



Liberty Financial Group Half Year Results

28 FEBRUARY 2022



Presenting today...



James Boyle
Chief Executive Officer



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Chief Financial Officer



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Highlights



Highlights



Record loan originations with portfolio growth



Increased NIM against industry trend



Stable cost to income ratio



Stronger balance sheet with 22% ROE



COVID portfolio risk exposure managed effectively



Customer experience improvements through digitisation



Awarded 2021 Women in Finance Employer of the Year

Financial Highlights



Underlying NPATA

\$122.4m (\$117.7m)

+4%



Net revenue

\$324.9m (\$303.0)

+7%



NIM

3.14% (3.07%)

+7bps



BDD

-1bps (0bps)

-1bps



Cost to income

21.9% (21.4%)

+50bps



Underlying ROA

2.0% (2.0%)

Stable

*Balances represent: 1H22 (1H21) change between the periods

Business Highlights



Average financial assets

\$12.4b (\$11.9b)

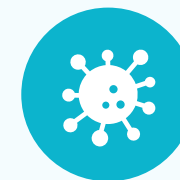
+4%



New assets originated

\$2.8b (\$2.0b)

+44%



COVID arrangements

\$84m (\$262m)

-68%



FTE Staff

501 (454)

+10%



Broker NPS

83 (75)

+11%



Customer NPS

63 (54)

+17%

*Balances represent: 1H22 (1H21) % change between the periods

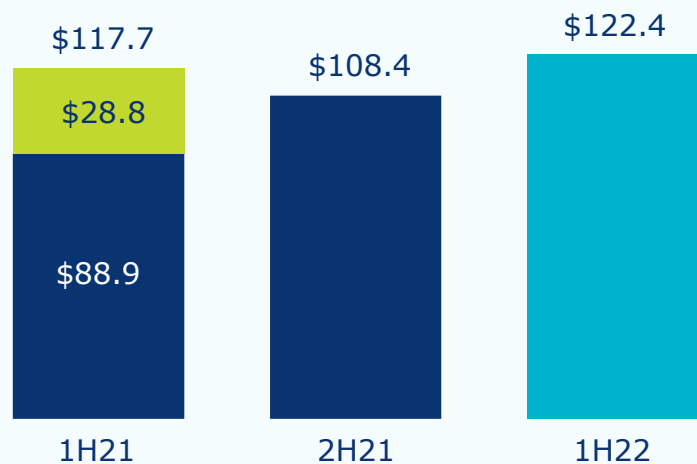
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Results Analysis



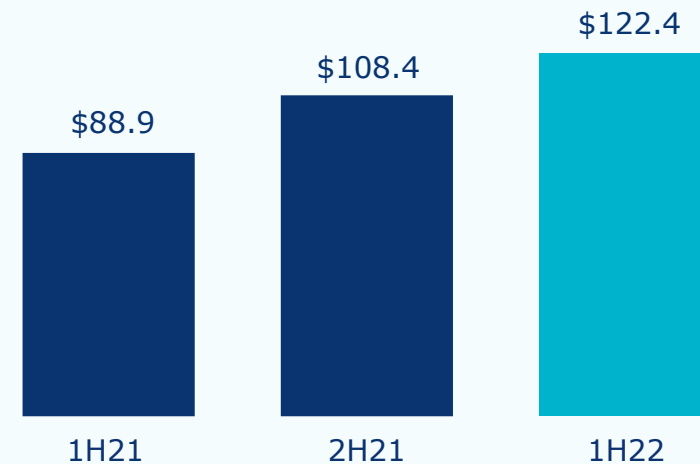
Profit Performance

Underlying NPATA (\$m)



- Growth in underlying NPATA
 - +38% compared to 1H21 or +4% excluding impact of IPO costs
 - +13% compared to 2H21

Statutory NPATA (\$m)

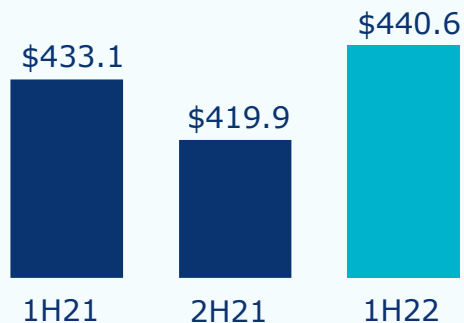


- One-time IPO costs explains difference between 1H21 underlying NPATA (\$117.7m) and statutory NPATA (\$88.9m)
 - Personnel expenses (\$20.1m)
 - Costs of the IPO offer (\$12.4m)
 - One-time items consistent with Prospectus

Profit Drivers

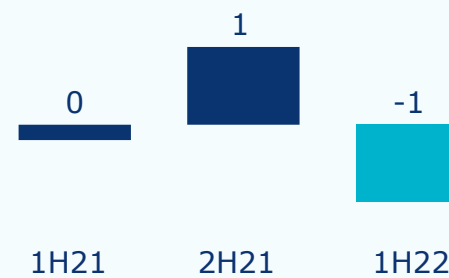


Total Revenue (\$m)



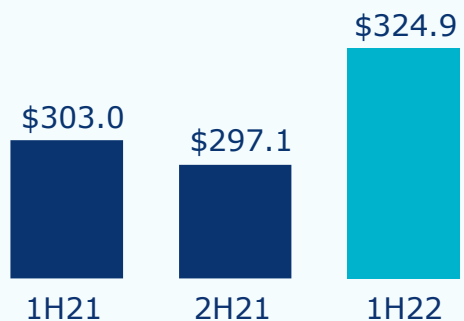
- Total revenue growth +5% (1H22 v 2H21) and +2% (1H22 v 1H21)
- Growth driven by increased average financial assets and continued growth in financial services segment

BDD (bps)



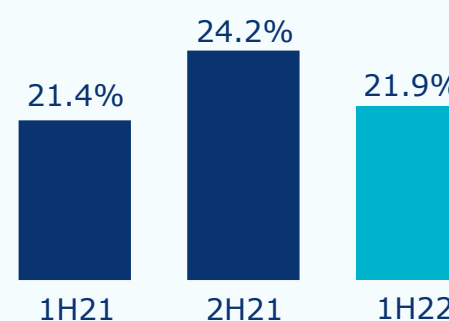
- Consistent period results as realised losses covered by prior provisions and no change in collective provision as COVID uncertainty remains

Net Revenue (\$m)



- Net revenue growth +9% (1H22 v 2H21) and +7% (1H22 v 1H21) driven by:
 - Increase in NIM to 3.14% (3.07% 2H21) (3.07% 1H21)
 - \$12m increase in commission income v 2H21 (\$12m v 1H21)
 - \$6m increase in lending income v 2H21 (\$1m v 1H21)

Cost to Income (%)



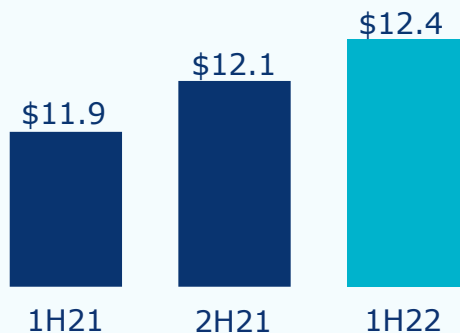
- Increase in FTE staff to 501 (454 1H21)
- Positive jaws with operating cost reduction (0.9% v 2H21) and net revenue growth (9.3% v 2H21)

*Net Revenue=Total Revenue less Interest Expense

Revenue

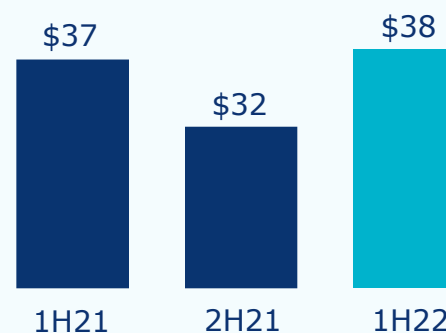


Average Assets (\$b)



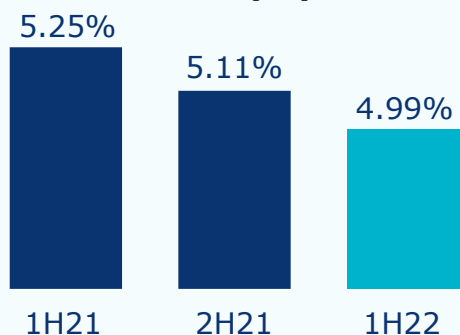
- Average asset growth +2% (1H22 v 2H21) and +4% (1H22 v 1H21)
- New financial asset origination \$2.8b (v\$2.1b 2H21 and \$2.0b 1H21)
- Loan discharges and prepayments influencing portfolio growth

Lending Income (\$m)



- Lending income stable 1H22 v 1H21
- Reduction in 2H21 as increasing loan life spreads fee income over longer period

Yield (%)



- Reduction in 1H22 yield to 4.99% from 2H21 (5.11%) due to
 - Origination yield below portfolio yield (-17bps)
 - Discharge and amortisation yield above portfolio yield (-2bps)
 - Asset mix towards higher yielding Secured and Financial Services segments (+7bps)

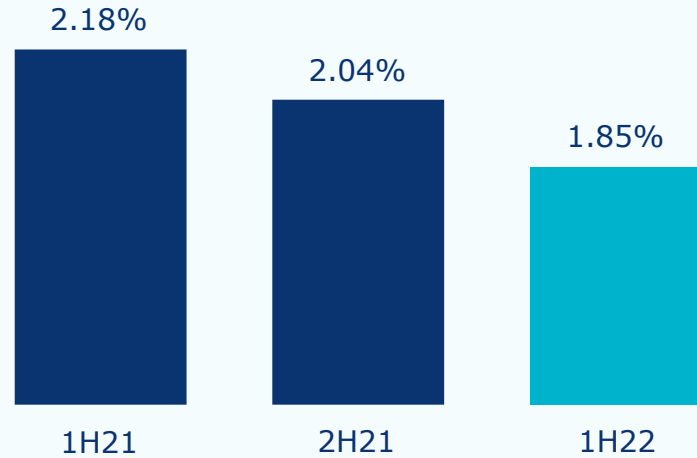
Commission Income (\$m)



- Growth in loan origination from growing aggregation networks

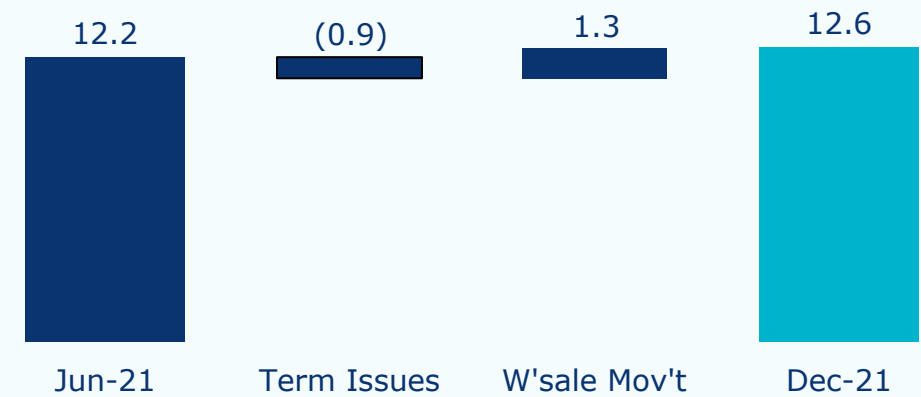
Funding

Cost of Funds



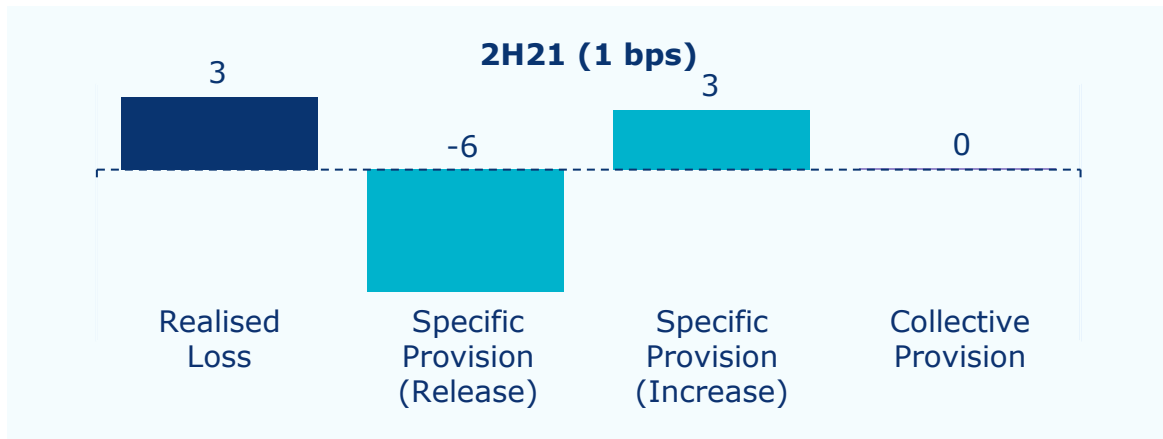
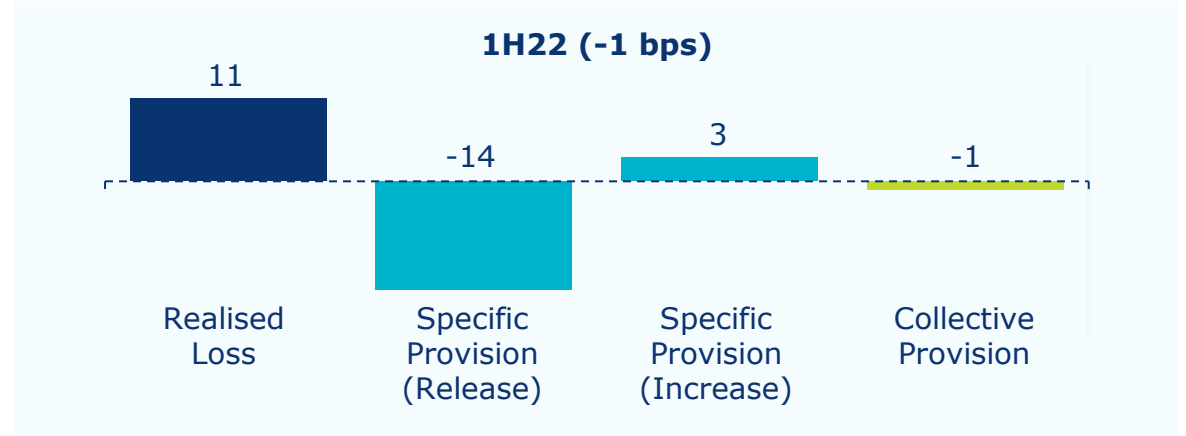
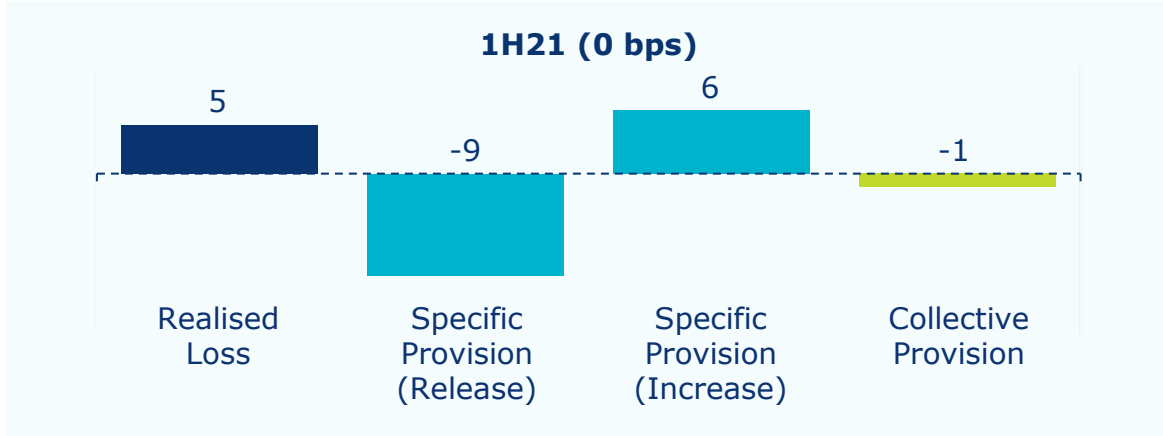
- Reduction in average 1M BBSW from 7bps in 1H21 to 1bps in 2H21 and 1H22.
- Reduction in funding margin to 184bps in 1H22 (from 211bps in 1H21) as cost of new funding lower than existing debt

Total Financing (\$b)



- Obtained \$2.5b new funding in 1H22
- Wholesale funding limit increased to \$6.6b (\$5.8b at 30-Jun-21) in excess of LTM loan originations (\$5.0b)
- Issued Auto ABS (\$350m) and RMBS (\$1.1b) in February
- March MTN maturity to be funded from excess capital with new MTN issue to follow results release subject to market conditions

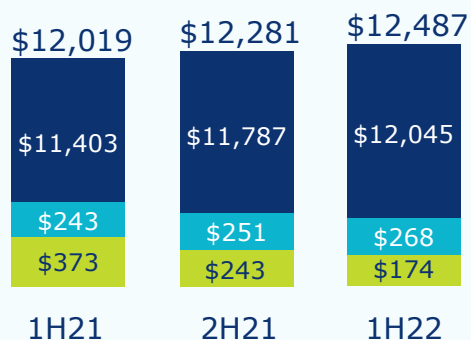
BDD



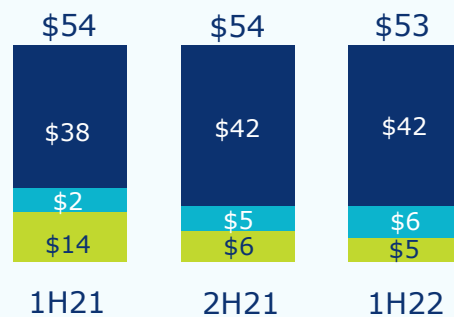
- 1H22 BDD (-1bps) driven by
 - Realised losses (11bps) (one loan contributed 7bps) offset by specific provision release relating to write-offs (14bps)
 - Increase in specific provisions (3bps) stable
 - Stable collective provision as economic uncertainty remains

Loss Provisions

Portfolio by Stage (\$m)



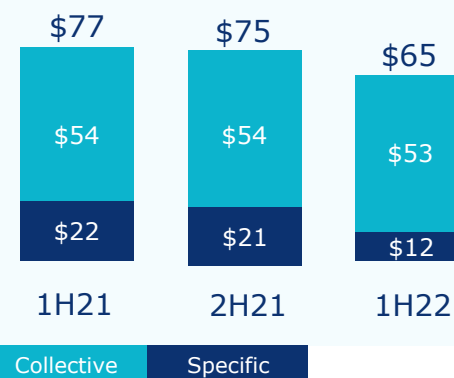
Collective Provision by Stage (\$m)



- Slight increase in Stage 2 balance v Jun-21 as COVID impact continues
- Reduced Stage 3 balance v Jun-21 and Dec-20 however economic uncertainty persists
- Proportion of customers in Stage 3 making active payments 67% at Dec-21 lower than at Jun-21 (72%)
- Stage 3 customers making higher repayments at Dec-21 (\$1.07) than at Jun-21 (\$0.88)

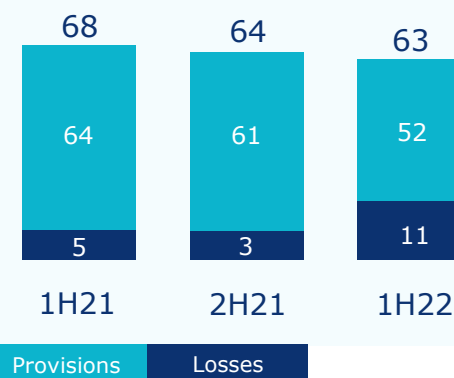
Stage 1 Stage 2 Stage 3

Provisions by Nature (\$m)



- Specific provisions at Dec-21 (\$12m) lower than prior periods with discharge of one significant loan
- Collective provisions at Dec-21 (\$53m) consistent with prior periods
- COVID overlay retained pending cessation of lockdown approach to COVID management (\$10m)

Provision Coverage (bps)



- Total provisions at Dec-21 (63bps) provide 8 times coverage against annualised 1H22 underlying realised losses (4bps)

Cost to Income

\$m	1H21	2H21	1H22
Fees and commissions (gross)	106.3	99.9	116.1
Operating expenses			
Personnel	36.6	38.4	42.4
Other	28.3	33.5	28.9
IP amortisation	5.9	6.0	5.9
Underlying	70.8	77.9	77.2
Personnel expenses	20.1		
IPO offer costs	12.4		
Statutory	103.3	77.9	77.2
Underlying cost to income	21.4%	24.2%	21.9%

- Growth in gross fees and commission expense largely from higher loan origination in aggregation networks
- Net fees and commissions increased to \$12.9m in 1H22 (v \$11.2m 1H21)
- Personnel costs reflect increase in FTE to 501 from 454 (Dec-20) to support growth and innovation
- Other expenses in 1H22 stable v 1H21 and lower than 2H21 due to non-recurring M&A related costs (\$6m)
- Underlying cost to income in 1H22 (21.9%) largely consistent across the periods excluding non-recurring costs

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

Financial Position



\$m	Jun-21	Dec-21
Cash	604	769
Financial assets	12,239	12,463
Loans to related parties	157	115
Other assets	567	596
Financing	(12,236)	(12,599)
Other liabilities	(293)	(247)
Net assets	1,038	1,098
Leverage ratio	13.1	12.7

- Stable balance sheet and leverage
- Investment grade rating BBB- (positive outlook) affirmed following analysis of FY21 results
- Annualised ROE 22% with modest leverage
- Interim distribution 21 cents paid for 5 month earnings period to Nov-21. Implies an annualised yield of 9% based on security price of \$5.50
- Final distribution for 7 month earnings period to 30-Jun-22 expected to be paid end Aug-22. Retain distribution payout policy of 40-80% NPAT

Leverage Ratio = Total Assets / Total Equity




03

Business Update

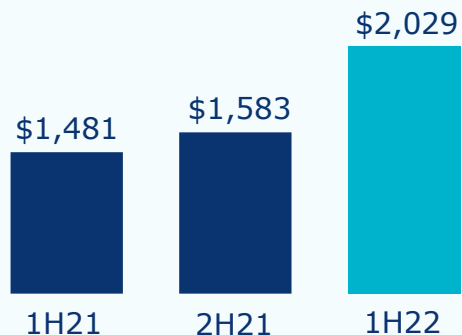


Business Update

-  Record loan originations with portfolio growth
-  Group NIM increase counter to trend
-  Residential activity increase maintaining portfolio
-  Renewal of New Zealand management
-  Secured ongoing growth supported by SME
-  Secured continuing work on refreshed Motor platform
-  Fin Services fees benefiting from increased activity

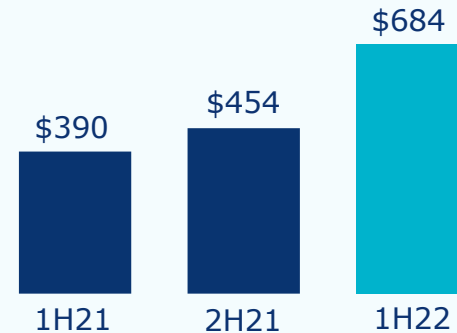
Segment Loan Origination

Residential (\$m)



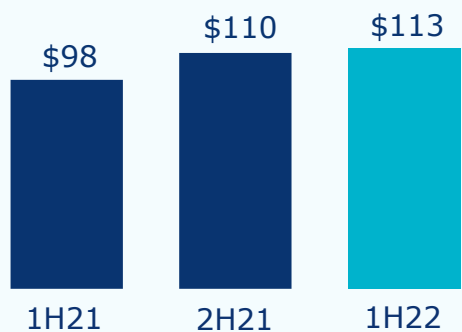
- Continued growth in new residential loan origination given strong demand for credit

Secured (\$m)



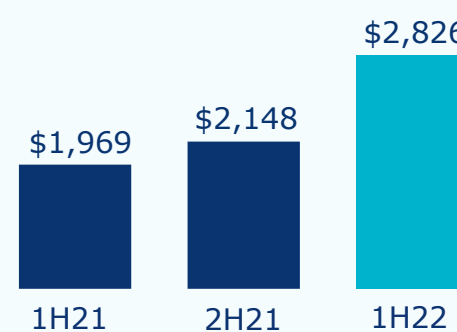
- Continued growth in new SME loan origination as small business recovers from COVID lockdown
- Stable new motor loan origination as continued impact from lockdown and supply chain constraints

Fin Services (\$m)



- Fierce competition for new personal loan origination
- New secured personal loan offering gaining traction

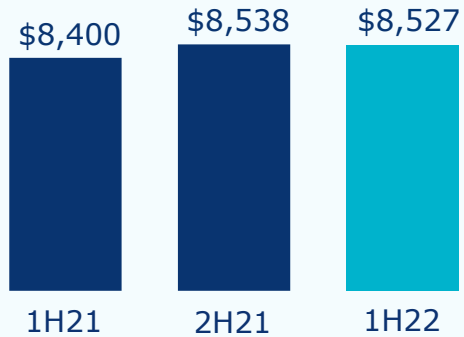
Group (\$m)



- FY22 new loan origination on track to exceed FY21

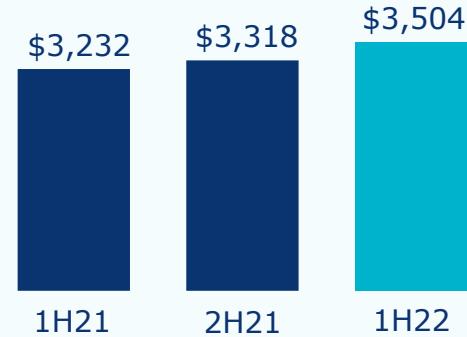
Segment Loan Portfolio

Residential (\$m)



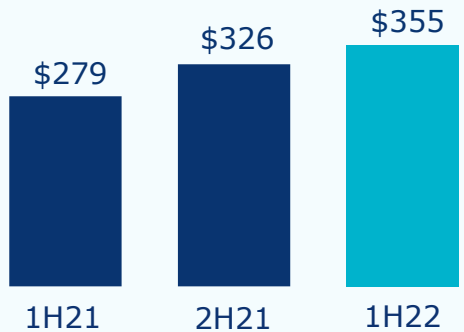
Consistent portfolio given higher than trend discharges and amortisation

Secured (\$m)



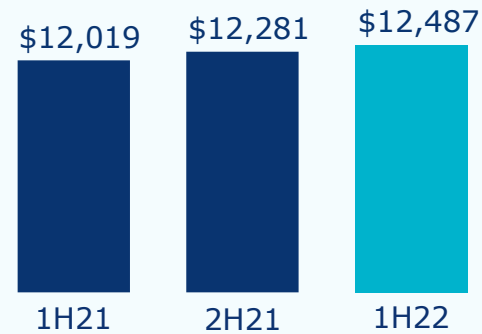
Continued growth in Secured loan portfolio
Steady discharges and amortisation

Fin Services (\$m)



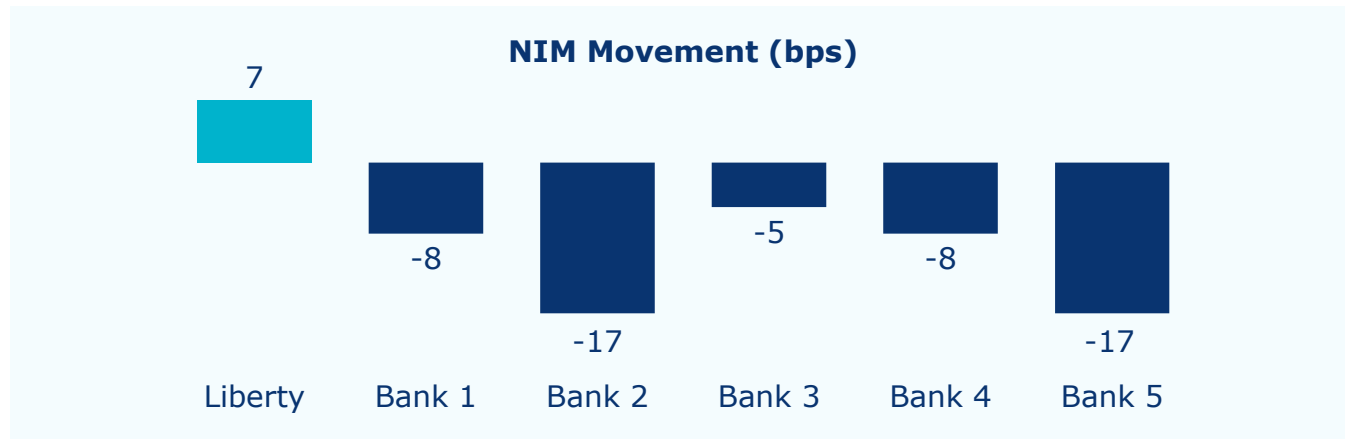
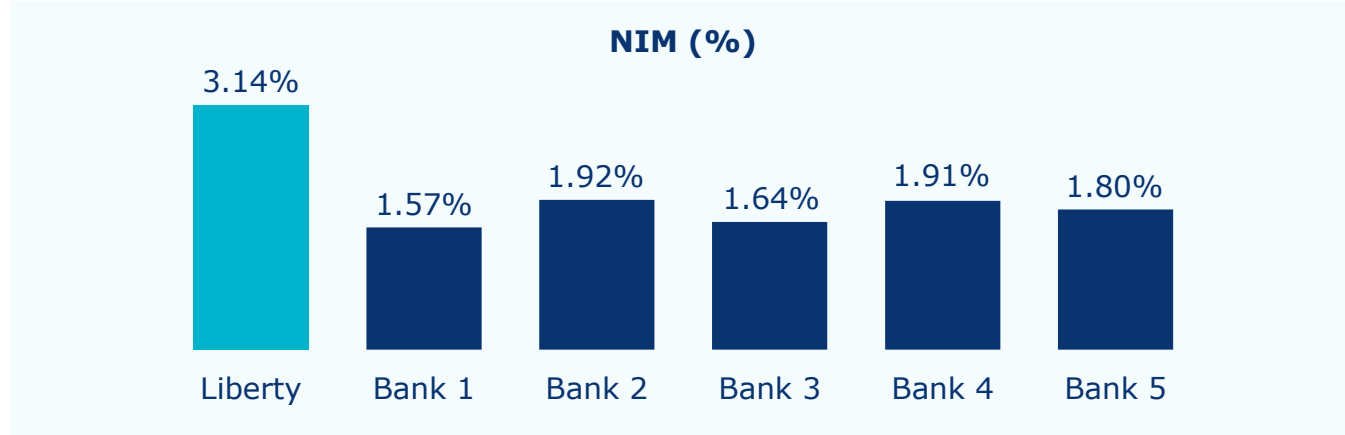
Continued growth in personal loan portfolio

Group (\$m)



FY22 portfolio growth on track to exceed FY21
FY22 portfolio mix on track to continue move toward Secured

NIM Industry Analysis

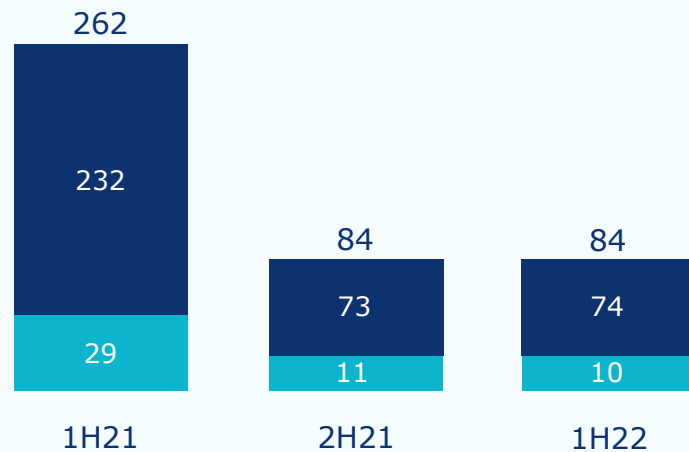


- Premium NIM notwithstanding cost of funds disadvantage
- NIM expansion despite market led price competition
- Asset mix diversification strategy supportive of NIM expansion
- Demonstrated focus on risk adjusted return and building durable business value

All data at most recent reporting period

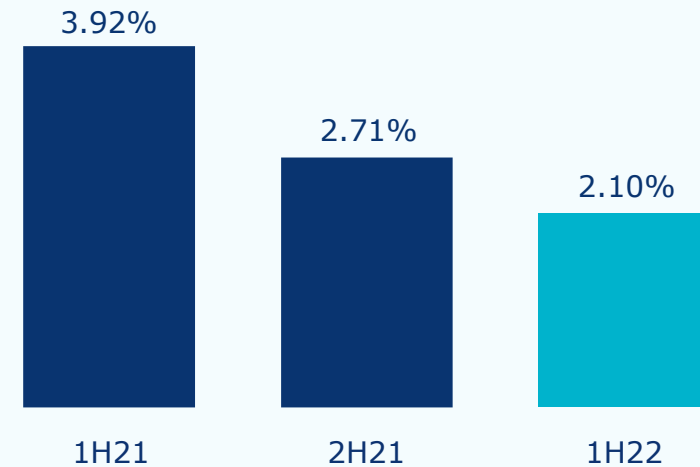
COVID Payment Arrangements

COVID impacted customers making partial payments (\$m)



Material reduction in customers impacted by COVID between Dec-20 and Dec-21

+30 day delinquency (%)



Delinquency measures mirror COVID impacted customers: level at Dec-21 lower at each comparative period
Level at Dec-21 below pre-COVID

Residential Secured Fin Service

04

Outlook



Outlook



Economic indicators support slower credit growth



Refinance activity to continue at likely slower rate



Reducing customer COVID support needed



Reducing borrowing cost should support NIM



Launch of expanded auto finance solutions



Continue investment in improving customer experience

05

Summary



Summary

-  Measured growth in financial asset portfolio
-  Diversity of customer solutions adds business value
-  NIM expansion contrary to industry trend
-  Continued growth in earnings
-  Strong liquidity and capital position to support growth
-  Customer service focussed
-  Retain distribution payout of 40-80% NPAT

06

Questions



Appendix



Who is LFG?

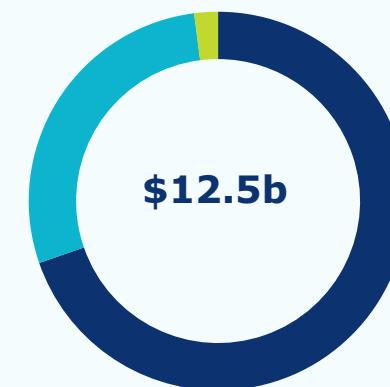
Liberty Financial

- Started 1997 and only investment grade non-bank (BBB-/positive/A-3)
- Pioneered specialty finance industry in Australia and New Zealand
- Over 500 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



- Residential - 69%
- Secured - 28%
- Financial Services - 3%

Products and 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

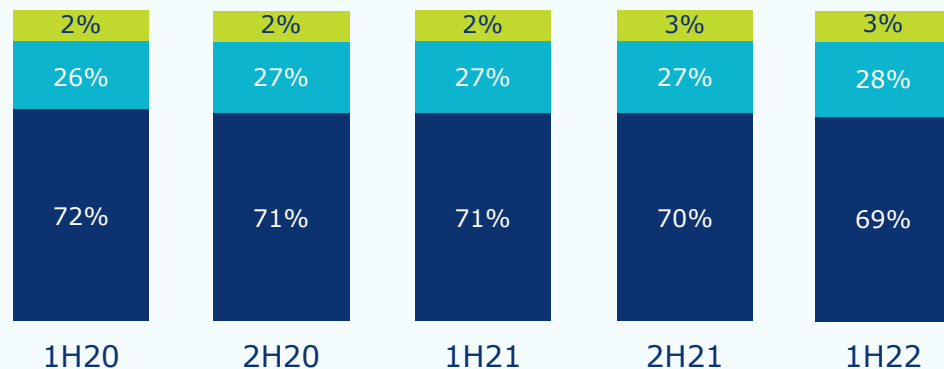
Investments

Real estate

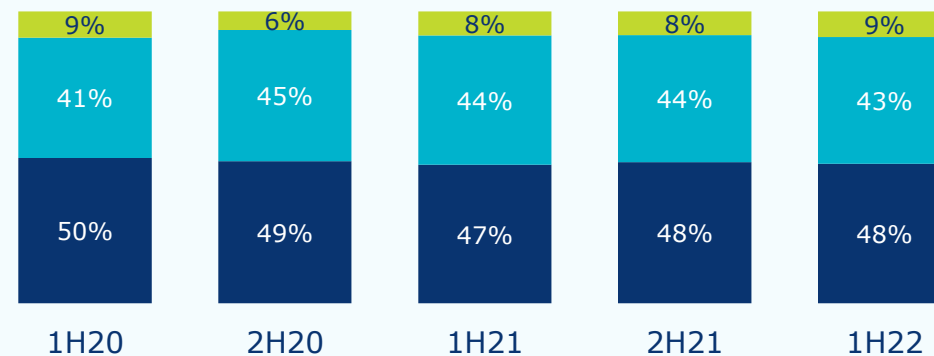


Segment Performance

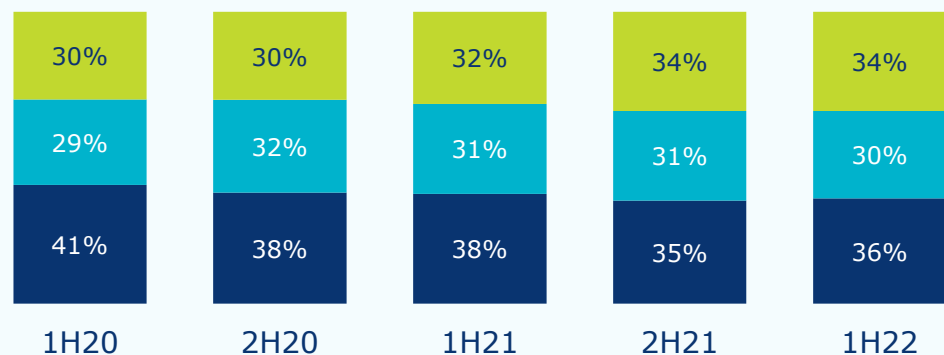
Portfolio



Net Contribution



Net Revenue



- Relative segment portfolio mix continues its trajectory toward Secured and Financial Services
- Higher yielding Secured and Financial Services assets generate materially higher relative contribution to group net revenue and contribution
- These trends are expected to continue into future periods supporting efficient earnings growth

Profit or Loss

\$000	1H21	1H22
Interest income	313,956	311,660
Other income	119,179	128,957
Total revenue	433,135	440,617
Finance expense	(236,440)	(231,831)
Bad and doubtful debts	260	1,685
Personnel expenses	(56,701)	(42,356)
Other expenses	(46,550)	(34,851)
Profit before tax	93,704	133,264
Income tax expense	(10,700)	(16,814)
NPAT	83,004	116,450
Amortisation of intangible assets	5,883	5,918
NPATA	88,887	122,368

Reconciliation Statutory to Pro-Forma

\$m	HY21	HY22
Statutory NPAT	83.0	116.5
IP Amortisation	5.9	5.9
Statutory NPATA	88.9	122.4
Non-recurring personnel costs	20.1	-
IPO offer costs	12.4	-
Tax effect of adjustments	(3.7)	-
Adjustments	-	-
Underlying NPATA	117.7	122.4

Balance Sheet

\$000	Jun-21	Dec-21
Cash and cash equivalents	603,869	769,011
Financial assets	12,239,391	12,463,319
Intangible assets	288,987	282,871
Loans to related parties	157,212	115,349
Other assets	277,708	313,219
Total assets	13,567,167	13,943,769
Financing	(12,235,935)	(12,598,873)
Other liabilities	(293,005)	(246,729)
Total liabilities	(12,528,940)	(12,845,602)
Net assets	1,038,227	1,098,167
Issued capital	719,000	719,000
Reserves and other	(121,381)	(114,582)
Retained earnings	440,608	493,749
Total equity	1,038,227	1,098,167

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