Overview

- Majority of funding partners have committed to honouring trail commission on hardship cases for 6 months
- AFG has launched a new client assistance calculator for brokers to provide an overview of options available to their customers if their circumstances have changed due to COVID-19
- Development of a COVID-19 resource centre. Brokers can access information about individual lender responses and federal and state government assistance schemes for their own businesses and for their customers
- All white label partners have committed to honouring trail commission on hardship cases for the next 6 months

## Residential Mortgages

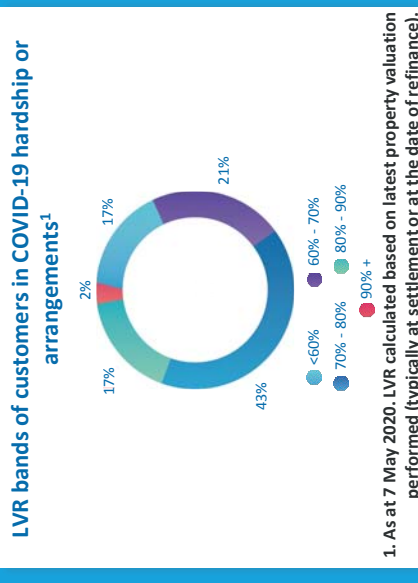
## AFGHL White Label

### Flexible approach to assist customers with a suitable solution

Package	Description	% loan portfolio As at 7 May 2020
COVID-19 hardship	Deferral of principal and interest	4.98%
COVID-19 arrangement	Change repayment type to interest only for a period	4.30%
COVID-19 arrangement - other	Reduced repayments or arrangement to draw on advance prepayments	0.28%

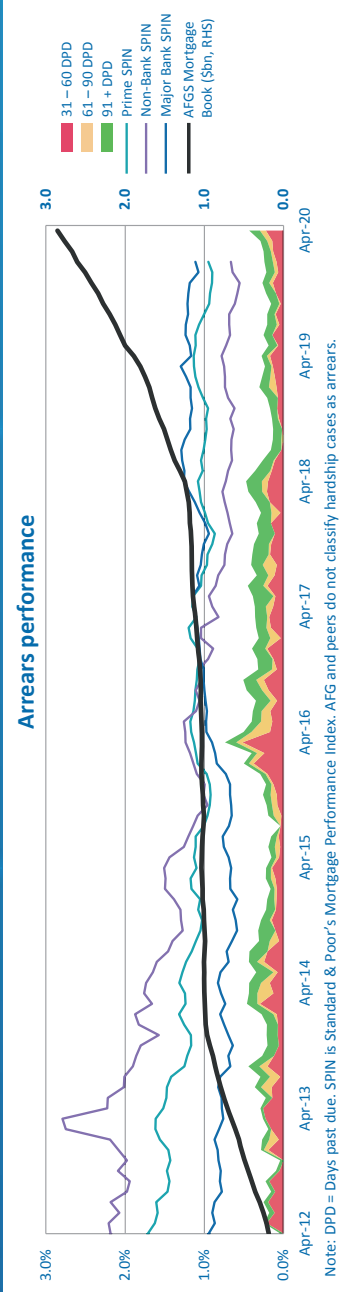
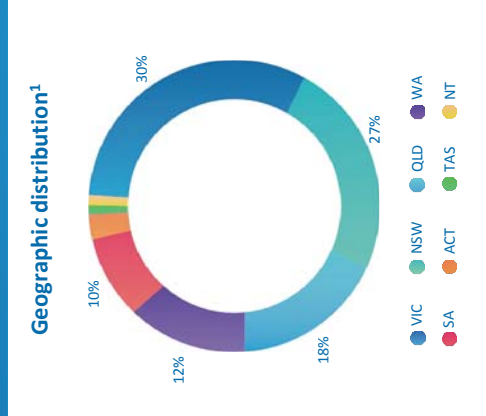
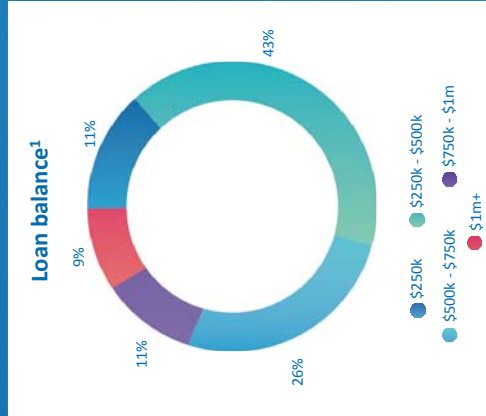
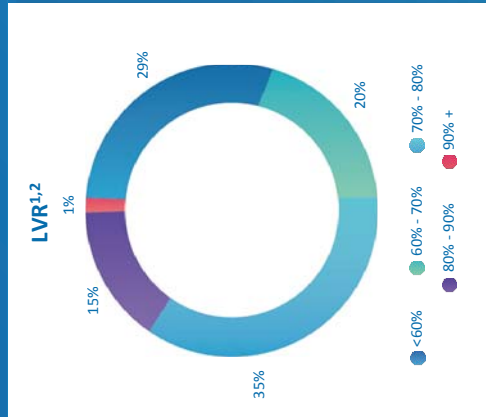
- All loans with an LVR above 80% at settlement have Lenders Mortgage Insurance
- New hardship applications have slowed significantly in May

### Composition of customers



# AFG Securities – portfolio composition

AFG has achieved strong growth in its loan portfolio while maintaining a quality loan composition – Relatively low LVRs, geographic diversification and low levels in arrears



Note: DPD = Days past due. SPIN is Standard & Poor's Mortgage Performance Index. AFG and peers do not classify hardship cases as arrears.

- Arrears<sup>3</sup> remain well below industry average. As at 30 April 2020, 27 loans were in 30+ day arrears excluding hardship cases
- AFG has over 15 years of experience issuing and managing credit risk
  - As at 30 April 2020, AFG Securities has issued \$5.1 billion of originations and incurred losses of \$0.2 million (across 26 loans)
- AFG currently has a collective provision of \$1.2 million for losses, which is expected to increase for FY2020
- All loans that have an LVR greater than 80% are covered by Lenders Mortgage Insurance
- To date AFGS has not incurred any losses on non-LMI insured loans
- The general consensus market outlook is for property price declines of between 5% and 15%. If this assumption holds, we do not expect losses to be material
- AFG's non-recourse funding structure limits AFG's material exposure to losses to its investment in subordinated notes (\$31.8m at 30 April 2020)

1. As at 30 April 2020. Composition by loan value  
 2. LVR calculated based on latest property valuation performed (typically at the date of the refinance)  
 3. AFG reports arrears excluding hardship cases consistent with APRA's guidance for regulated ADI's

**AFG**

**Use of Funds & Offer Details**

# Use of Funds

Taking a longer term view on the growth of AFG, the majority of the proceeds are to strengthen the capital position, provide liquidity and support strategic growth in the AFG Securities lending book

- An equity raising strengthens the capital position of the business and provides flexibility, positioning AFG strongly during the uncertainty from COVID-19
- Proceeds will be deployed across the business over the short / medium term
- Existing unrestricted cash is predominately required for working capital needs and normal fluctuations in subordination requirements
- AFG retains flexibility in deploying the funds against a backdrop of changing business conditions and will continue to consider the use of the funds against alternative funding solutions (e.g. AOFM's forbearance facility or additional mezzanine financing)
- COVID-19 has been the catalyst for the lenders and brokers to embrace the transformation of certain activities linked to the home loan application process. These initial changes deliver more efficient, secure and consumer friendly outcomes. We expect this trend will continue, and brokers will be at the forefront of this
- There is an opportunity to accelerate and enhance our technology build to drive increased recruitment of brokers and a higher level of efficiency for our staff, brokers and their customers
- This environment may create market opportunities that AFG might choose to seize
- To the extent AFG does not require all the funds raised as anticipated, they may be applied to the pending acquisition of Connective, other organic and inorganic growth initiatives or returned to shareholders in due course

Use of funds	Indicative Allocation of Funds	Benefits to AFG
		Allows AFG to continue to insulate and grow AFG Securities
		<b>Strengthen capital position</b>
		<ul style="list-style-type: none"> <li>• Strengthening the position of facilities with additional credit enhancement into warehouses and term transactions (if required)</li> <li>• Additional liquidity requirements to support hardship cases (if required)</li> </ul>
Investment in AFG Securities	Up to \$45m-\$55m	<b>Support growth</b>
		<ul style="list-style-type: none"> <li>• Funding continued growth in the portfolio, consistent with its historical considered and credit conscious manner</li> <li>• Market for mezzanine funding is currently dislocated. AFG may temporarily provide mezzanine financing in its warehouse facilities to maintain momentum</li> </ul>
Technology accelerations / enhancements	\$5m	Accelerate and enhance technology investment to support brokers to engage with clients remotely and manage workflow more efficiently
		Ongoing developments of AFG Securities technology, including the customer digital offering driving a better user experience and client service efficiencies
Potential investments	Up to \$10m	Potential investment in strategic and acquisition opportunities

# Capital management and funding

Completion of the Equity Raising will further strengthen AFG's strong balance sheet which provides a robust platform for the future

## Corporate position

- Pro-forma unrestricted cash and cash equivalents of \$1.12m post completion of the Equity Raising (pre offer costs)
- AFG's corporate balance sheet is debt free once adjusting for its non-recourse funding special purpose vehicles

## Wholesale funding for AFG Securities

- Recently rolled its originating warehouse facilities
  - Expiry dates extended to December 2020 and May 2021
  - Funding costs expected to increase by approximately 15 bps, driven by a combination of funding margin increases and higher undrawn facility capacity which attracts additional line fees
  - The AOFM has provided mezzanine funding to replace some of the existing providers. The funding provided by the AOFM is at an increased facility size which allows access to increased warehouse limits
- AFG also has a small facility which funds approximately \$123m of assets with limited capacity for new originations. The intention was to broaden the product offering and funding capacity of this warehouse as a third originating facility. This has not yet eventuated. If AFG is unable to reach an agreement to renew this facility, the facility will transition into amortisation, which results in the cash flows from the facility of circa \$125k/month (including a step up margin) being used to repay senior tranches of the facility and as a consequence not being available to AFG<sup>2</sup>

- AFG has historically provided 1-2% credit enhancement into its warehouse facilities (via investing in subordinated notes)
  - This may be required to increase given current funding market sentiment and increasing levels of hardships within its portfolio
  - AFG may also invest in the mezzanine funding as required, subject to availability and cost of alternative funding, to provide a level of protection whilst maintaining a long-term focus on growth
- AFG's total subordinated notes subscribed is \$31.8m at 30 April 2020

- AFG will consider whether to adjust its dividend policy with release of its FY20 results, when the impact and duration of COVID-19 is better understood

(\$m)	Facility Limit (Current) Unaudited	Drawn (30 April 2020) Unaudited	Undrawn capacity: \$546m
Warehouse facilities	\$2,070m	\$1,524m	
Securitised funding facilities	\$1,331m	\$1,331m	
Wholesale funding facilities	\$3,401m	\$2,855m	
Less: restricted cash		(\$57m)	
Net wholesale funding debt		\$2,798m	
Unrestricted cash and cash equivalents		\$52m	
Pro-forma unrestricted cash and cash equivalents (adjusted for the Offer) <sup>1</sup>		\$112m	

## Warehouse facilities



### Senior funding (~92%)

AFG continues to receive strong support from senior funders

### Mezzanine funding (6 – 7%)

AFG may temporarily invest in mezzanine to provide additional capacity to deploy senior funding

### Subordinated notes held by AFG (1 – 2%)

AFG, together with other issuers in the market, may be required to increase the level of subordinated notes held given the increase in hardships in its loan portfolio

# Offer details

## Offer size and structure

- Fully underwritten Equity Raising of \$60 million, comprising of:
  - An Institutional Placement of approximately \$15 million (**Placement**)
  - A 1 for 5.5 pro-rata accelerated non-renounceable entitlement offer of approximately \$45 million (**Entitlement Offer**), including an:
    - Institutional component to raise approximately \$31 million (**Institutional Entitlement Offer**); and
    - Retail component to raise approximately \$14 million (**Retail Entitlement Offer**)

- Certain AFG Directors and Management have committed to subscribe for approximately \$5 million of the Offer and to sub-underline up to \$690,000 of the Retail Entitlement Offer
- Approximately 52m new fully paid ordinary shares in AFG (**New Shares**) to be issued under the Equity Raising (approximately 24% of the existing shares on issue)
- The Equity Raising is fully underwritten by Macquarie Capital (Australia) Limited, Euroz Securities Limited and Morgans Corporate Limited are Co-managers to the Equity Raising

## Offer price

- All shares under the Equity Raising will be issued at a fixed price of \$1.15 per New Share (the **Offer Price**) which represents:
  - 14.4% discount to the Theoretical Ex-Rights Price of \$1.34<sup>1</sup>; and
  - 17.3% discount to the last closing price of \$1.39 on Tuesday, 12 May 2020

## Institutional Entitlement Offer and Placement

- The Placement and Institutional Entitlement Offer will be conducted by a bookbuild process on Wednesday, 13 May 2020
- Entitlements under the Institutional Entitlement Offer that are not taken up and entitlements of ineligible institutional shareholders and ineligible retail shareholders under the Entitlement Offer will be offered for sale in the bookbuild

## Retail Entitlement Offer

- The Retail Entitlement Offer will open at 9am on Wednesday, 20 May 2020 and close at 5pm on Tuesday, 2 June 2020

## Ranking

- New Shares will rank equally with existing fully paid ordinary shares from their time of issue

## Record date

- Entitlement Offer is open to existing eligible AFG shareholders on the register as at Friday, 15 May 2020



# Offer timetable

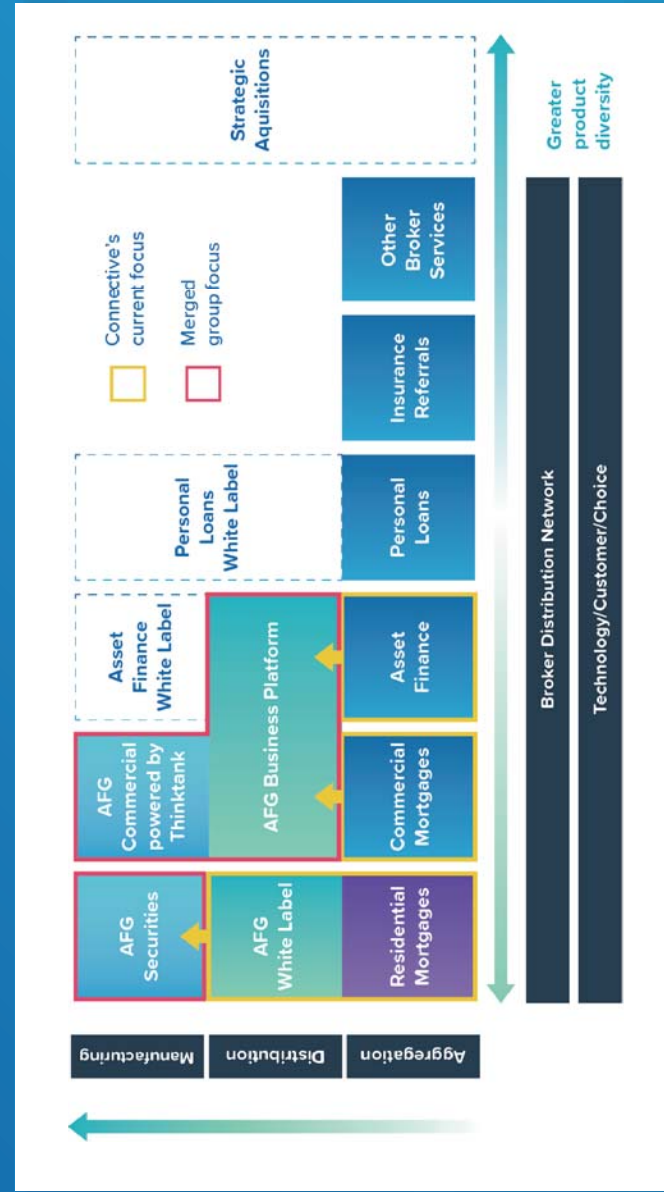
Event	Indicative date
Equity Raising announcement and Placement and Institutional Entitlement Offer opens	Wednesday, 13 May 2020
Placement and Institutional Entitlement Offer closes	Wednesday, 13 May 2020
Trading in AFG shares resumes on an ex-entitlement basis	Thursday, 14 May 2020
Record date for determining entitlement for the Entitlement Offer	Friday, 15 May 2020
Despatch of Retail Offer Booklet and Retail Entitlement Offer opens	Wednesday, 20 May 2020
Settlement of Placement and Institutional Entitlement Offer	Friday, 22 May 2020
Allotment and normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 25 May 2020
Retail Entitlement Offer closing date	Tuesday, 2 June 2020
Settlement of Retail Entitlement Offer	Tuesday, 9 June 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 10 June 2020
Normal trading of New Shares issued under the Retail Entitlement Offer	Thursday, 11 June 2020
Despatch of holding statements	Friday, 12 June 2020

**AFG**

**AFG Investment Proposition**

# Stable platform continues to support future growth

More than half of overall profit now generated outside traditional aggregation, providing a stable platform for future growth



## Strengths of the business model:

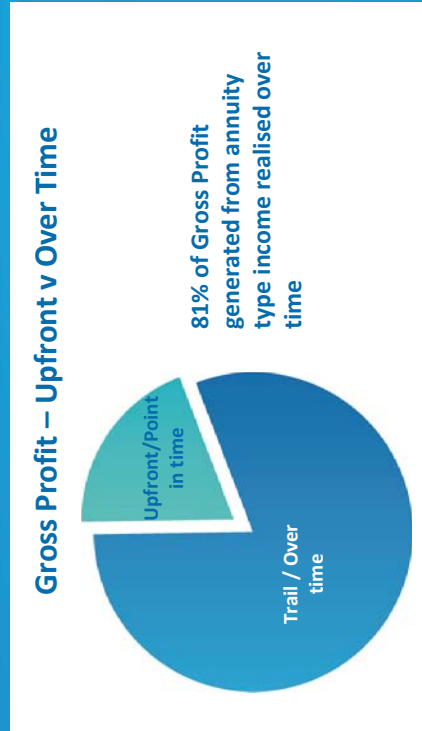
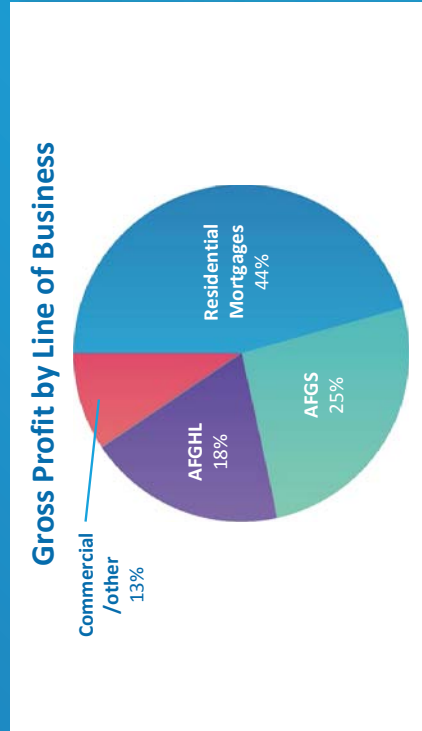
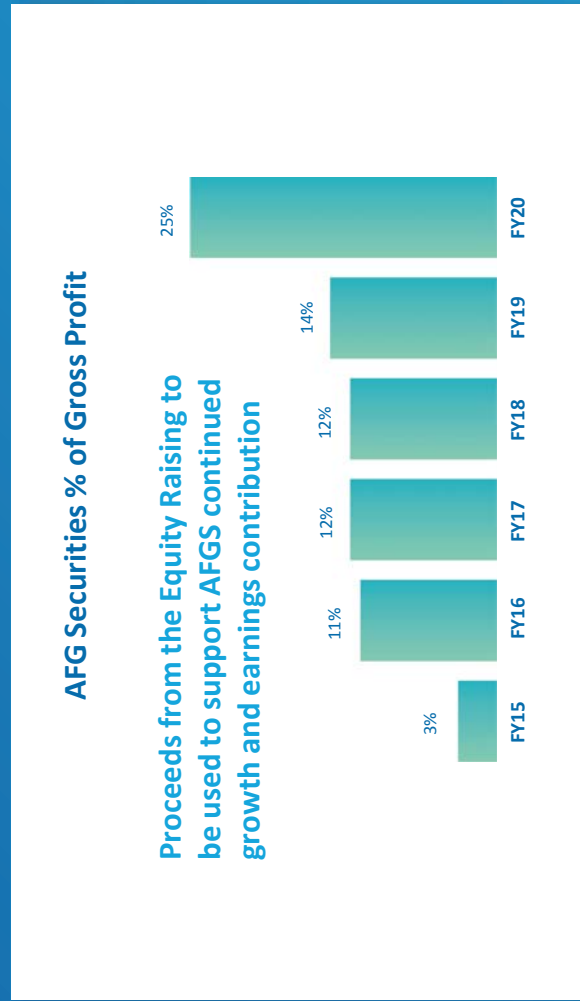
- Established and diversified network with 2,975+ brokers across Australia, offering over 4,000 products
- Diversity with traditional wholesale broking/ aggregation, distribution and manufacturing, with the ability to adapt focus in changing market conditions whilst delivering a significant actuarially assessed cash flow stream
- Investment in broker technologies has supported brokers to continue to help their customers during COVID-19
- A commitment to grow the business while still maintaining a low capital intensity model
- Brokers continue to demonstrate again in the COVID-19 period their focus on customer outcomes and therefore the long-term sustainability of the role

## Update on Connective merger:

- AFG has provided its response to the ACCC's Statement of Issues
- Court case: Closing arguments complete. Judge retired to consider evidence

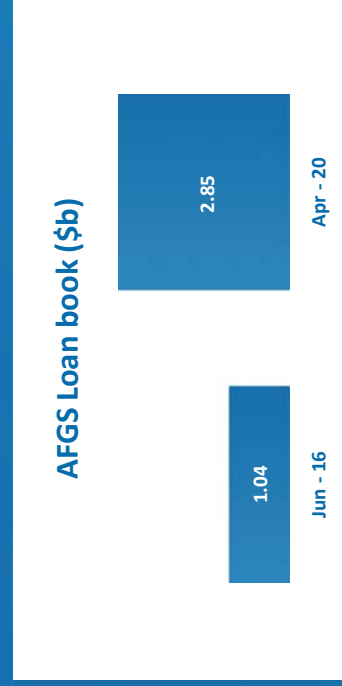
# Earnings diversified across the business

AFG has strong visibility of forward cashflow with 81% of 1HFY20 gross profit relating to annuity type income that is realised over time including trail commission, net interest income and fees



# AFG Securities momentum

AFG remains committed to delivering choice and competition to Australian borrowers. Additional capital to be deployed to enable growth in a considered manner whilst providing optionality surrounding the funding mix



## AFG Securities loan book

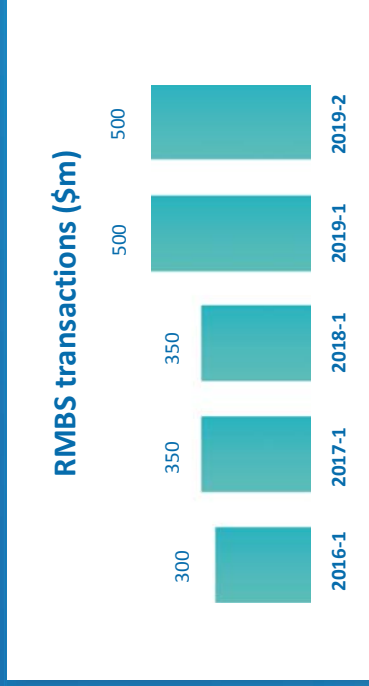
- Strong momentum with book growth of 174% since June 2016
- Differentiated product in market and strong broker demand on the back of AFGS' consistent service proposition
- Provides AFG manufacturing margin, growth and earnings diversification
- Disciplined approach to credit, evidenced by minimal historical losses of \$230k

## Warehouse funding

- Warehouse providers have supported AFG's growth
  - Senior tranches: Well supported by bank lenders
  - Mezzanine tranches: Market for mezzanine financing currently dislocated. AOFM has provided AFG mezzanine funding to replace some of the existing providers and allow increased warehouse limits
- AFG has historically invested 1-2% into subordinated tranches as "first loss"
  - GFC experience suggests possible increases in "first loss" where severe deterioration in losses or hardship across the market is identified
- Current headroom of \$546m in warehouses – Equity Raising provides support for additional limits to continue to grow the loan book

## RMBS issuances

- AFGS has a history of successfully accessing RMBS markets - raising \$2.88 billion since launching its securitisation program in 2007
- No near-term call dates
- Current market access remains limited, though early signs of market opening with two issues launched in May 2020 by other issuers
- AOFM has indicated support at market rates for term transactions in the near term
- AFGS may access markets subject to origination momentum, investor demand and pricing
- Potential for additional subordination requirements for any new term transaction depending upon collateral performance and investor sentiment



# Pillars for growth

Whilst noting the uncertainty promoted by the COVID-19 crisis, AFG remains confident about the opportunities which may evolve because of this. Successful completion of the Equity Raising will ensure AFG is well positioned to deliver on its long term multi-tiered approach for growth



## Investment in AFG Securities

- Delivers greater choice to customers in a complex market
- Investment since FY16 is now providing a strong platform for future earnings
- Ongoing investment required to fund new settlements and support growth of the loan book during a period of market disruption
- The development of a digital offering for AFG Securities is considered an important competitive advantage post COVID-19



## Leading technology offering

- Critical component of AFG's value proposition to retain and attract brokers – particularly in a COVID-19 environment
- Ongoing development will provide brokers the ability to interact with customers in a digital environment, improve process efficiency, submission quality and compliance capability
- AFG has invested \$2.3 million for FY20 YTD, with a further \$9 - 10 million of project spend planned over the medium term to accelerate and enhance the broker platform and enhance the digital offering for AFG Securities customers



## Diversification of business model

- Continued expansion of product offering, including scaling of Commercial Mortgages, Asset Finance and the AFG Business Platform
- Explore white label opportunities for other product verticals such as Asset Finance to access manufacturing margin
- AFG is helping brokers diversify their own businesses through the AFG Business platform, allowing residential mortgage brokers to help their customers with their SME needs as well as their home loans



## Market and acquisition opportunities

- AFG continues to explore strategic opportunities to further diversify earnings and leverage the strength of its broker distribution network
- The Connective transaction as announced to the ASX in August 2019 remains subject to ACCC and Court approval
  - Completion timing remains uncertain due to the approval process.
  - Not expected until H1 FY21 at the earliest

# Strategic & market outlook

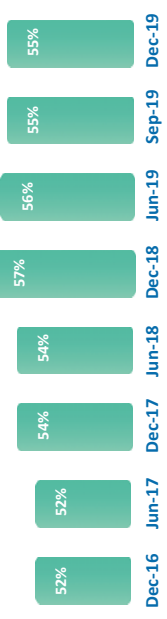
AFG is well positioned to capture future growth opportunities. Disruption from COVID-19 will likely result in some market disruption in the short term, with the government implementing a number of initiatives to support lenders through the pandemic



## 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 in the Australian lending market

% of Aus Mortgages written through a broker



## Market outlook

- RBA cash rate set at 0.25%
- Government funding initiatives to support bank and non-bank lenders
  - Term Funding Facility offered by the RBA to bank lenders and \$15bn Structured Finance Support Fund managed by 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 lodgments to settlements
- We remain confident that the role brokers play for Australian consumers will continue to be critically important
- COVID-19 impacting AFG Securities with 4.98% of the book in hardship, with 4.58% entering into a payment arrangement, such as moving to interest only repayments
- Market outlook remains uncertain and dynamic

**AFG**

**Key Risks**



# Key risks

## Introduction

This section describes the key business risks of investing in AFG together with the risks relating to participation in the Offer which may affect the value of AFG shares. It does not describe all the risks of an investment. Investors should consult their own professional, financial, legal and tax advisers about those risks and the suitability of investing in light of their particular circumstances. Investors should also consider publicly available information on AFG (including information available on the ASX website) before making an investment decision. The risks are categorised as follows:

- Key Business Risks
- Offer and General Risks

References to “AFG” or “AFG group” in this key risks section of the presentation includes AFG and its related bodies corporate (as defined in the Corporations Act), where the context requires.

## Key Business Risks

- Economy and the impact of the COVID-19 pandemic, including increasing hardship applications
- Legislative and regulatory requirements and changes
- Connective group transaction and other potential acquisitions
- Securitisation warehouse facilities (short term funding)
- Changes in the wholesale lending market
- Reliance on lenders pursuing third party distribution channels
- Mortgage broker retention with lenders and white label partners
- Mortgage broker retention and attracting new mortgage brokers
- Competition and margin compression
- Conduct of brokers
- Reputation and governance
- IT risk and cyber-crime
- Interest rates
- Licences required for AFG’s core business activities
- Investigations, disputes and litigation
- Reliance on external software providers
- Loan underwriting and credit risk
- Risk related to estimation of provisions
- Future cash receipts from trail commissions may be lower than expected
- Employee recruitment and retention and key management
- Operational risks
- Insurance

## Offer and General Risks

- Investment in equity capital and the COVID-19 pandemic
- Equity raising risk
- Risks of dilution
- Non-renounceable entitlements
- Changes to legal, accounting and regulatory requirements
- Changes to tax rates or laws
- Payment of dividends
- Other risks

# Key risks – key business risks

## **Economy and the impact of the COVID-19 pandemic, including increasing hardship applications**

The events relating to the COVID-19 pandemic have recently resulted in significant market falls and volatility including in the prices of securities trading on the Australian Securities Exchange (ASX) (including the price of AFG shares) and on other foreign securities exchanges. There is continued uncertainty as to the further impact of the COVID-19 pandemic including in relation to governmental action, work stoppages, lockdown, quarantines, travel restrictions and the impact on the Australian economy, including levels of employment, housing prices and debt funding markets. In light of recent Australian and global macroeconomic events, it is likely that Australia will experience an economic recession or downturn of uncertain severity and duration which could continue to impact on AFG's operating and financial performance and prospects and continue to interfere with AFG's business.

AFG is taking careful steps to mitigate the impact of the COVID-19 pandemic on its operations, including undertaking a cost reduction programme to minimise operating expenditure. AFG is currently monitoring the actual and potential impact of the COVID-19 pandemic on its operations and the broader economy. There is a risk that applications for hardship (loan repayment deferrals) and other COVID-19 arrangements (such as restructuring loan payments to interest only) in relation to AFG Securities Pty Ltd's (AFG Securities) loans will continue to increase, particularly as the Australian government withdraws its support packages such as JobSeeker and JobKeeper, and these customers may also transition into arrears post the hardship or arrangement period.

An increase in hardships, COVID-19 arrangements and/or arrears rates is likely to have a negative effect on the cashflow for the AFG Securities business. There is also a risk that some of the loans in arrears fall into default. AFG Securities would then foreclose on the secured property and be required to sell the property in what may be a declining property market. There is a risk that AFG Securities may not be able to recover the full outstanding monies in those circumstances. Further, whilst the vast majority of lenders are currently continuing to pay trail commission on loans that have hardship arrangements in place for the next 6 months, there is a risk that some or all of the lenders will discontinue paying trail commission payments on those loans if these loans transition off hardship arrangements into arrears. There is also a risk that some lenders (such as smaller non-bank lenders) on AFG's lender panel become insolvent and cannot continue to pay trail commission to AFG.

For AFG Securities' three warehouse facilities, the cost of funding may also increase, new loan originations may slow, there may be additional requirements for additional credit enhancement within these facilities and AFG may not be able to extend its facilities beyond their current expiry dates as a consequence of debt market uncertainties driven by the COVID-19 pandemic. In some circumstances, if the funding facilities are extended, the cost of funds may become sub economic for AFG. Arrears triggers or loss triggers in these warehouse arrangements, which could result in an amortisation event which could subsequently trigger an event of default – refer to Key risks – Securitisation warehouse facilities (short term funding). In addition, AFG may not be able to access public term securitisation markets, or may only be able to access these markets at a significantly higher cost, to refresh warehouse capacity given disruptions currently facing these markets from the COVID-19 pandemic.

Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is not currently possible to assess the full impact of the pandemic on AFG's operations or the economy generally. If market conditions continue to deteriorate, AFG may need to take additional measures in order to respond.

## **Legislative and regulatory requirements and changes**

The mortgage broking (and lending) industry in Australia is primarily regulated by ASIC and under the National Consumer Credit Protection Act 2009 (Cth) (NCCP Act). The industry is also subject to a variety of other laws including privacy, financial transaction reporting and money laundering laws. If AFG does not meet regulatory requirements, such as responsible lending obligations under the NCCP Act, it may suffer penalties (which may include fines, compensation and cancellation or suspension of authority to carry on business) or one of AFG's Australian credit licences granted under the NCCP Act (each an ACL) could be affected. This is likely to have a material impact on AFG's business and operating and financial performance.

The legislative and regulatory framework that is relevant to AFG's operations may change. Depending on the nature of these changes, this may adversely impact the mortgage broking industry or AFG's operations or future financial performance.

The final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry that was issued on 4 February 2019 made a number of recommendations regarding proposed changes to the banking industry, including introducing a best interests duty for mortgage brokers, ban on conflicted remuneration and changes to mortgage broker remuneration. The changes include, for example, the removal of trail commission or a borrower upfront payment model, which may reduce the amount of loans originated through the broker channel, impacting AFG's operations and/or AFG's revenue. The Federal Government has announced that the mortgage broker remuneration model will be reviewed in 2022. Depending on the nature of these changes, this could have a significant impact on AFG's operations including its ability to compete and its future strategy. In response to the Royal Commission, on 6 February 2020, the Federal Government passed legislation to create a new duty for mortgage brokers to act in the best interests of consumers and where there is a conflict to prioritise consumers' interests when providing credit assistance (the 'best interests obligations') and also prohibiting conflicted remuneration. ASIC announced on 8 May 2020 the deferral of the commencement date of these new provisions to 1 January 2021. AFG is in the process of preparing its systems and affiliated mortgage brokers for the best interest obligations through education, auditing and compliance training. The introduction of the above changes adds additional compliance and reporting obligations to mortgage brokers. For some mortgage brokers, this may adversely impact their volume of originations. Breaches of the best interest obligations and ban on conflicted remuneration provisions can lead to penalties of up to \$1,050,000 per breach.

# Key risks – key business risks (continued)

In recent years, responsible lending practices have been scrutinised by ASIC. ASIC has been increasingly concerned with the extent to which lenders undertake independent verification of a potential customer's income, verification of customers' living expenses (including use of benchmarks such as the Household Expenditure Method) and whether customers' requirements and objectives are being sufficiently inquired about and assessed. In December 2019, ASIC released Regulatory Guide RG209, which sets out ASIC's views on what the responsible lending obligations. There is a risk that ASIC may take issue with AFG's current or historical approach to responsible lending, which may result in AFG being required to change its current or proposed policies and processes and undertake remediation to customers that ASIC view as potentially disadvantaged from AFG's processes. In addition, tighter responsible lending practices could also result in lower levels of loan originations as less people are eligible for a loan a/or qualify for lower loan amounts.

AFG cannot accurately predict the impact of future legislative and regulatory changes on its business. However, as the amount and complexity of legislative and regulatory reforms in the industry increases, so may the cost of compliance and the risk of non-compliance.

## Connective group transaction and other potential acquisitions

AFG's proposed merger with the Connective group is subject to a number of conditions, including ACCC approval and receipt of Court orders. There is a risk that these conditions precedent may be not be satisfied in which case the transaction may not be able to proceed. This may adversely affect AFG's future financial performance. AFG's long-term business strategy includes pursuing acquisitions. There can be no assurance that AFG will identify suitable acquisition or divestment opportunities or other projects at acceptable prices, or successfully execute those opportunities or projects. In addition, AFG's past and future acquisitions and divestments and other projects may expose AFG to unanticipated risks and liabilities, or may disrupt AFG's operations. Any acquisition, including the proposed merger with Connective group, may not deliver projected benefits or value, and integrations may not be successful, resulting in interruptions to the achievement of business strategy. This may divert management's attention and resources from AFG's day to day operations.

To the extent that acquisitions are not successfully completed and integrated within AFG's existing business, the financial performance of AFG could be materially adversely affected.

## Securitisation warehouse facilities (short term funding)

Certain securitisation warehouse facilities entered into by AFG provide for short term funding (for example 364 days). The next facility due for renewal is a \$126 million facility (\$123 million drawn) which expires on 10 June 2020. That funding term may only be extended, if requested by AFG and at the absolute discretion of the relevant financier. If the relevant facility is not extended, and AFG is not able to otherwise refinance the facility before the expiry of the then current availability period, an amortisation event will occur. Each securitisation warehouse facility entitles the relevant financier to cancel any unutilised facility on the occurrence of an amortisation event. If this occurs, AFG Securities' may not be able to continue to settle loans in relation to that warehouse facility unless replacement facilities are put in place. In addition an amortisation event will result in diversion of generally of some or all of the excess spread to accelerate the repayment of principal to the financiers.

There is also the potential for enforcement action to be taken (which may include disposal of the underlying mortgage loan pool), on the occurrence of certain events (for example events of default, which may be triggered by arrears or default performance of the underlying mortgage loan pool). Any such enforcement may have a negative impact on AFG, including:

- loss of potential further excess margin over cost of funds on the underlying mortgage loan pool; and
- crystallising a principal loss, if the underlying mortgage loan pool is sold at a discount to par.

The occurrence of such events of default are not necessarily within the control of AFG or AFG Securities (for example, many of the events of default relate to performance by the third party trustee company).

## Changes in the wholesale lending market

The capacity of lenders to continue providing lending products and services may be affected by a change in the wholesale lending market (including the market for residential mortgage backed securities (RMBS)). A change in the wholesale lending market may mean that lenders are no longer able or willing to provide these products or services, which may adversely affect both the volume of loans that AFG brokers originate through AFG and the volume of loans that AFG Securities can offer, and therefore the future financial performance of AFG. Additionally a significant proportion of AFG Securities' funding is reliant on the wholesale lending market. Any detrimental change to the underlying cost of funds of this funding market will impact the net interest margin being generated by the AFG Securities business. Further, so as to preserve net interest margins, AFG may decide to pass on some or all of the increase in cost of funds to the home loan customer and as such this may adversely impact the loan life and/or give rise to damage to AFG Securities' reputation in the market. See also Reputation and governance risk below

# Key risks – key business risks (continued)

## **Reliance on lenders pursuing third party distribution channels**

AFG's business depends on lenders originating loans through mortgage brokers rather than directly (for example, through a lender's own branches or other distribution platforms such as mobile lending services) and providing competitive products and service levels. AFG's business would be impacted by any significant changes in the business practices of lenders such as increased reliance on direct distribution methods including new technologies. AFG, and the mortgage broking industry generally, is reliant on lenders' willingness to employ third party distribution channels as a means of marketing their loan products. Depending on the relative cost of other distribution methods, in the future lenders may also decide to decrease their reliance on (or not to use) third party channels, develop competing distribution channels or reduce current upfront or trail commission terms, any of which would have a significant adverse effect on the industry generally and on AFG.

AFG is also reliant on receiving access to competitive products from the AFG lending panel to enable AFG brokers to attract customers in an increasingly competitive mortgage market. There can be no assurance that AFG will continue to be able to access competitive products.

## **Reliance on relationships with lenders and white label partners**

The success of AFG's business and its ability to grow relies on AFG's relationship with the lenders appointed to the AFG lending panel, including its white label partners. There are a number of risks associated with AFG's agreements with lenders. For example, lenders generally have an ability under the agreements to change the terms or rates of payments to AFG for future originations. Such a change may have a material adverse effect on AFG's financial performance.

Lenders also have the right to terminate their agreements with AFG for the lodgement of new loans, including without cause or by notice (depending on the termination event or circumstances). Notice periods for termination may be as short as 7 days. In circumstances where AFG has breached an agreement with a lender, in some cases the lender may cease paying trail commissions.

A loss of any of AFG's agreements with lenders on the AFG lending panel, or a reduction in the number of lenders on the AFG lending panel, could reduce AFG's competitive advantage and have an adverse impact on AFG's business, and operating and financial performance.

AFG relies on its ability to offer competitive white label solutions to its customers. Any loss of AFG's agreements with white label partners, changes to the remuneration and commission structure of these products or changes to the competitiveness of these products compared to other loan products available to consumers could have an adverse impact on AFG's business, and operating and financial performance.

## **Mortgage broker retention and attracting new mortgage brokers**

AFG currently has in excess of 2,975 brokers originating mortgage products through AFG's platform. The success of AFG's business and its ability to grow relies on AFG's ability to retain existing brokers, and its ability to continue to attract productive mortgage brokers. If AFG is not able to retain the existing key brokers, or attract new productive mortgage brokers, this could have an adverse impact on AFG's business, and operating and financial performance. If brokers do not continue their contracts with AFG, AFG's settlement volumes and subsequent financial performance would be adversely affected.

## **Competition and margin compression**

AFG operates in a competitive market. AFG faces the risk that increasing levels of competition, including competition from business models using new technology platforms could result in, among other things, AFG foregoing a greater proportion of its profit margin to retain volumes of mortgages written, reduced upfront commissions and trail commissions paid by lenders, changes to the structure of upfront commissions and trail commissions by lenders (such as the replacement of trail commissions with up-front commissions) and increased payout ratio to brokers. This may result in reduced revenue, reduced operating margins and a loss of market share, which may have a material adverse effect on AFG's business, operating and financial performance, and position and future prospects.

# Key risks – key business risks (continued)

## Conduct of brokers

AFG faces a number of risks arising from the conduct of the brokers, including additional risks associated with brokers who are AFG credit representatives operating under AFG's Australian Credit Licence. AFG currently has over 1,360 AFG credit representatives. Under the NCCP Act, AFG is liable to customers for any loss or damage that they suffer as a result of an AFG credit representative's conduct. This applies to conduct that relates to a credit activity on which the customer could reasonably be expected to rely and in fact relied in good faith. Where AFG is responsible for the conduct of its credit representatives, the customer has the same remedies against AFG as it has against the credit representative. This means that customers can take action against AFG in respect of the AFG credit representative's conduct. AFG also has obligations in respect of its credit representatives as an ACL holder. These obligations include to:

- take reasonable steps to ensure that AFG credit representatives comply with the credit legislation; and
- ensure that AFG credit representatives are adequately trained, and are competent, to engage in the credit activities authorised by the ACL.

Failure by AFG to meet these requirements could result in penalties, more onerous ACL conditions, the imposition of restrictions on AFG's ACL, or the loss of AFG's ACL. In order to provide wholesale mortgage broking services AFG must either hold an ACL or be authorised to provide those services under a third party's ACL. Therefore, the loss of AFG's ACL could result in AFG being unable to continue its business as a wholesale mortgage broker.

Although AFG has professional indemnity insurance in place, AFG could nevertheless incur significant losses if there was widespread or systemic fraud or other breaches of the law by AFG brokers. Losses to AFG could result if the limits of the insurance policy were exhausted or if it did not adequately respond to the claims. Claims on AFG's professional indemnity insurance policy may also have an adverse effect on AFG's ability to negotiate competitive renewal terms as well as on AFG's reputation and brand name. As an ACL holder, AFG must have processes in place to resolve disputes with customers of AFG credit representatives, be a member of an approved dispute resolution scheme and have compensation arrangements in place. It may be costly for AFG to deal with customer complaints and AFG may be required to pay compensation to resolve complaints. There is also a risk that misconduct by an AFG broker relating to falsifying or misstating loan application information and documentation that is provided to lenders in relation to potential borrowers may go undetected by AFG. This is because application information and documentation is submitted to lenders without review by AFG. This could lead to significant reputational damage, regulatory action and financial loss to AFG.

## Reputation and governance

The success of AFG is reliant on the maintenance of its reputation and brand name. Reputational damage could arise due to a number of circumstances, including improper conduct, human error, actions by third parties or adverse media coverage. In particular, illegal practices by AFG brokers such as fraud or non-compliance with regulatory requirements (for example, AFG brokers recommending unsuitable products to their customers) could adversely affect AFG's reputation. These actions could also lead to regulatory action including penalties which could materially affect AFG's business.

Any factors that damage AFG's reputation may potentially affect its ability to attract and retain productive AFG brokers and maintain relationships with its existing panel of lenders, as well as AFG's ability to attract and retain key employees. In such situations, AFG's business and operating and financial performance could be materially adversely affected.

Stakeholders of AFG have expectations regarding governance for an enterprise of AFG's scale which is operating as a publicly listed entity. A significant failure to meet expected standards of governance would impact the reputation and business outcomes of AFG, and therefore its financial position.

## IT risk and cyber-crime

AFG's ability to service and pay AFG brokers is dependent on its information technology systems and relationships with service providers. AFG's core technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war, or human error.

These events may cause one or more of AFG's core technologies to become unavailable and could severely impact AFG's operations and AFG brokers, as well as damaging AFG's reputation. Any issue with AFG's information technology systems may also impact AFG's operational capabilities and financial performance.

There is an increase in cybercriminal activity on a global level. By exploiting information technology system vulnerabilities, successful cyber-attacks on AFG's systems can result in unavailability or loss of AFG's critical systems or third parties obtaining customer and corporate data.

# Key risks – key business risks (continued)

## Interest rates

Australian consumers and residential borrowers currently enjoy historically low interest rates which have contributed to the growth of AFG. In the event interest rates significantly increase, potential borrowers' willingness and ability to borrow may be greatly reduced and the volume of loans settled could significantly decrease, affecting the future upfront and trail commission income received by AFG and net interest income generated on AFG Securities' loan book and therefore the associated financial performance of AFG. AFG Securities' cost of funds is calculated based on the bank bill swap rate (BBSW). A sudden increase in the BBSW would increase AFG Securities' relative cost of funds and may adversely affect the financial performance of AFG.

## Licences required for AFG's core business activities

The AFG group is required to hold certain licences in order to conduct its business, including ACLs that authorise it to engage in certain credit activities and an Australian Financial Services Licence (AFSL) held by AFG Securities in order to deal or advise in securities (such as residential mortgage-backed securities). Compliance with the obligations of an ACL or an AFSL is the responsibility of the licensee. If any of the ACL holders (including AFG) do not comply with the conditions of that licence or meet regulatory requirements, that entity could be subject to penalties, more onerous licence conditions, the imposition of licence restrictions or the loss of that licence. If AFG or any AFG group company is unable to retain its ACL or AFSL, AFG may not be able to continue to operate its business, or aspects of its business, in the current form. This may have a material adverse impact on the financial performance and position of AFG. If AFG Securities is unable to retain its AFSL, this would impact AFG Securities' ability to offer securitisation services to provide funding for AFG Securities' loan products. If this occurred, AFG Securities would be required to seek funding from alternative sources. This would also lead to a loss of the net interest margin earned by AFG Securities and therefore may adversely affect the financial performance of AFG.

## Investigations, disputes and litigation

AFG may, from time to time, be subject to regulatory reviews, audits and investigations which may divert management's attention away from AFG's operations and this may be costly. There is a risk that enforcement action may follow any such review and that such activities also adversely affect AFG's reputation. AFG may be subject to litigation, class actions and other claims and disputes in the course of its business, including contractual disputes. AFG relies on contractual arrangements with AFG brokers, the AFG panel lenders and AFG's product and services providers. From time to time, disputes may arise under those contracts and AFG may commence or be subject to litigation to resolve a dispute. Litigation has the potential to disrupt AFG's business, adversely affect AFG's financial performance and damage AFG's reputation.

## Reliance on external software providers

AFG's business is currently reliant on one major software provider, Oracle, to provide the backbone of its FLEX and financial reporting systems. The ability to plan the future development of the information technology platform is affected by Oracle's own program and AFG's relationship with Oracle. AFG is currently reliant on Oracle for further technology changes and is therefore subject to the risk that Oracle will not continue to provide these services at a reasonable cost. AFG also accesses software and services from other providers. Although none of these other providers are as significant to AFG's operations as Oracle, any disruption in the provision of their respective software and services may cause delays and adversely impact the efficiency of AFG's operations.

# Key risks – key business risks (continued)

## Loan underwriting and credit risk

In relation to AFG Securities, in the event of a default and subsequent foreclosure, AFG would also bear the associated costs of the default and loss of interest revenue in addition to potential principal loss, after allowing for recoveries from sale proceeds from the sale of the underlying security and lenders' mortgage insurance claim payments (for mortgages covered by lenders mortgage insurance). The rate of principal recovery from sale proceeds of underlying security or an LMI claim is uncertain and depends on factors including housing market conditions and house prices, and in the case where lenders mortgage insurance is applicable, the lenders mortgage insurer's ability to fulfil its contractual obligations and assessment of the claim.

In relation to AFG Securities, in the event of a loan loss, AFG would also bear the associated costs of the default and loss of interest revenue in addition to potential principal loss, (after allowing for the sale of the underlying security), where lenders' mortgage insurance does not cover the loss on the loan. Due to the limited recourse nature of the financing arrangements, any costs to AFG are capped. As discussed in the Economy and the impact of the COVID-19 pandemic, including increasing hardship applications risk above, like other lenders, on the back of COVID-19 AFG Securities has experienced a significant increase in hardship applications (where the customer has deferred principal and interest payments) and COVID-19 arrangements (where the customer has deferred principal payments or requested other changes around reducing its interest and principal repayments or drawing on previous early repayments). It is still largely unknown how these loans will perform over the short to medium term, including if the impacted customers will be able to resume making loan payments following these arrangements. This could result in a meaningful increase in arrears and loan losses. In addition, this is likely to result in AFG requiring significant increase in resources to its arrears and collections management processes.

AFG Securities has also experienced significant growth in its loan book in recent years. As AFG's loan book continues to season, and as the composition of the loan book changes to include an increased percentage of near prime and low doc loans, there is potential for future arrears and credit performance to increase relative to AFG's historical performance.

In either situation, the financial performance and operating cash flow of AFG could be adversely affected.

## Risk related to estimation of provisions

In accordance with accounting standards, AFG provides for expected losses on loans to its customers. Estimating losses is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgments. The uncertainty of expected loss assumptions has increased in the current market environment, refer to the Economy and the impact of the COVID-19 pandemic, including increasing hardship applications risk above. If the assumptions upon which these assessments are made prove to be inaccurate, the provision for credit losses may need to be revised and may adversely impact AFG's financial performance and position.

## Future cash receipts from trail commissions may be lower than expected

Trail commission income is initially recognised at fair value and at amortised cost on an ongoing basis, based on the present value of expected future cash flows, using various financial and actuarial assumptions. The assumptions and model for valuing the trail commission receivable are subject to periodic review by actuaries and depend on many factors including general economic conditions, contract provisions with lenders, forecast discount rates, lapse rates and prepayment rates, and involves complex modelling and judgments. The uncertainty of trail commission assumptions has increased in the current market environment, refer to the Economy and the impact of the COVID-19 pandemic, including increasing hardship applications risk above. If the assumptions upon which these assessments are made prove to be inaccurate this may adversely impact AFG's financial performance, financial position (including potential write downs of the trail receivable asset) and future cash flow.

## Employee recruitment and retention and key management

Employee retention and succession planning is critical to AFG's delivery of its strategy and competitive success. These individuals typically possess deep industry expertise and have well-established relationships with AFG brokers and the AFG lending panel. Failure to appropriately recruit and retain employees may adversely affect AFG's ability to develop and implement its business strategies, resulting in a material increase in the costs of obtaining experienced and high-performing employees. This may ultimately materially adversely affect AFG's business and operating and financial performance. AFG relies on a management team with significant mortgage broking industry knowledge and experience. If AFG is not able to retain key members of its management team, or if there is any delay in their replacement, AFG may not be able to operate its business to the current standard or implement its business strategies. These occurrences may adversely impact AFG's business and operating and financial performance, including its ability to grow.

## Operational risks

AFG is exposed to operational risks present in the current business including risks arising from process error, fraud, system failure, failure of security and physical process systems, customer services, staff skills and performance, and product development and maintenance. Operational risk has the potential to have a material adverse effect on AFG's financial performance and position as well as reputation.

## Insurance

AFG seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. Any future increase in the cost of such insurance policies, or an inability to fully renew or claim against insurance policies as a result of the current economic environment, regulatory changes, and the impact of the COVID-19 pandemic, could adversely affect AFG's business, and operational and financial performance.

# Key risks – offer and general risks

## Investment in equity capital and the COVID-19 pandemic

There are general risks associated with investments in equity capital. The trading price of AFG's shares on ASX may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price. Generally applicable factors which may affect the market price of AFG's ordinary shares include:

- impact of the COVID-19 pandemic, including on public health, the banking industry, brokers and travel restrictions – see also Economy and the impact of the COVID-19 pandemic, including increasing hardship applications risk above;
- general movements in Australian and international stock markets, including market volatility;
- investor sentiment;
- Australian and international economic conditions and outlook (including in relation to the Australian housing market);
- changes in Australian and foreign government regulation and fiscal, monetary and regulatory policies;
- announcement of new technologies;
- operating results of AFG that may vary from expectations of securities analysts and investors;
- geo-political instability, including international hostilities, acts of terrorism, the response to the COVID-19 pandemic and travel restrictions; and
- future issues of AFG equity securities.

The share prices for many companies have in recent months been subject to significant fluctuations and volatility, which may reflect a diverse range of non-company specific influences referred to above, including the general state of the economy, the response to the COVID-19 pandemic, investor uncertainty, geo-political instability, and global hostilities and tensions. In particular, the events relating to the COVID-19 pandemic have recently resulted in significant market falls and volatility both in Australia and overseas, including in the prices of equity securities. There is continued uncertainty as to the further impact of the COVID-19 pandemic on the Australian economy and share markets including in relation to governmental action, work stoppages, university and school stoppages, lockdowns, quarantines and travel restrictions. Any of these events and resulting fluctuations may materially adversely impact the market price of AFG's ordinary shares.

No assurances can be given that the New Shares will trade at or above the Offer Price. None of AFG, its Board, the Lead Manager, or any other person guarantees the market performance of the New Shares.



# Key risks – offer and general risks (continued)

## Equity raising risk

AFG has entered into an underwriting agreement with the Lead Manager (Underwriting Agreement), pursuant to which the Lead Manager has agreed to fully underwrite the Offer on the terms and conditions of the Underwriting Agreement.

If certain conditions are not satisfied or certain events occur, the Lead Manager may terminate the Underwriting Agreement. Termination of the Underwriting Agreement would have an adverse impact on the total amount of proceeds that could be raised under the Offer. The Lead Manager's obligations under the Underwriting Agreement, including to manage and underwrite the Offer, are conditional on certain matters, including the timely delivery of due diligence process sign-offs and other documents. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- the S&P/ASX 200 Index being at a level that is 10% or more below the level of the index as at the close of trading on the day before the date of this presentation:
  - on the institutional opening date, being the date of this presentation; or
  - at market close on the business day immediately prior to the first settlement date, being Thursday, 21 May 2020;
  - at market close on two consecutive business days during the period from the date of this Agreement until the Second Settlement Date (inclusive), being Thursday, 4 June 2020.
  - at market close on the business day immediately prior to the Second Settlement Date, being Wednesday, 3 June 2020
- in the reasonable opinion of the Lead Manager, a statement contained in the Offer materials contain (whether by omission or otherwise) any statement which is false, misleading or deceptive or there is an omission from an Offer document of material required to be included by the Corporations Act or any other applicable law;
- any cleansing notice in connection with the Offer is or becomes defective, or any amendment or update to a cleansing notice is issued or is required to be issued under the Corporations Act and, in each case, that defective cleansing notice or amendment or update is adverse from the point of view of an investor;
- certain actions being taken by ASIC;
- certain delays in the timetable;
- certain insolvency events;
- certain changes in law, hostilities or disruptions in financial markets;
- changes in the directors or senior management of AFG, or if a director is charged with an indictable offense or a regulatory body publicly announces their intention to charge;
- breaches of certain representations or warranties;
- adverse changes in the assets or liabilities, financial position or performance, profits or losses or prospects of AFG or an AFG group company, including any adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of AFG from those disclosed to ASX in accordance with the Listing Rules prior to the date of this presentation; or
- AFG being prevented from allotting and issuing shares under the Offer or ASX indicating that it will not grant permission for the quotation of the shares to be issued under the Offer.
- AFG also gives certain representations, warranties and undertakings to the Lead Manager and an indemnity to the Lead Manager and its affiliates subject to certain carve-outs.

## Risks of dilution

Shareholders who do not participate in the Placement for a pro rata share, and/or do not take up all of their entitlements under the Entitlement Offer, will have their percentage security holding in AFG diluted. Further capital raisings or equity-funded acquisitions by AFG may dilute the holdings of investors. This may have an adverse impact on the price of AFG shares.

## Non-renounceable entitlements

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferrable. Accordingly, if shareholders do not take up their entitlement, they will not receive any value for these entitlements.

# Key risks – offer and general risks (continued)

## **Changes to legal, accounting and regulatory requirements**

An investment in shares may be adversely affected by legal, accounting and regulatory changes or requirements, and actions pursuant to such requirements. Potential changes to existing laws or the introduction of new laws could increase AFG's compliance costs and obligations. If AFG fails to comply with applicable laws or regulations, it may be subject to fines, injunctions, penalties, remediation, total or partial suspension of regulatory approvals or other sanctions that may have an adverse effect on an investment in shares.

Changes in accounting or financial reporting standards (including the interpretation, implementation or enforcement of the standards) may adversely impact the reported financial performance of AFG.

## **Changes to tax rates or laws**

Any change to the existing rate of company income tax may adversely impact shareholder returns, as may a change to the tax payable by shareholders. Any other changes to Australian tax law and practice (including the manner in which a tax law or tax regulation is applied or interpreted by a tax authority or court) that impacts AFG, or the mortgage broking industry generally, could also have an adverse effect on shareholder returns.

## **Payment of dividends**

The payment of dividends (if any) by AFG will be determined by the Board from time to time at its discretion, and will be dependent upon factors including the profitability, cash flow and capital requirements of AFG's business and the economy at the relevant time. No assurance can be given in relation to the level of franking of future dividends. Franking capacity will depend on the amount of Australian tax paid in the future, the existing balance of franking credits and other factors.

## **Other risks**

There may be other risks other than those set out above. Without limiting the generality of the preceding sentence, because of the current uncertain and rapidly changing macroeconomic environment caused by the COVID-19 pandemic and the actions being taken by Australian Federal and State Governments and governments of other countries, it is possible that new risks will emerge and the risks set out above may evolve in unforeseen ways that may have a material adverse impact on the AFG's operating and financial performance and on the value and price of AFG's shares.

**AFG**

# International Offer Restrictions

# International Offer Restrictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold in the institutional entitlement offer, in any country outside Australia except to the extent permitted below.

## European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

## Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# International Offer Restrictions (continued)

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

## United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

14 May 2020

## AFG announces completion of the institutional component of its Entitlement Offer and Placement

Australian Finance Group Limited (**AFG** or the **Company**) (ASX:AFG) is pleased to announce the successful completion of its fully underwritten placement to institutional and sophisticated investors (**Placement**) and the institutional component of its 1 for 5.5 pro-rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) of fully paid ordinary shares in the Company (**New Shares**) at an offer price of \$1.15 per New Share, details of which were previously announced to the ASX on Wednesday, 13 May 2020.

The Placement and the Entitlement Offer (together, the **Offer**) are expected to raise approximately A\$60 million.

Approximately \$46.9 million was raised across the Placement and the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**).

Certain AFG Directors and Management have committed to subscribe for approximately \$5 million of the Entitlement Offer and committed to sub-underwrite up to \$0.7 million of the Retail Entitlement Offer.

### Placement and Institutional Entitlement Offer

The Placement received strong demand from both existing shareholders and new institutional investors and the Institutional Entitlement Offer had a take-up rate by eligible institutional shareholders of approximately 92% (excluding AFG Directors). New Shares in respect of institutional entitlements not taken up under the Institutional Entitlement Offer and New Shares that would have represented the entitlements of ineligible institutional shareholders (**Shortfall Institutional Entitlement Shares**) were offered and placed to institutional and sophisticated investors. In determining allocations of the Shortfall Institutional Entitlement Shares and the Placement New Shares, AFG and the underwriter prioritised AFG's existing shareholders and used best endeavours to ensure that all eligible institutional and sophisticated investors who bid for their pro-rata share of the Placement or more were allocated a minimum of their pro-rata share and were not diluted by the Offer.

AFG Chief Executive Officer David Bailey commented: *"We are extremely pleased with the strong support displayed by both existing holders and new institutional investors for the Offer. This represents a clear endorsement of AFG's long term vision and efforts to maintain business momentum during this period of market disruption. The Offer will serve to further strengthen our capital position, support future growth of AFG Securities and allow the Company to continue to deliver its long term multi-tiered approach for growth."*

Approximately 40.8 million New Shares subscribed for under the Placement and Institutional Entitlement Offer are expected to be settled on Friday, 22 May 2020 and to be issued and commence trading on the ASX on Monday, 25 May 2020. New Shares issued under the Offer will rank equally with existing AFG ordinary shares as at their date of issue, however New Shares issued under the Placement will not be entitled to participate in the Entitlement Offer.

The Company's ordinary shares are expected to resume trading on the ASX on an ex-entitlement basis from market open today (Thursday, 14 May 2020).

### **Retail Entitlement Offer**

The retail component of the Entitlement Offer, which is fully underwritten, is expected to raise a further \$13.1 million (the **Retail Entitlement Offer**). The Retail Entitlement Offer is expected to open on Wednesday, 20 May 2020 and close on Tuesday, 2 June 2020.

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), Friday, 15 May 2020, will have the opportunity to invest in New Shares at the offer price of A\$1.15 per New Share under the Retail Entitlement Offer. Further details as to eligibility, as well as the terms and conditions under which eligible retail shareholders may apply for New Shares under the Retail Entitlement Offer, will be set out in the Retail Offer Booklet to be sent to eligible retail shareholders on Wednesday, 20 May 2020.

### **Further information**

Further information on the Offer is set out in the Investor Presentation separately lodged with ASX on Wednesday, 13 May 2020.

For further information in relation to the Retail Entitlement Offer, please contact the Offer Information Line on 1300 658 099 (within Australia) or + 61 1300 658 099 (from outside Australia) at any time between 8.30am and 5.00pm (Sydney time), Monday to Friday during the retail offer period. For other questions, please consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

**-ends-**

### **For further information:**

Alison Clarke  
Head of Corporate Communications  
Australian Finance Group Ltd  
[alison.clarke@afgonline.com.au](mailto:alison.clarke@afgonline.com.au)  
Mob: +61(0) 402781 367

## FORWARD LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of AFG, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of AFG's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19, and except as required by law or regulation, none of AFG, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to AFG as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of AFG, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events, or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

## NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the **US Securities Act**), as amended, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act (which AFG has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable U.S. state securities laws. This Presentation may not be distributed or released in the United States.

**The release of this announcement was authorised by AFG's Board of Directors.**



**Lisa Bevan**  
Company Secretary



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ABN 11 066 385 822

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 658 099
From outside Australia: +61 1300 658 099
ASX Code: AFG
Website: www.linkmarketservices.com.au

/001549

AB SAMPLE
AB SAMPLE
<SAMPLE A/C>
PO BOX 123
AUCKLAND 1111
NEW ZEALAND
NZL

SRN/HIN: X9999999999
Entitlement Number: 7777
Number of Existing Shares held as at the Record Date, 7:00pm (Sydney time) on 15 May 2020: 12,100
Entitlement to New Shares (on a 1 New Share for 5.5 basis): 2,200
Amount payable on full acceptance at A\$1.15 per New Share: \$2,530.00

Retail Entitlement Offer Closes 5:00pm (Sydney time): 2 June 2020

ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Retail Shareholder you are entitled to acquire 1 New Share for every 5.5 Existing Shares that you hold on the Record Date, at an Offer Price of A\$1.15 per New Share. This is an important document and requires your immediate attention.

IMPORTANT: The Retail Entitlement Offer is being made under the Retail Entitlement Offer Booklet dated 20 May 2020. The Retail Entitlement Offer Booklet contains information about investing in the New Shares.

If you do not have a paper copy of the Retail Entitlement Offer Booklet, you can obtain a paper copy at no charge, by calling the Australian Finance Group Ltd Offer Information Line on 1300 658 099 (within Australia) or +61 1300 658 099 (from outside Australia) between 8.30am and 5.00pm (Perth time) Monday to Friday.

Capitalised terms used in this Entitlement and Acceptance Form not otherwise defined have the meaning given to them in the Retail Entitlement Offer Booklet.

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip.



Billers Code: 318386
Ref: 3938100000012345

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.



Please detach and enclose with payment

SRN/HIN: X000
Entitlement Number: 7

ABN 11 066 385 822



A Number of New Shares accepted (being not more than your Entitlement shown above)

Input field for number of shares

B Application Monies (Multiply the number in section A by A\$1.15)

A\$

Input field for application monies

C PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “AFG Retail Offer” and crossed “Not Negotiable”.

Form fields for Drawer, Cheque Number, BSB Number, Account Number, Amount of Cheque

D CONTACT DETAILS – Telephone number

Telephone number – after hours

Contact name

Input field for telephone number

Input field for telephone number after hours

Input field for contact name

00025+00000000000007552+0000000000+2065+17

# AUSTRALIAN FINANCE GROUP LTD

The Retail Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Retail Entitlement Offer Booklet and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire New Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Share Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Retail Entitlement Offer Booklet and this Entitlement and Acceptance Form in their entirety and that you acknowledge the matters, and make the warranties and representations set out in the Retail Entitlement Offer Booklet and this Entitlement and Acceptance Form;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Australian Finance Group Ltd.

## HOW TO APPLY FOR NEW SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$1.15.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application Monies

Enter into section B the total amount payable by you. To calculate the total amount multiply the number in Section A by A\$1.15.

#### C. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section C. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "AFG Retail Offer" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Australian Finance Group Ltd may treat you as applying for as many New Shares as your cheque, bank draft or money order will pay for.

#### D. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

### 3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Retail Entitlement Offer Booklet electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Share Registry by the close of the Retail Entitlement Offer.

#### Mailing Address

Australian Finance Group Ltd  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

Make sure you send your acceptance slip and Application Monies allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Sydney time) on 2 June 2020. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Australian Finance Group Ltd reserves the right not to process any acceptance slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Australian Finance Group Ltd Offer Information Line on 1300 658 099 (within Australia) or +61 1300 658 099 (from outside Australia) between 8:30am and 5:00pm (Perth time) Monday to Friday.**