



# Liberty Financial Group Full Year Results

**30 AUGUST 2021**

Presenting  
today...



**James Boyle**  
Chief Executive Officer



**Peter Riedel**  
Chief Financial Officer

# Agenda

**01** Business Update

**02** Financial Update

**03** Outlook

**04** Q&A

01

# Business Update



# Business

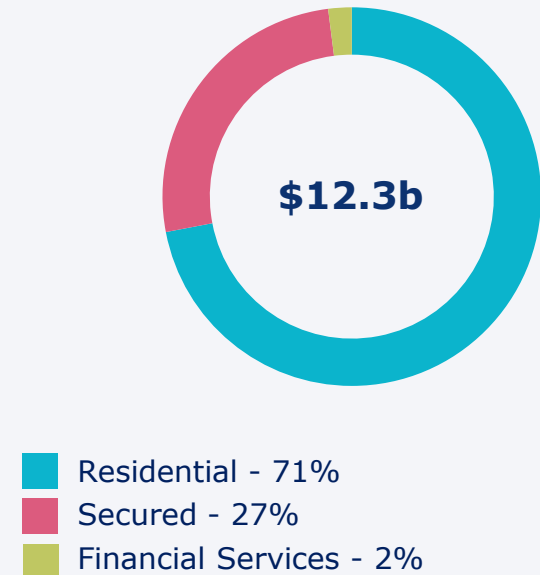
## Liberty Financial

- Started 1997 and only investment grade non-bank (BBB-/positive/A-3)
- Pioneered specialty finance industry in Australia and New Zealand
- Over 450 professionals, Melbourne head office
- Operates through three key segments: Residential Finance, Secured Finance and Financial Services

## Durable Business Model

- Advanced risk-management capabilities
- Proprietary technology supports operations
- STRONG S&P Servicer rating across all asset classes
- Diversified products, services, revenues and profits
- Unblemished capital markets track record

## Diversified Portfolio



# Strategy

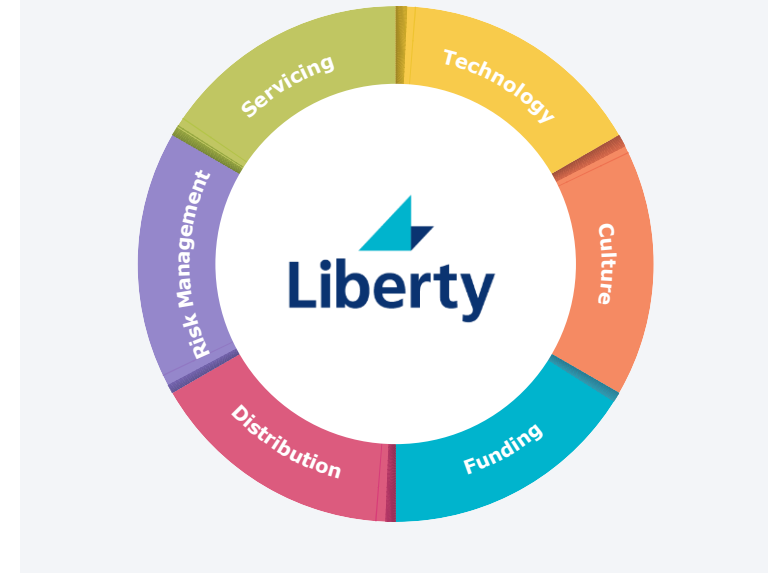
## Purpose



## Focus



## Capabilities



## Values



# Business Highlights

-  Ongoing growth in loan originations and average assets
-  Ongoing growth in net revenue and net profit
-  Continuing strength in return on assets
-  COVID portfolio risk exposure managed effectively
-  Strong capital and liquidity position
-  Investment-grade rating upgraded to positive outlook
-  Increased staff to support business growth

# Financial Highlights



## Underlying NPATA

\$226.0m (\$140.6m)

+61%



## Net revenue

\$600.1m (\$508.1)

+18%



## NIM

3.08% (2.65%)

+43bps



## BDD

0bps (28bps)

-28bps



## Cost to income

22.8% (24.7%)

-190bps



## Underlying ROA

1.9% (1.2%)

+70bps

\* Balances represent: FY21 (FY20) change between the periods

\* 'Underlying' means 'Pro-Forma' in Prospectus



# Business Highlights



## Average financial assets

\$12.0b (\$11.5b)

+4%



## New assets originated

\$4.1b (\$3.5b)

+17%



## COVID arrangements

\$84m (\$1,133m)

-93%



## FTE Staff

490 (434)

+13%



## Broker NPS

75 (63)

+19%



## Customer NPS

53 (49)

+8%

\* Balances represent: FY21 (FY20) change between the periods

# Prospectus Forecast

Key Metric FY21	Actual	Forecast
Avg earning assets	\$12.0b	\$11.9b
New loans originated	\$4.1b	\$3.5b
Total revenue	\$853m	\$838m
Net revenue	\$600m	\$542m
Underlying NPATA	\$226m	\$166m
NIM	3.08%	2.80%
BDD	0bps	27bps
Cost to income	22.8%	24.6%

Actual performance better than prospectus forecast across each key metric

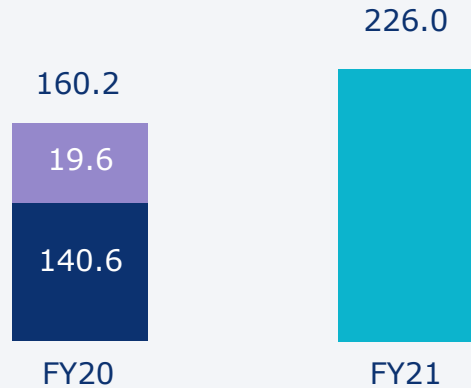
02

# Financial Update



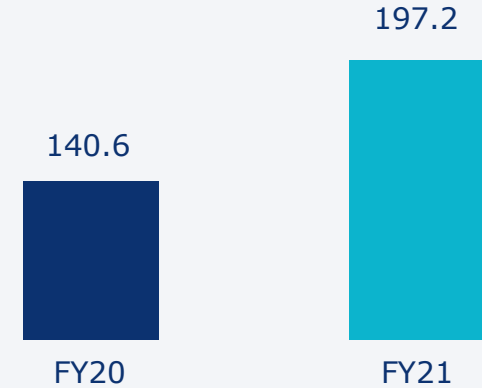
# Profit Performance

## Underlying NPATA (\$'m)



- ▶ Growth of 61% in FY21 compared to FY20
  - 41% growth excluding impact of \$19.6m COVID provisions

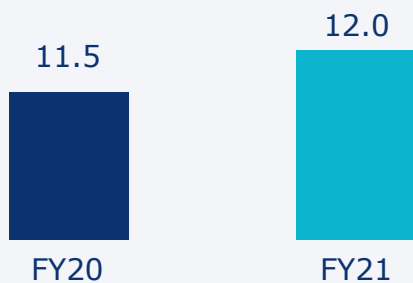
## Statutory NPATA (\$'m)



- ▶ One-time IPO costs explains difference between FY21 underlying NPATA and statutory NPATA
  - Personnel expenses (\$20.1m)
  - Costs of the IPO offer (\$12.4m)
  - One-time items consistent with Prospectus

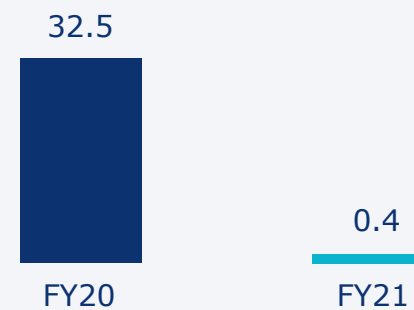
# Profit Drivers

## Average Assets (\$'b)



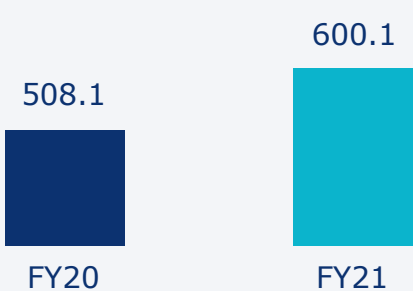
- New financial asset origination \$4.1b (v\$3.5b) growth of 17%
- Discharges (competition) and prepayments (affordability) increased
- Average asset growth 4%

## Impairment Cost (\$'m)



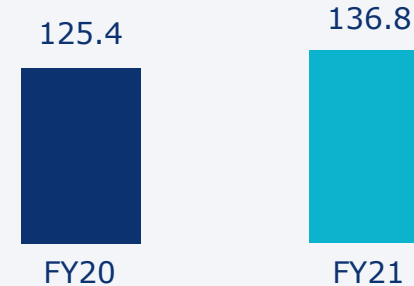
- FY20 result includes collective provision for COVID
- FY21 no expense as realised losses covered by prior provisions and no change in collective provision as COVID uncertainty remains

## Net Revenue (\$'m)



- Total revenue stable
- Increase in NIM to 3.08% (2.65%)
  - Lower funding margin (23bps)
  - Lower BBSW (15bps)
  - Asset mix (5bps)
- Net revenue growth 18%

## Operating Costs (\$'m)

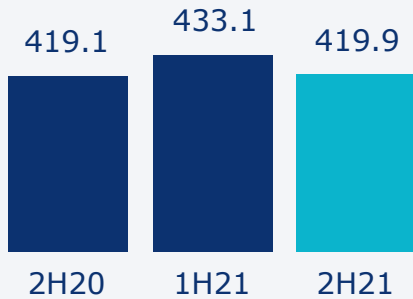


- Increase in FTE staff to 490 (434)
- Operating cost growth 9%
- Positive jaws as operating cost growth lower than net revenue growth

\* Operating costs = underlying

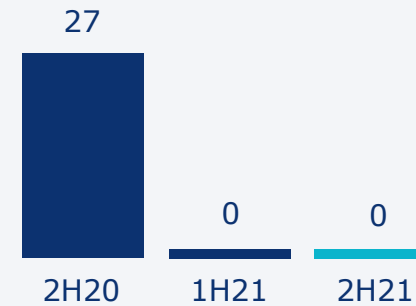
# Profit Drivers

## Total Revenue (\$'m)



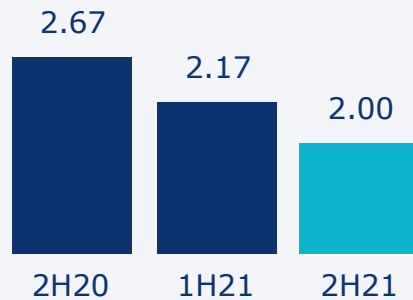
- Stable revenue 2H21 v 2H20
- Revenue decline 3% 2H21 v 1H21 from customer rate reductions following RBA rate cut

## BDD (bps)



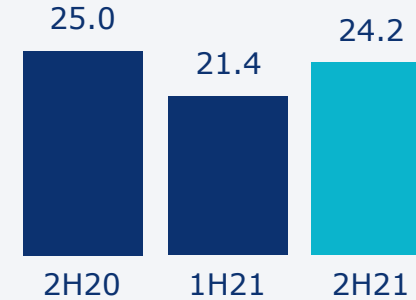
- 2H20 BDD driven by 23bps increase in collective provision for COVID
- 2H21 realised losses (3bps) lower than 2H20 (8bps) and 1H21 (4bps)

## Cost of Funding (%)



- RBA cash rate decreased 15bps in Nov-20 to 10bps
- BBSW decreased 8bps in Oct-20 to 1bps (1H21 avg 7bps; 2H21 avg 1bps)
- Reduction in cost of new funding

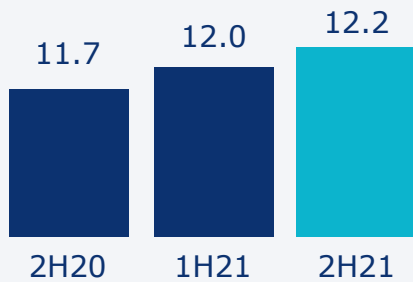
## Cost to Income (%)



- Reduced 2H21 underlying cost to income ratio v 2H20
- Increased 2H21 underlying cost-to-income ratio v 1H21 from increase in staff and M&A related costs
- Cost-to-income ratio 22.3% excluding M&A related costs

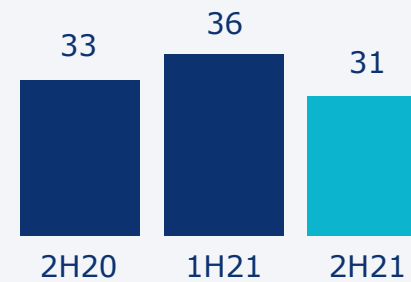
# Revenue

## Average Assets (\$'b)



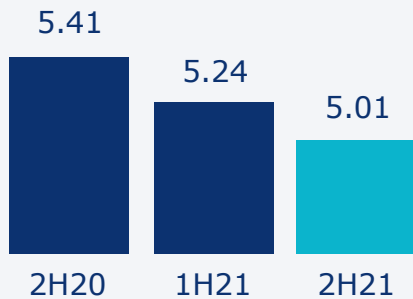
- Average asset growth 5% 2H21 v 2H20 and 2% v 1H21
- New financial asset origination \$2.1b (v\$2.0b 1H21 and \$1.7b 2H20)
- Discharges (competition) and prepayments (affordability) increased

## Lending Income (\$'m)



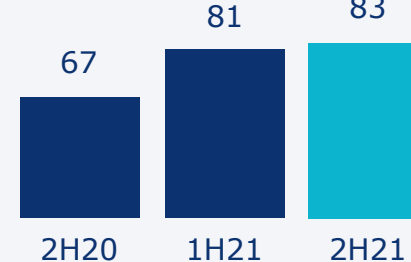
- Reduction in 2H21 as increasing loan life spreads fee income over longer period

## Yield (%)



- Reduction in residential 2H21 yield as RBA cash rate reduction passed onto customers (15bps)
- Reduction in secured 2H21 yield from change in asset mix

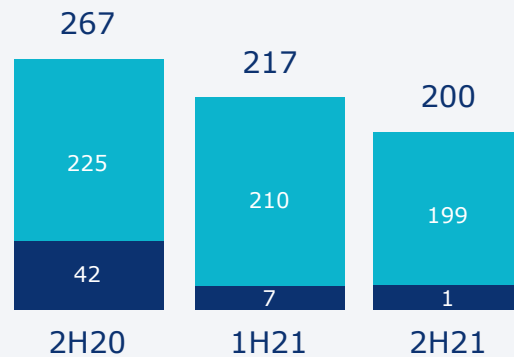
## Commission Income (\$'m)



- Growth in aggregation networks and loan origination

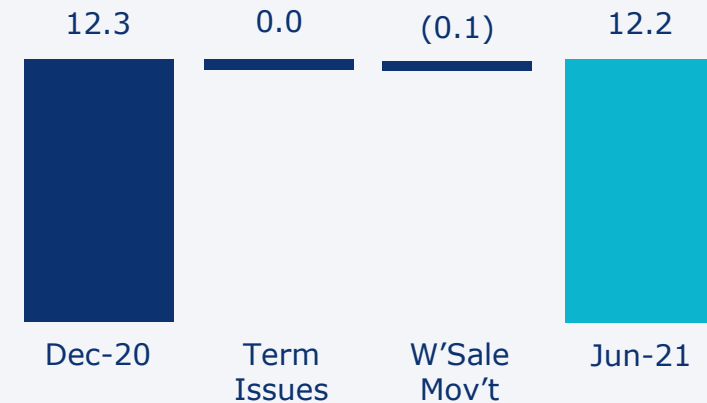
# Cost of Funds

Cost of Funds (bps)



- Reduction in average 1M BBSW from 7bps in 1H21 to 1bps in 2H21. Benchmark stable at 1bps since Dec-20
- Reduction in funding margin to 199bps in 2H21 from 210bps in 1H21 as new funding cost lower than existing funding

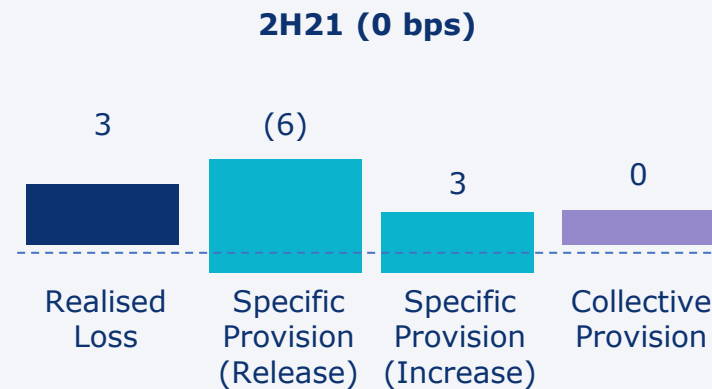
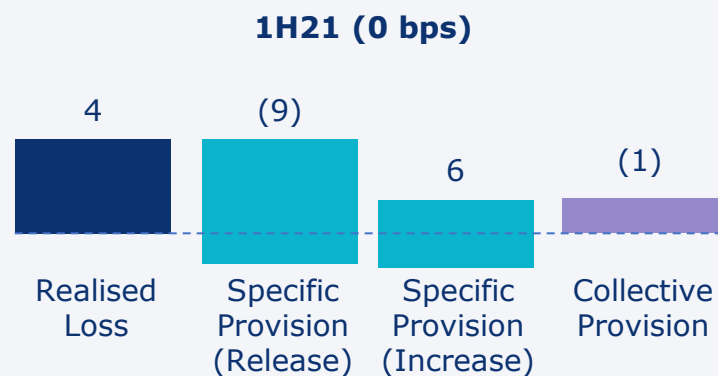
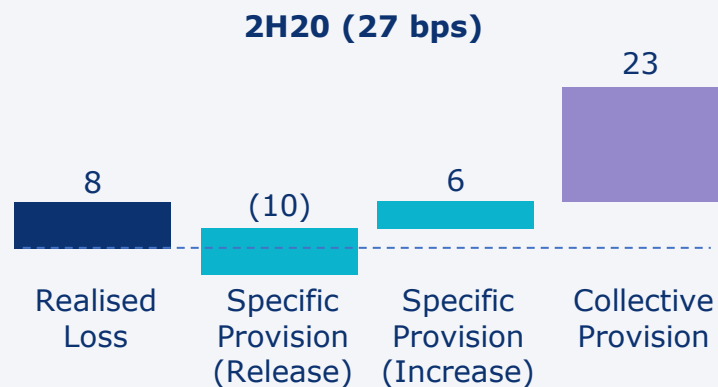
Total Financing (\$'b)



- Obtained \$2.6b new funding in 2H21 (\$4.9b in FY21)
- Wholesale funding stable at \$2.6b
- Funding availability increased to \$3.4b at Jun-21 (\$2.6b at Dec-20)
- Issued first five-year MTN maturity in May-21



# BDD



2H21 BDD (0bps) driven by

- Low realised losses (3bps) in absolute terms and in comparison to prior periods
- Release of specific provisions relating to write-offs (6bps)
- Increase in specific provisions (3bps) lower than prior periods
- Stable collective provision as economic uncertainty remains

# Cost to Income

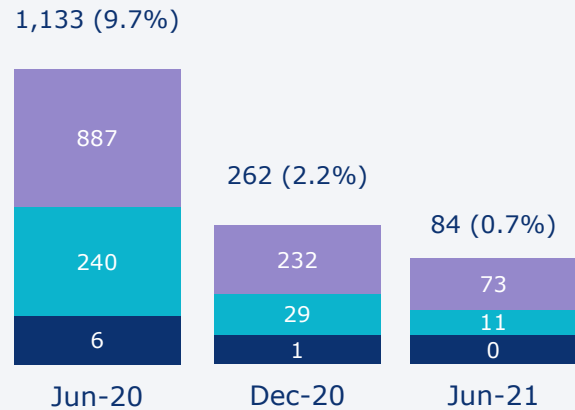
\$'m	2H20	1H21	2H21
Fees and commissions (gross)	94.5	106.3	99.9
<b>Operating expenses</b>			
Personnel	37.2	39.8	42.1
Other	28.2	25.1	29.8
IP amortisation	5.9	5.9	6.0
<b>Pro-forma</b>	<b>71.3</b>	<b>70.8</b>	<b>77.9</b>
Personnel expenses		20.1	
IPO offer costs		12.4	
<b>Statutory</b>	<b>71.3</b>	<b>103.3</b>	<b>77.9</b>
<b>Underlying cost to income</b>	<b>25.0%</b>	<b>21.4%</b>	<b>24.2%</b>

- Cost of commissions paid to brokers allocated over longer period with increasing loan life
- Personnel costs reflect increase in FTE to 490 (Jun-21) from 434 (Jun-20) to ensure service standards maintained
- Other expenses increased in 2H21 from non-recurring M&A related costs (\$6m)
- One-time IPO related expenses in 1H21 consistent with Prospectus disclosure
- Underlying cost to income in 2H21 (24.2%) reduces to 22.3% excluding non-recurring M&A related costs

Cost to income = Underlying personnel & other expenses / Net Revenue

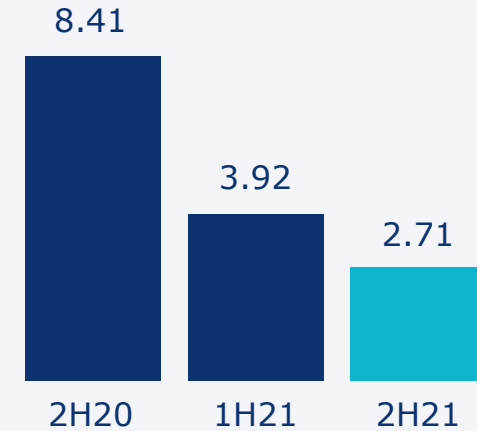
# COVID

## COVID impacted customers making partial payments (\$'m)



- Material reduction in customers impacted by COVID between Jun-20 and Jun-21
- Repayment rate of impacted customers has increased to \$0.59 (Dec-20=\$0.55; Jun-20=\$0.32)
- Marginal increase in identified COVID impacted customers since Jun-21

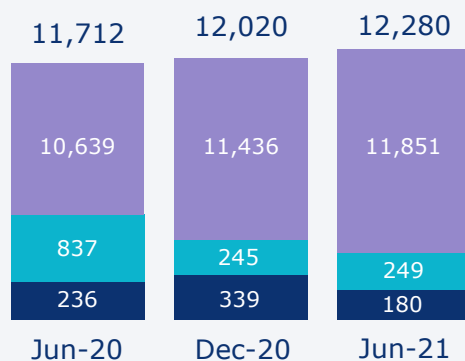
## +30 day delinquency (%)



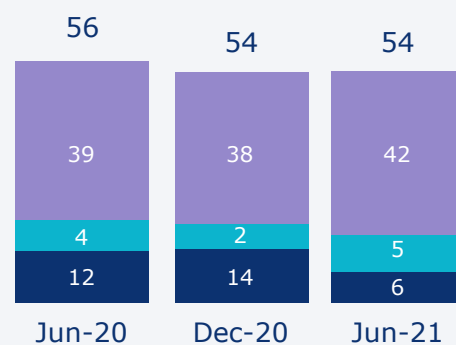
- Delinquency measures mirror COVID impacted customers: level at Jun-21 lower compared to high point at Jun-20
- Level at Jun-21 now below pre-COVID

# Loss Provisions

**Portfolio by Stage (\$'m)**



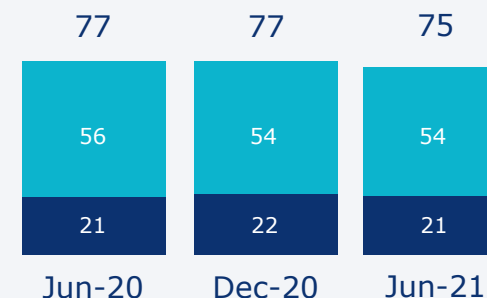
**Collective Provision by Stage (\$'m)**



- Stable Stage 2 balance v Dec-20 as COVID impact continues
- Reduced Stage 3 balance v Dec-20 and Jun-20 however economic uncertainty persists
- Proportion of customers in Stage 3 making active payments 58% at Jun-21 higher than Jun-20 (47%)
- Stage 3 customers making higher repayments at Jun-21 (\$0.89) than at Jun-20 (\$0.82)

Stage 1   Stage 2   Stage 3

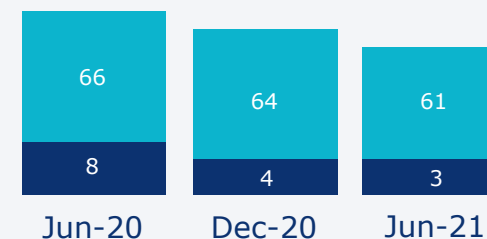
**Provisions by Nature (\$'m)**



Collective   Specific

- Specific provisions at Jun-21 (\$21m) consistent with prior periods
- Collective provisions at Jun-21 (\$54m) consistent with prior periods
- COVID overlay retained pending cessation of lockdown approach to COVID management (\$12m)

**Provision Coverage (bps)**

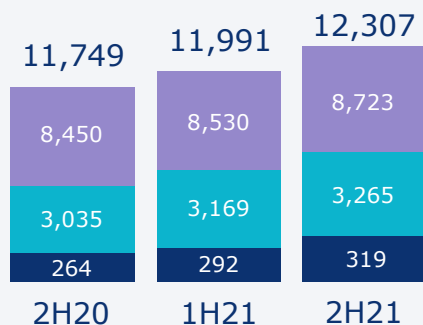


Provisions   Losses

- Total provisions at Jun-21 (61bps) provide 10 times coverage against annualised 2H21 realised losses (6bps)

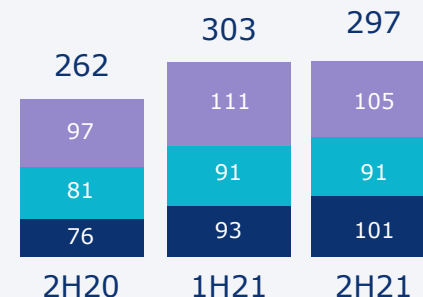
# Segments

## Average Assets (\$'m)



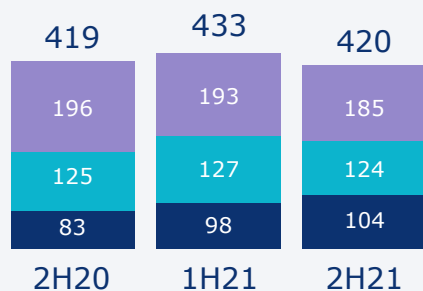
- Average asset growth in all segments in 2H21 v 2H20 and 1H21
- As expected, stronger growth achieved in smaller Secured and Financial Services segments.

## Net Revenue (\$'m)



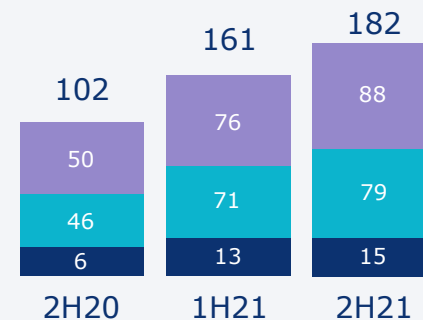
- Growth in 2H21 net revenue in all segments v 2H20 and 1H21

## Total Revenue (\$'m)



- Total revenue in 2H21 consistent with 2H20
- Total revenue in 2H21 lower than 1H21 in residential and secured from rate reductions, loan mix and increasing loan life

## Net Contribution (\$'m)



- Growth in 2H21 net contribution from all segments v 2H20 and 1H21

Residential    Secured    Fin Service

Net revenue = Total Revenue less Interest Expense  
Net Contribution = Net Revenue less direct expenses

# Financial Position

\$'m	Dec-20	Jun-21
Cash	771	604
Financial assets	11,976	12,239
Loans to related parties	236	157
Other assets	570	567
Financing	(12,280)	(12,236)
Other liabilities	(264)	(293)
<b>Net assets</b>	<b>1,009</b>	<b>1,038</b>
<b>Leverage ratio</b>	<b>13.4</b>	<b>13.1</b>

- ▶ Stable balance sheet and leverage
- ▶ Final unfranked distribution 24 cents per Security representing seven months' trust distribution in Liberty Financial Group Trust
- ▶ Interim distribution expected to be paid in December for 5 month earnings period to Nov-21








Leverage Ratio = Total Assets / Total Equity

03

Outlook



# Outlook

-  Economic indicators supportive of credit growth
-  Competition for customers will continue to be fierce
-  Providing support to more COVID impacted customers
-  Reducing borrowing cost should support NIM
-  Plan to launch expanded auto finance solutions
-  Continue investment in improving customer experience
-  Retain distribution payout of 40%-80% NPAT



04

Questions



# Appendix



# Profit or Loss

<b>\$'000</b>	<b>FY20</b>	<b>FY21</b>
Interest income	648,796	622,035
Other income	203,517	231,035
<b>Total revenue</b>	<b>852,313</b>	<b>853,070</b>
Finance expense	(532,777)	(459,138)
Bad and doubtful debts	(32,501)	(370)
Personnel expenses	(70,646)	(95,082)
Other expenses	(60,641)	(86,082)
<b>Profit before tax</b>	<b>155,748</b>	<b>212,398</b>
Income tax expense	(21,038)	(27,021)
<b>NPAT</b>	<b>134,710</b>	<b>185,377</b>
Amortisation of intangible assets	5,883	11,869
<b>NPATA</b>	<b>140,593</b>	<b>197,247</b>

# Reconciliation Statutory to Pro-Forma

\$'m	FY20	FY21
Statutory NPAT	134.7	185.4
IP Amortisation	5.9	11.8
<b>Statutory NPATA</b>	<b>140.6</b>	<b>197.2</b>
Non-recurring personnel costs	-	20.1
IPO offer costs	-	12.4
Tax effect of adjustments	-	(3.7)
Adjustments	-	28.8
<b>Underlying NPATA</b>	<b>140.6</b>	<b>226.0</b>

# Balance Sheet

<b>\$'000</b>	<b>Jun-20</b>	<b>Jun-21</b>
Cash and cash equivalents	498,467	603,869
Financial assets	11,658,874	12,239,391
Intangible assets	299,937	288,987
Loans to related parties	325,871	157,212
Other assets	252,917	277,708
<b>Total assets</b>	<b>13,036,066</b>	<b>13,567,167</b>
Financing	(11,792,107)	(12,235,935)
Other liabilities	(220,429)	(293,005)
<b>Total liabilities</b>	<b>(12,012,536)</b>	<b>(12,528,940)</b>
<b>Net assets</b>	<b>1,023,530</b>	<b>1,038,227</b>
Issued capital	719,000	719,000
Reserves and other	(148,056)	(121,381)
Retained earnings	452,586	440,608
<b>Total equity</b>	<b>1,023,530</b>	<b>1,038,227</b>

# Products & Services

## Residential Finance

### Australian mortgages

- Prime and custom lending for residential owner occupier and investment properties



### New Zealand mortgages

- Prime and custom lending for residential owner occupier and investment properties

## Secured Finance

### Motor finance

- Secured prime and custom lending for vehicles purchased privately and through dealerships in Australia



### Commercial finance

- Secured commercial property mortgages to SMEs and SMSFs for working capital, owner occupier loans and investment loans in Australia

## Financial Services

### Personal loans

- Personal loans in Australia



### SME loans

- SME loans in Australia



### General insurance underwriting and distribution

- Underwriter and distribution of LPI and VEI, distributor of home and contents and car insurance in Australia



### Life insurance distribution

- Designer and distributor of life insurance in Australia



### Broker network and aggregators

- Mortgage broker distributing loans and insurance products in Australia and New Zealand



### Investments

- A range of investment products for short and long-term investing in Australia and New Zealand



### Real estate

- Real estate services in New Zealand



Lending activities

Insurance underwriting

Loan and insurance distribution

Investments

Real estate

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