

24 November 2023

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

Dear Sir/Madam

**2023 AGM Address to Shareholders**

The Company will address shareholders today at its Annual General Meeting to be held at 9:00am Western Standard Time at Level 4, 100 Havelock Street, West Perth WA.

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the joint Chair and CEO address and accompanying presentation.

The live feed of the AGM can be accessed at: <https://meetings.linkgroup.com/AFG23>.

Shareholders will need their SRN/HIN and registered postcode if they would like to vote and/or ask questions online. These details can be retrieved from the shareholders proxy form or their holding statement.

Authorised for disclosure by:



**Michelle Palethorpe**  
General Counsel and Company Secretary  
Australian Finance Group Ltd

**CONTACT DETAILS**

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

Mob 0402 781 367  
Tel (08) 9420 7888

# Annual General Meeting



24 November 2023

## Address to shareholders

### Chair

Good morning, everyone.

On behalf of the board and management of AFG I would like to welcome you to the 2023 Australian Finance Group Limited Annual General Meeting. My name is Greg Medcraft, and I am the Chair of AFG.

#### Acknowledgement of country

To begin, we would like to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk people of the Noongar nation, and acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

#### Housekeeping

Today's Annual General Meeting is a hybrid meeting. It is being held physically at the Perth offices of AFG and I welcome shareholders and visitors who have attended in person.

The meeting is also being conducted online via the Link Group Virtual Meeting Platform to permit non-Perth based shareholders and stakeholders to attend. This allows shareholders, proxies and guests to attend the meeting virtually, and watch a live webcast of the meeting.

I would like to extend my welcome to shareholders and visitors attending virtually. As a hybrid meeting, shareholders and proxies attending online have the ability to ask questions and submit votes during the meeting. Instructions on participating in the online meeting can be found in the Notice of Meeting available on the ASX platform.

For those present, as a courtesy to others please turn off or silence your mobile phone.

#### FY23 highlights

The 2023 financial year showed the importance of AFG's diversification strategy with the company reporting record revenue despite a challenging period for the sector and for mortgage holders across the country.

At our full year results released in August, we demonstrated that AFG's strategy to diversify income streams contributed to a successful navigation of residential mortgage industry headwinds. The Group's Return on Equity remains strong at 24% and reflects our prudent approach to capital management and the decision we took during the year with our Securities business to protect long term shareholder returns rather than chase volume at sub-economic returns.

I will touch on this again in a moment.

AFG's net profit after tax for the full year ended 30 June 2023 was \$37.3 million, while underlying net profit after tax, which is a proxy for cash generation after primarily adjusting for the non-cash impact of trail book accounting, was \$48.3 million, with strong growth from new markets and our strategic investments contributing 32% of profit.

AFG paid \$43.8 million in dividends this year. The FY23 payout ratio was 60%, with a full year dividend of 10.7 cents per share.

### **Distribution**

In Residential Finance mortgage brokers remain the channel of choice for the origination of home loans for both customers and lenders, now consistently accounting for around 70% of all originations in Australia. As a large and consistent player in the Australian market we participate in this increasing dominance.

Brokers provide three things for all Australians:

1. Trust – supported by their legal Best Interests Duty which is not applicable to direct lenders.
2. Choice – beyond a single lender to dozens of lenders and thousands of mortgage products.
3. Competition

In my view these factors will continue to drive that 70% figure even higher in coming years and therefore deliver further growth for AFG.

Brokers also support their customers. Over the past 18 months, the average rate to Australian mortgage customers has increased from below 3% to now be sitting above 6%. This unprecedented pace of increase together with fewer competitive lenders and cheap fixed rate mortgages converting into higher variable rates, has meant all eyes have been on the market, with extensive media commentary on the pressures facing borrowers.

In a rising interest rate environment, our brokers will continue to work with their customers to navigate these changes. The assistance they provided their customers facing fear and uncertainty at the onset of the pandemic demonstrates that they have the skills and capacity to help in these difficult times.

Our white label earnings held up, again benefiting from trail, despite a reduction in volume.

The Commercial Finance market is one we have been focused on for some time. The sector has experienced 10% annual credit growth over the last two years, and we see the potential to replicate the success the broker channel has had in the residential market. Broker market share in the commercial sector currently sits between 20% and 30%. AFG's strategic investments in this market will provide further opportunities for our broker network and for AFG through both distribution and manufacturing opportunities.

In the Asset Finance market, our settlements have nearly doubled from the previous year, and we see significant growth continuing in the coming years.

## **Manufacturing**

The business made a strategic decision, as I mentioned earlier, to not compete on price against lenders whose funding costs were structurally lower as a result of government fixed rate funding and a slowness to raise deposit rates. This did result in a drop in volumes for our own lending arm, AFG Securities, but is a sound decision made in the interests of the long-term sustainability of our business.

However, with deposit rates now lifting, less prevalence of cashbacks in the market and RMBS spreads tightening, we expect once again to be more competitive.

Longer term we need to think about a public RMBS market to complement the private one, to create a more level and sustainable playing field against the major banks, lowering borrowing costs to benefit all Australians. This will also broaden the investor base of RMBS to investors like our three trillion-dollar superannuation fund sector especially as the demand for fixed income rises as more Australians move into retirement. Over the last 12 months I have been heavily involved in advocating such a strategy to the Australian government and to our industry.

## **On Sustainability and Board matters**

AFG remains committed to driving value for all stakeholders through operating our business in a sustainable and socially responsible manner. Our sustainability reporting, now in its third year, is continuing to align our business practices with sound sustainability principles.

For AFG, our strongest commitment to our social licence is to continue to deliver choice and competition to all Australian borrowers.

I would like to thank my fellow board members, including Tony Gill who resigned from the board after 15 years of service to the company, for their counsel and support, since assuming the role of Chair in April of this year. The sound governance processes that have served the business so well will be my continuing focus.

In closing, I again extend my thanks to those of you able to attend our meeting in person or online today, and for all shareholders who have taken the time to participate in today's meeting through the proxy voting process. I would also like to personally extend my thanks to our brokers for the value they deliver to their customers, and I look forward to the year ahead as we work to deliver on our core promise of creating a fairer financial future for all.

I would now like to hand over to our CEO, David Bailey.

## **CEO**

Thank you, Greg.

I would also like to extend my thanks to our shareholders, both here and online, for your participation in today's meeting.

### **FY23 highlights**

Despite the volatility in the external environment, we were pleased to report growth in revenue, with the strength of our experienced and valuable broker network central to our success.

Within our core aggregation business, broker recruitment remains solid on the back of a strong value proposition and a reputation as the industry leader in support for brokers. Brokers who are committed to providing positive outcomes and personalised service to their customers.

The cash generated from the business is a highlight for the year, with \$52 million of operating cashflow. This represents a cash conversion ratio of 108%.

As highlighted in our full year results, fierce competition and an elevated cost of funds meant that we delivered a lower net interest margin. Book growth slowed as customers chased significantly discounted rates and once in a lifetime cashback offers, as the country's major lenders looked to secure improved market share.

### **Distribution**

Our September AFG Index did highlight a reduction in the footprint of the major lenders, however the market remains very competitive. After the first quarter's end, major lenders made up some of the ground they lost in the September quarter, however there are signs that more competition and choice is returning to the marketplace. This is good news for AFG, brokers, and most of all, Australian home loan customers.

AFG is proud of the longstanding role we have played in driving competition in Australia's home loan market. Against significant headwinds, we continued that mission in FY23, with the business active on both market and policy fronts.

Our level of investment into the broker channel continues. Our belief that the channel will continue to grow, and that good brokers will become busier, underpins our investment in technology to ensure time per transaction is reduced, and an efficient end customer experience continues to be built upon.

We have also launched our new white label product, Bright, to the market. The product complements the overall AFG Home Loans suite of products very well, providing solutions to a new cohort of customers, including ex-pats and others who have historically been underserved. With net migration to Australia on the increase, we expect there to be continued demand for these types of products.

### **Manufacturing**

An impact on our FY23 trading result was the elevated run-off rate experienced in our Securities business, largely because of the aggressive front-end pricing for new business conducted by the major banks.

Over recent months, and following the reduction or removal of cashbacks, our runoff rate has improved, and the October lodgements were the best experienced in 7 months - early positive signs that the market is beginning to normalise after a very unusual 18 months.

Our long history of sound lending standards and product knowledge will continue to support our portfolio.

We have added to our warehouse capacity and capability through a new partnership with an international warehouse provider that settled in October which has a different lending appetite based on its experience in overseas markets.

Whilst still in its early phase our desire to diversify our sources of funding inevitably leads to not only increased overall capacity and competition for our existing near prime business but also in the form of new product development. Our recently launched long-term Interest Only product for the mature age market, Retro Thrive, is an example of this.

### **Strategic Investments**

During the year, we have been particularly pleased with the performance of our strategic investments. Fintelligence delivered settlement growth of 49% for the FY23 financial year. We have future white label options in technology and product and are piloting a Spot and Refer model.

Our five-year partnership with ThinkTank continued to deliver with settlement growth of 3% for the year in a very competitive environment. AFG represents >10% of Thinktank's settlement volumes and the company is increasing the diversity of its product set.

Subsequent to the end of the financial year we exercised the option to buy out the remaining 30% shareholding in BrokerEngine. We see BrokerEngine as being pivotal to enhancing our broker-facing technology.

### **Trading Update**

As we move into the new financial year it is pleasing to note that non-major lenders are incrementally better placed to compete, as the majors lift front book pricing, remove cashbacks and transition away from their unique cheaper internal and external funding. The broker proposition remains strong with Australian consumers, and there are good signs in the second quarter of financial year 2024 that broker activity is increasing.

From an AFG Home Loans perspective the September 2023 Index revealed a penetration rate of 5.04%. With the introduction of new products, this penetration on a year-to-date basis has since improved to 5.45% earlier this month and 6.10% for the first half of quarter 2, FY24 and 7.11% this month.

Whilst still early days, there are some early marginal indicators that the competitive proposition for this part of our business is beginning to improve. At the same time the performance of the book remains in line with our high expectations.

Last month, we priced an upsized \$750 million RMBS issue. We priced this transaction on more favourable terms than originally anticipated on the back of strong demand. Our product offering and lending standards are now well recognised, and we are delighted to see both existing and new investors participate in the issue.

## Outlook

It is inevitable that the Australian economy will continue to face challenges. Global events, housing supply constraints, building costs, and inflationary pressures on households will continue to be cause for concern, however AFG is in a strong financial position and has the capacity to diversify and to continue to support our brokers and our customers.

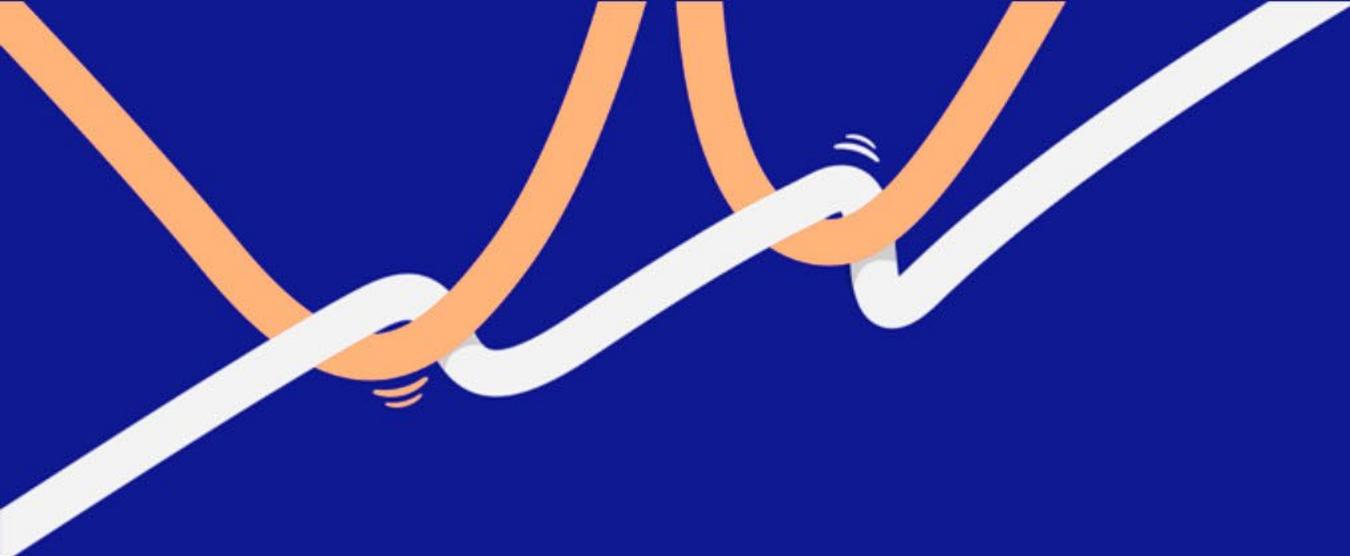
Despite market uncertainty, housing prices remain firm, unemployment is low, and net migration continues - providing support for longer term stability. Our brokers remain busy.

Lending may still face challenges, but our experience has always been that with tighter lending conditions loan lives extend thus demonstrating the benefits of our revenue model. With the broader removal of cashbacks, we remain focused on identifying opportunities to grow our book.

On the back of a strong balance sheet supported by reliable cashflow, our people are focused on continuing to deliver on our strategy - to consolidate and grow our distribution network; to leverage our distribution strength to deliver higher margin growth; to harness technology to be more agile, competitive, and profitable; and to build on our foundations of support for our broker network in delivering choice, convenience and competition.

In closing I would like to thank our shareholders for their support, our brokers for partnering with AFG, and our staff as they continue to strive to help our brokers grow their businesses.

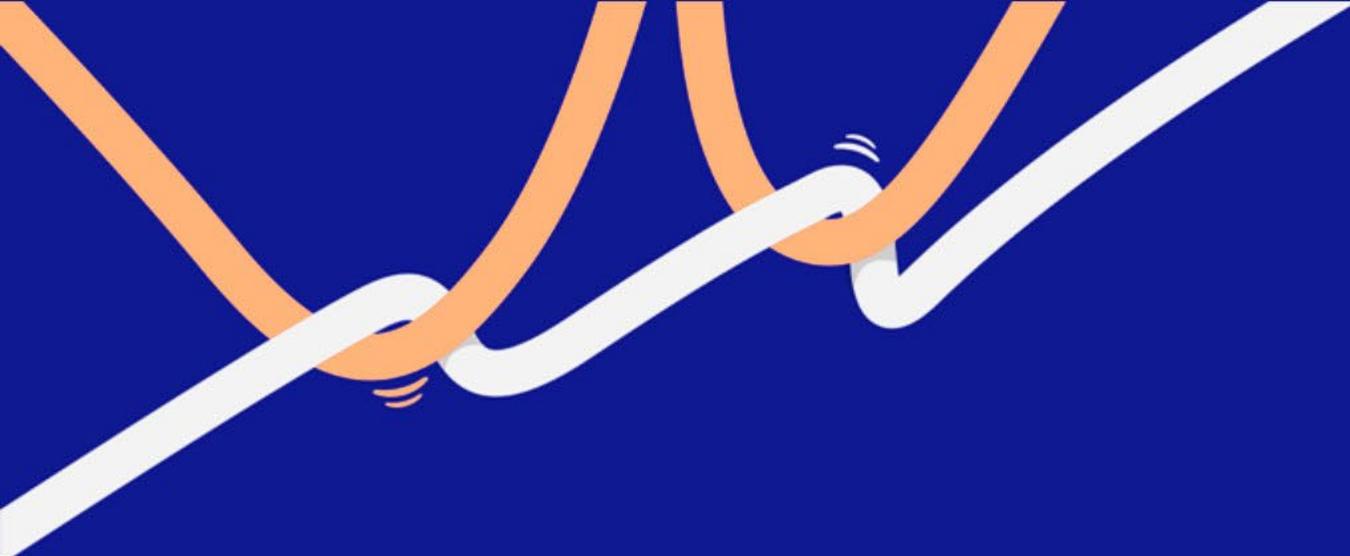
I will now hand back to Greg to conduct the formal business of the meeting.



**2023**

Annual General Meeting

**AFG**



# Greg Medcraft

Chair

*We would like to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk people of the Noongar nation, and acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.*

**AFG**

# Agenda

1. Introductions and housekeeping
2. Address by the Chair
3. CEO's address
4. Formal business
5. Close

# FY23 Results highlights



ROE 24%



NPAT \$37.3m



Strategic investments contributing 32% of profit



Underlying NPATA \$48.3m



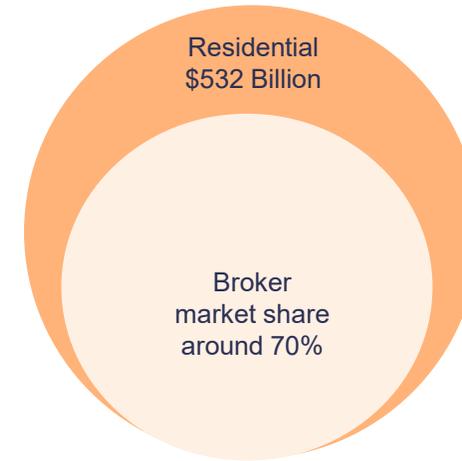
FY23 dividend 10.7c per share



Dividends \$43.8m

# Distribution

## Distribution volumes – FY23

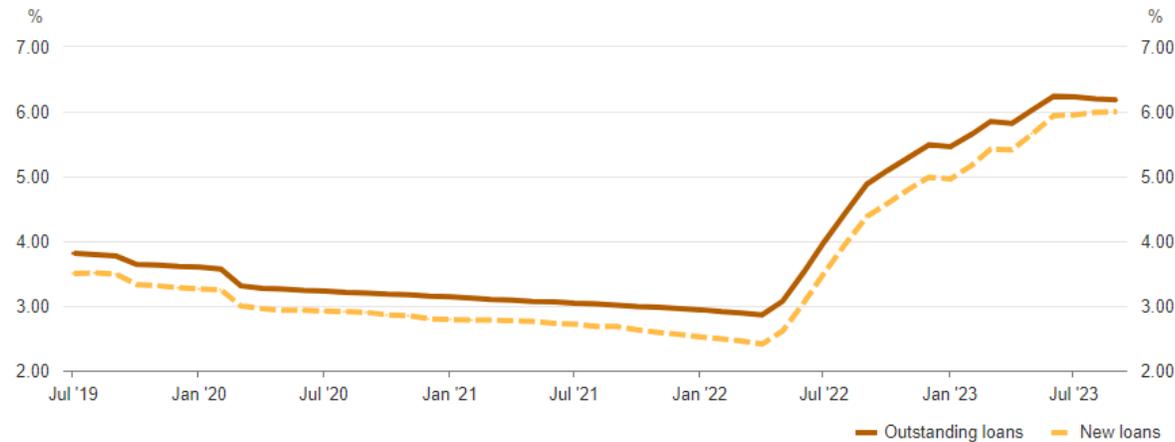


Broker is the dominant channel for Residential mortgages

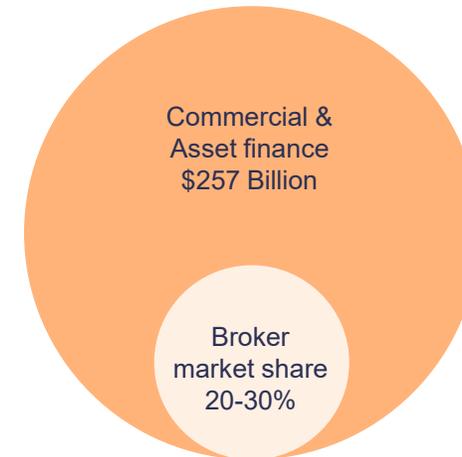
## Rising interest rates in Australia

### Owner-occupier Variable Housing Rates

Outstanding and new loans; in % per annum



Sources: APRA; RBA



Growing Commercial and Asset Finance market represents an opportunity for brokers

# Manufacturing

## Manufacturing volumes – FY23

**\$4.5B**

AFG Securities  
loan book

**1.36%**

Net interest  
margin

**\$1.6B**

AFG Securities  
settlements

## AFG RMBS

**\$750M**

Issued in  
October 2023

**\$3B**

Issued in the  
last two years

- **Strategic decision to not compete on price against lenders whose funding costs were structurally lower**
- **Resulted in drop in volumes for AFG Securities but was a sound decision made in the interests of the long-term sustainability of our business**
- **Market conditions improving and RMBS spreads tightening, we expect once again to be more competitive**

# Sustainability

## Environment



### FY23 Highlights

Purchased first voluntary carbon offsets (490t Co2-e) to cover unavoidable travel emissions.

Volunteer environmental charity days held for head office staff.

Introduced office-wide recycling program.

Launched plant-a-tree program for all AFG Securities mortgages written.

Continued implementation of electronic notices to replace paper usage.

Measurement of our carbon emissions into our third year.

## Social



### FY23 Highlights

Second year as Principal Partner of Foyer Foundation.

Started our reconciliation journey.

Award-winning Women on the Move Program continues to gain momentum.

Positive scores in employee engagement survey for workplace diversity and cultural diversity.

Introduced and met all measurable work, health and safety objectives, incorporating training and development, physical workplace safety inspections and capturing any incidents relating to WHS on the corporate risk register.

## Governance



### FY23 Highlights

Developed supplier code of conduct, sharing our expectations of our suppliers as part of our efforts to ensure modern slavery does not exist in supply chain.

Continued investment in cyber security.

Continue to operate with a strong framework of policies and procedures to ensure all regulatory obligations and legal requirements are met.

## FY24 Focus

New Australian Sustainability Reporting Standards.

Continue to drive down emissions, including reductions on business travel and printing efficiencies.

Advocated and promoted sustainable merchandise at events, starting with Award for exhibitor at flagship Next conference in October.

Expand DEI focus to include increased mental health awareness.

Continued staff volunteering activities to support environmental and homelessness issues.

**Thank you**

**AFG**

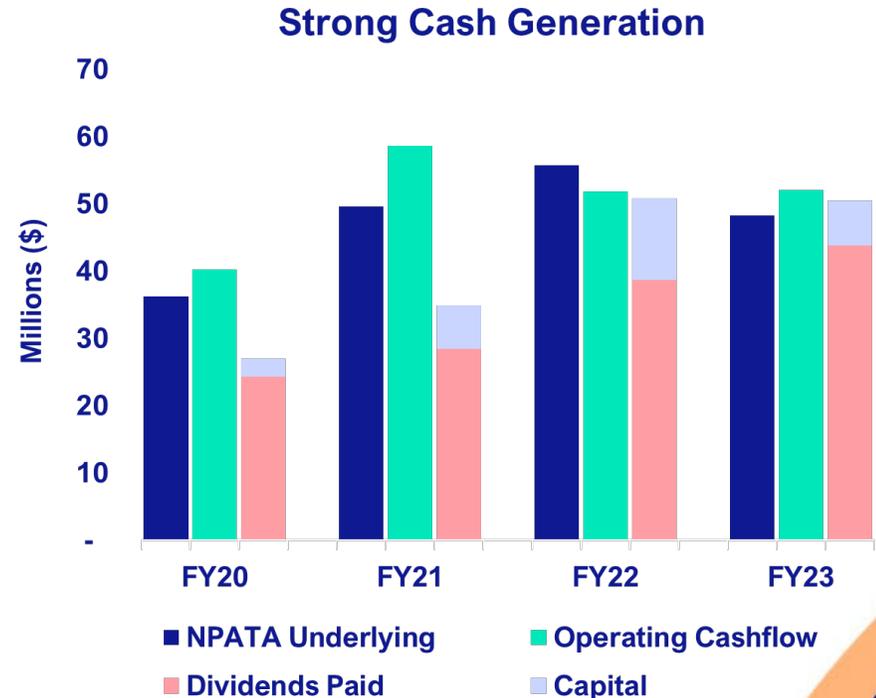
# David Bailey

Chief Executive Officer

**AFG**

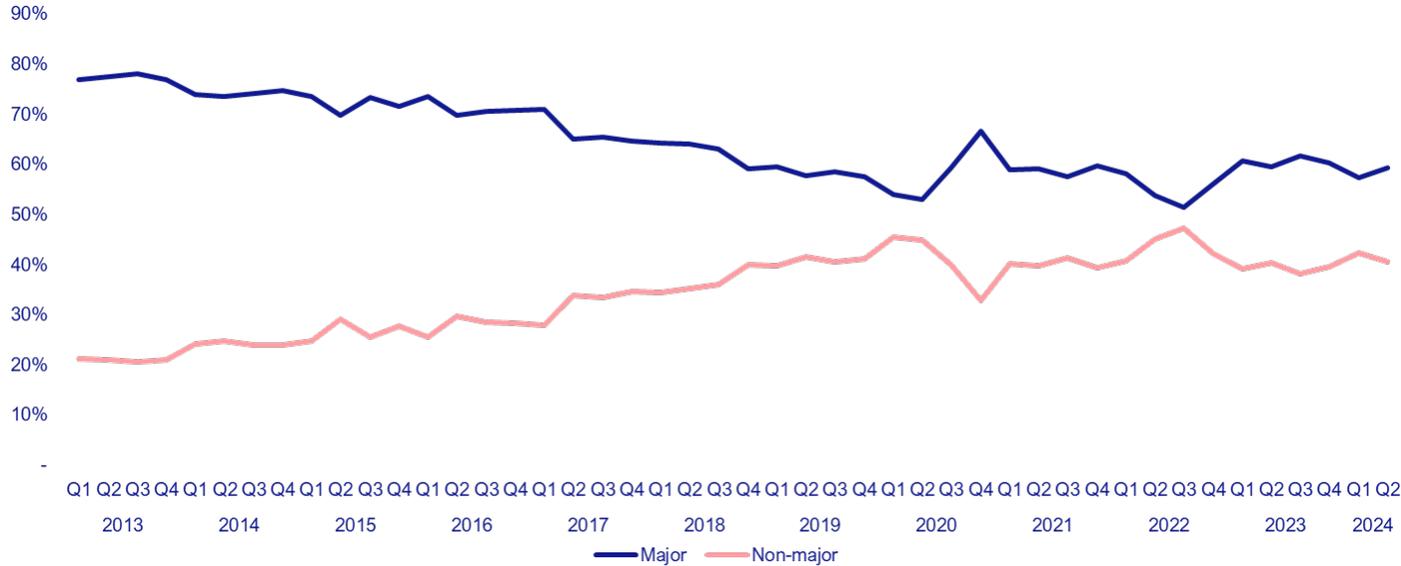
# FY23 highlights

- Despite volatility in the market AFG reported growth in revenue, with the strength of our experienced broker network central to our success
- Broker recruitment solid on the back of a strong value proposition and a reputation as the industry leader in support for brokers.
- Impact of competition together with an elevated cost of funds delivered a lower NIM
- \$52m of operating cashflow - cash conversion ratio of 108%.

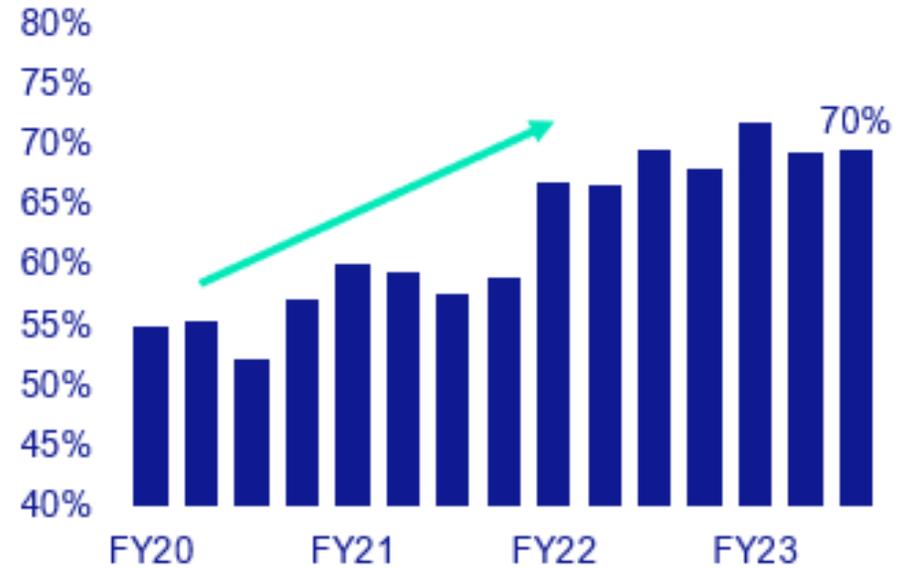


# Distribution

Major vs Non-major Lodgements



Australian Broker Market Share over time<sup>1</sup>



1. MFAA

- Investing in technology to improve processing efficiency for our brokers
- Developing new products to meet customer need and grow volume
- Maintaining the quality of our book through insights-driven product development

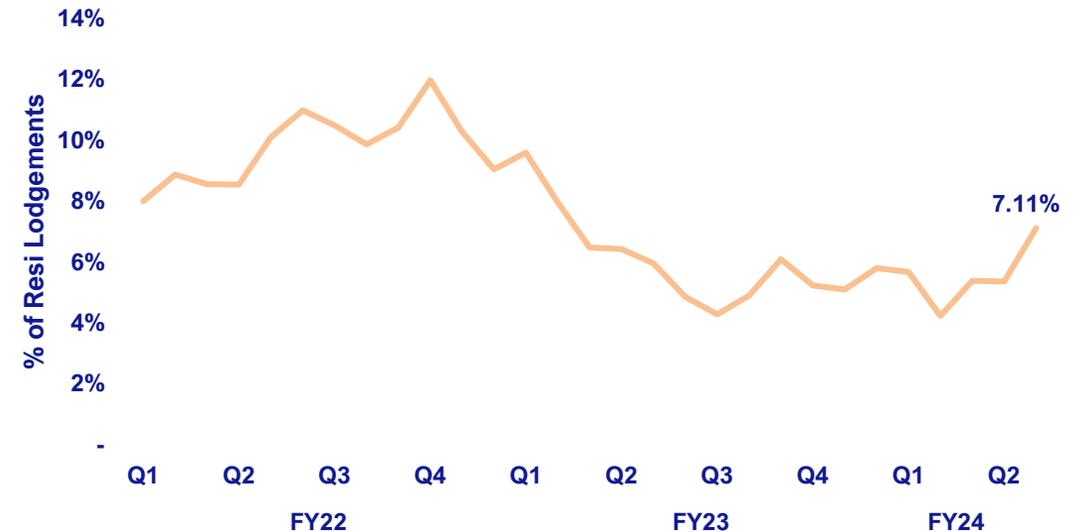
# Manufacturing

## AFG Securities

- Early positive signs that the market is beginning to normalise
- October lodgements the best in 7 months
- Additional warehouse capacity and capability through a new partnership settled in October
- Diversified funding sources for increased capacity and competition for our existing near prime business and new product development
- Recently launched long-term Interest Only product for the mature age market, Retro Thrive



AFG Home Loans Market Share



# Strategic Investments

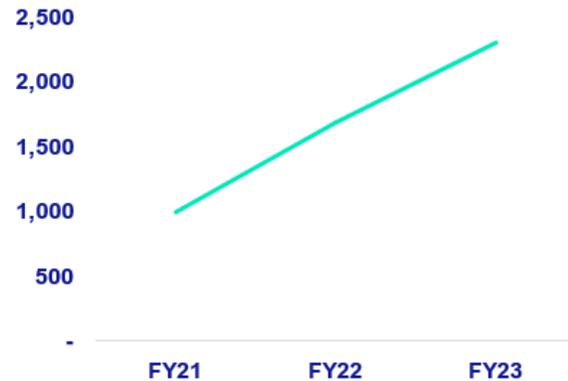
## Aggregation Services



Mortgage broking software designed for high-growth broker groups

- 2,300+ subscribers, 77% are AFG brokers
- Average subscriber retention of 5 years
- Planned increased investment to create broker efficiencies & new recruitment opportunities

### BrokerEngine Subscribers



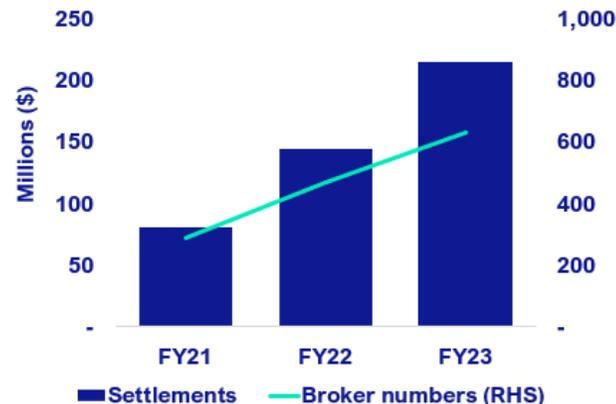
## Loan Distribution



Asset Finance aggregation platform, with white label potential

- FY23 settlement growth of 49%, from 600+ brokers
- Future white label options in technology & product
- Pilot spot & refer model building well & ready to scale

### Fintelligence



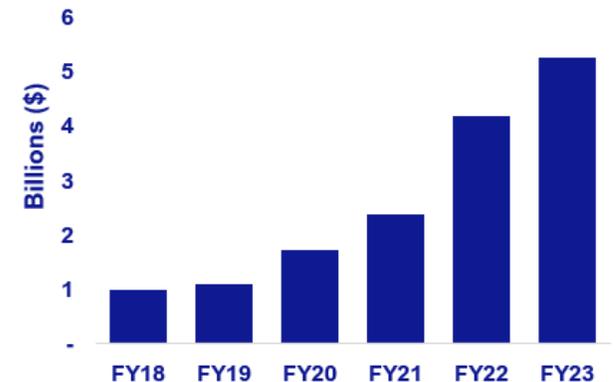
## Loan Manufacturing



Commercial, residential & SMSF lender, with 17 years' experience

- \$5.3b loan book, AFG represents >10% of Thinktank's settlement volumes
- FY23 settlement growth of 3%
- Increasing diversity of product set

### Thinktank Loan Book



# Trading update



- First half of Q2 FY24 up 9% year-on-year for Residential lodgement volumes
- Up in all states, with Queensland and Western Australia experiencing the highest growth. Contrast to Q1 FY24, which was 3% below, indicating a strong turn in the market
- National average loan size for Q1 FY24 was above the historical average
- AFG Home Loans lifting to 7.11% in November

# Outlook

- We will continue to diversify and support our brokers and our customers
- Housing prices remain firm, unemployment is low and net migration continues - supporting longer term stability
- Tighter lending conditions extend loan lives, demonstrating the benefits of our revenue model



Brokers provide competition, convenience & choice in all rate environments



Industry transition allowing AFG to grow its broker network differentiating by technology & quality



Low unemployment & migration underpins broker & settlement activity



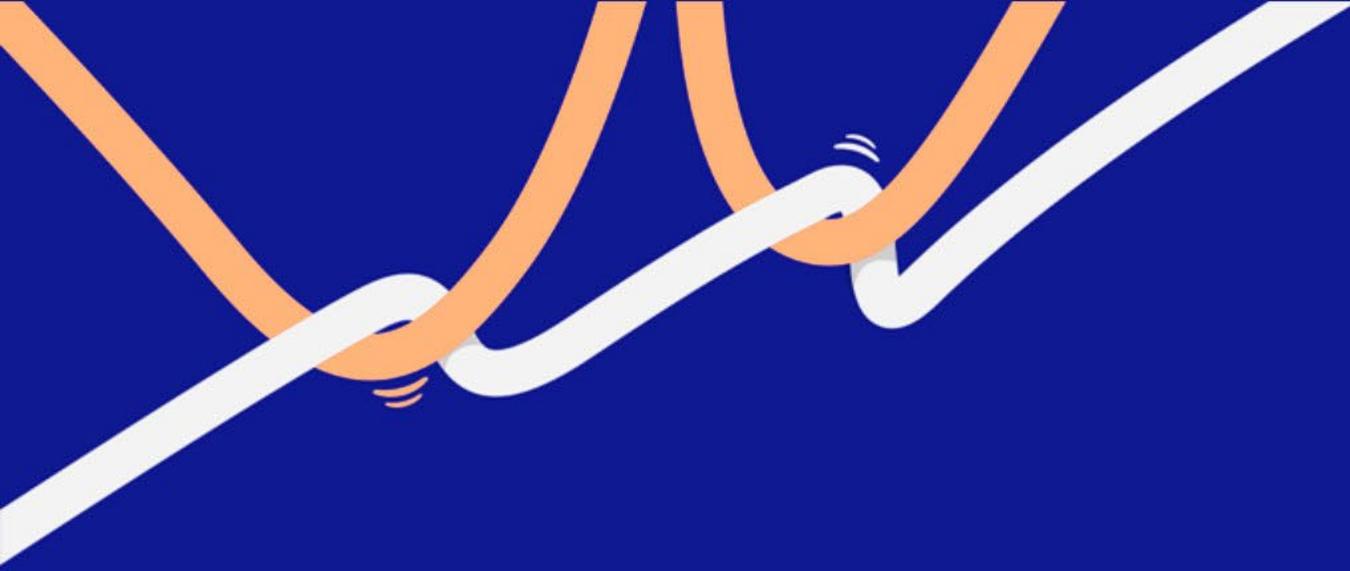
Non-banks are better placed to compete as ADIs lift front book pricing, remove cashbacks & transition away from cheap funding



Higher funding costs & competition still represent headwinds

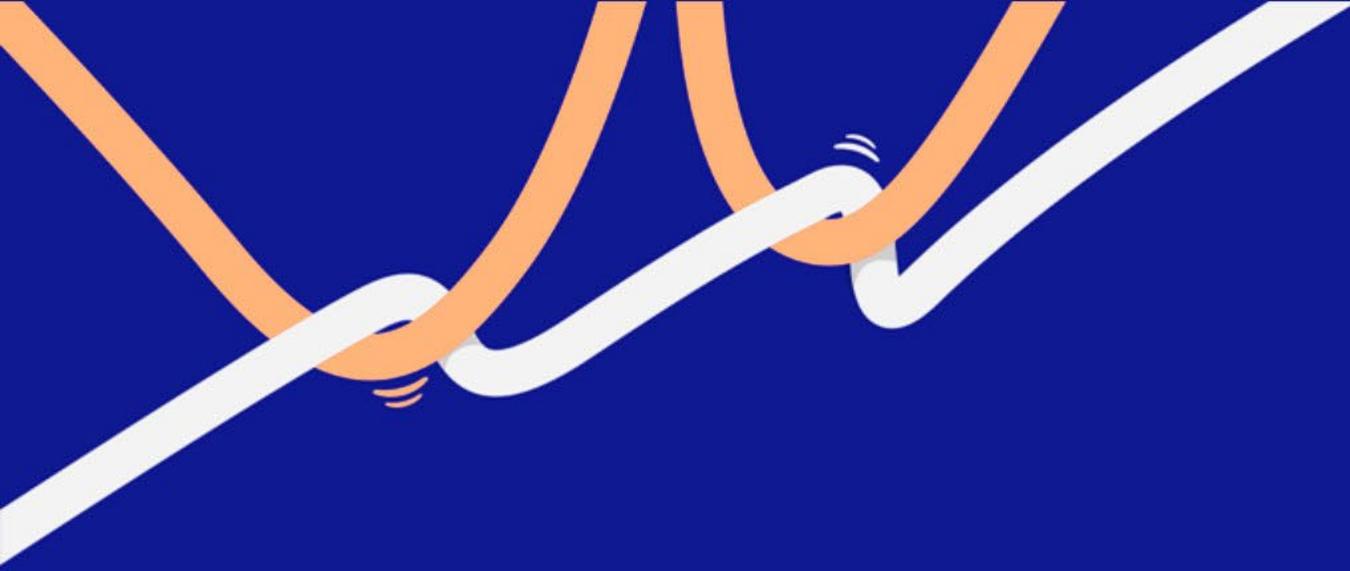


Annuity style cash flows underpin AFG's investment to strengthen its operations & deliver new growth



**Thank you**

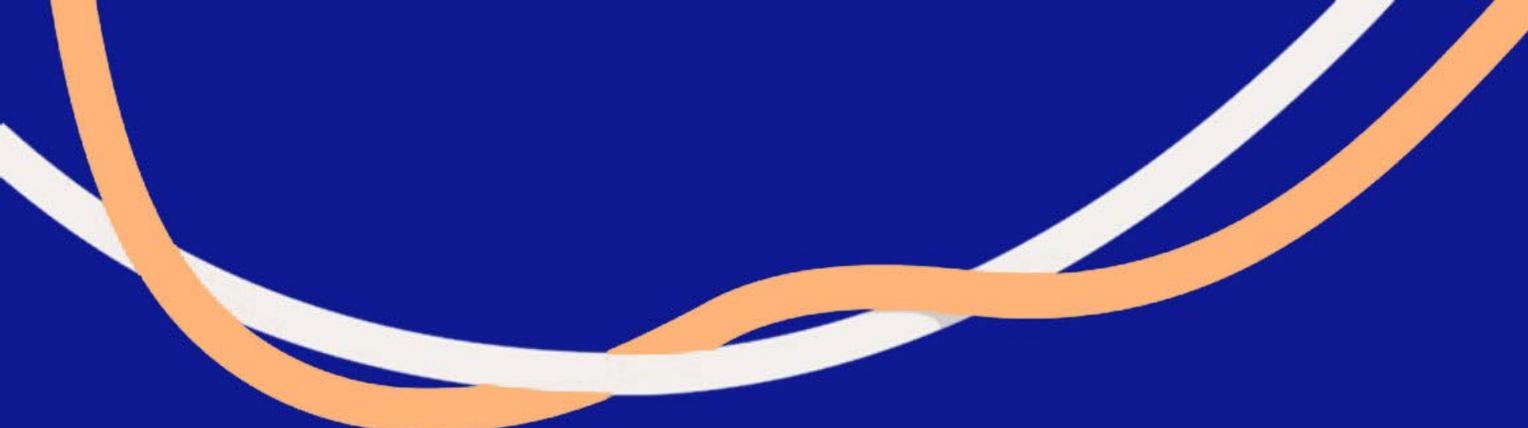
**AFG**



# Greg Medcraft

Chair

**AFG**

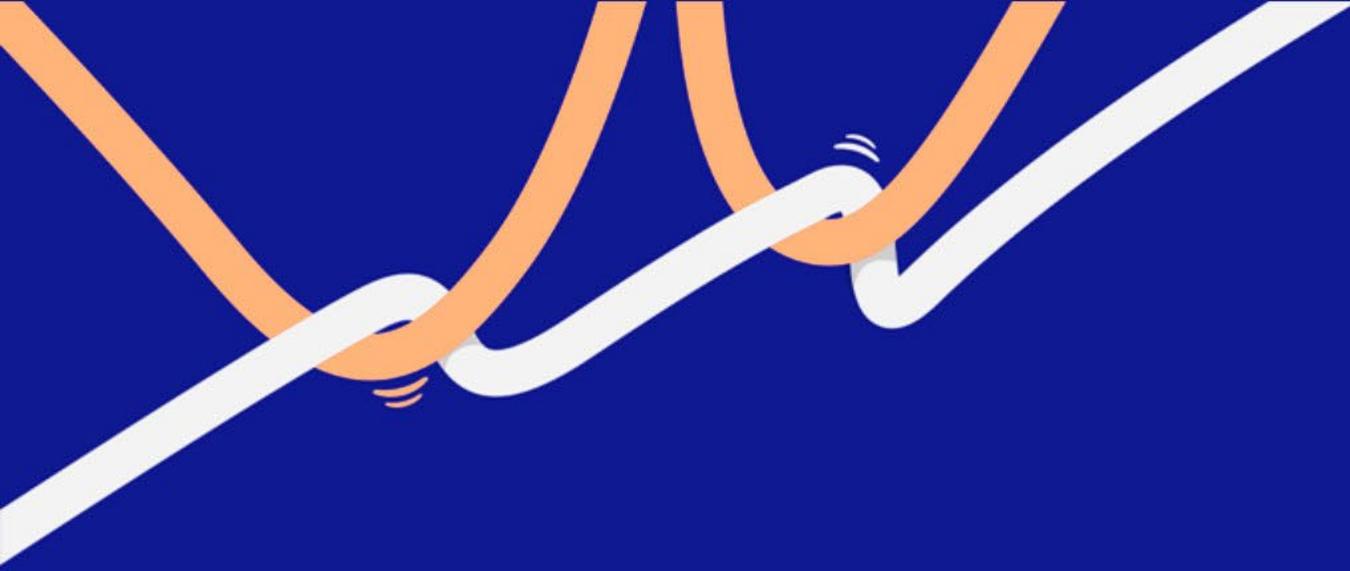


**Voting** by poll

**AFG**

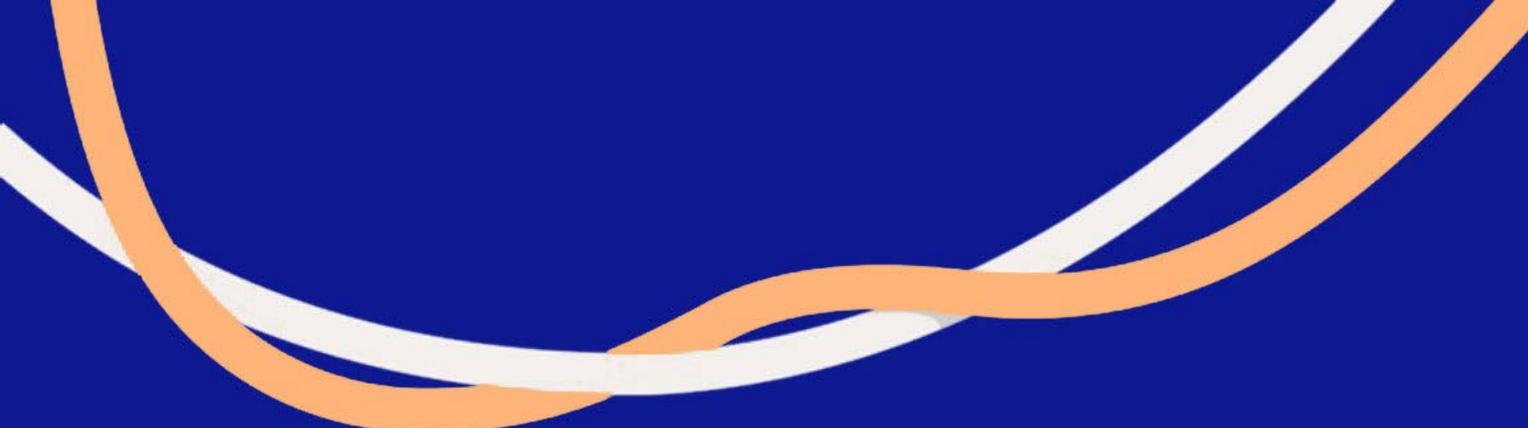
Q&A

AFG



# **Formal business**

**AFG**



# **Notice** of meeting

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# Items of Business

## Item 1:

### Financial Reports – financial year ended 30 June 2023

The financial report, director's report and auditor's report for the financial year ended 30 June 2023 is tabled for discussion.

# Items of Business

## Item 2

### Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass the following as a non-binding resolution in accordance with section 250R(2) of the Corporations Act 2001 (Cth):

*“That the Remuneration Report for the Company for the year ended 30 June 2023 be adopted.”*

### Summary of proxies received

	<b>FOR</b>	<b>AGAINST</b>	<b>OPEN</b>	<b>ABSTAIN</b>	<b>TOTAL ELIGIBLE</b>
<b>NO. OF SHARES</b>	109,684,469	1,269,673	905,601	1,401,725	111,859,743
<b>% OF ELIGIBLE VOTES</b>	98.06%	1.14%	0.81%		
<b>NO. OF PROXY FORMS</b>	115	60	56	25	

# Items of Business

## Item 3

### Resolution 2: Re-election of Brett McKeon as a Director

In accordance with the Notice of Meeting the resolution be put before the members is:

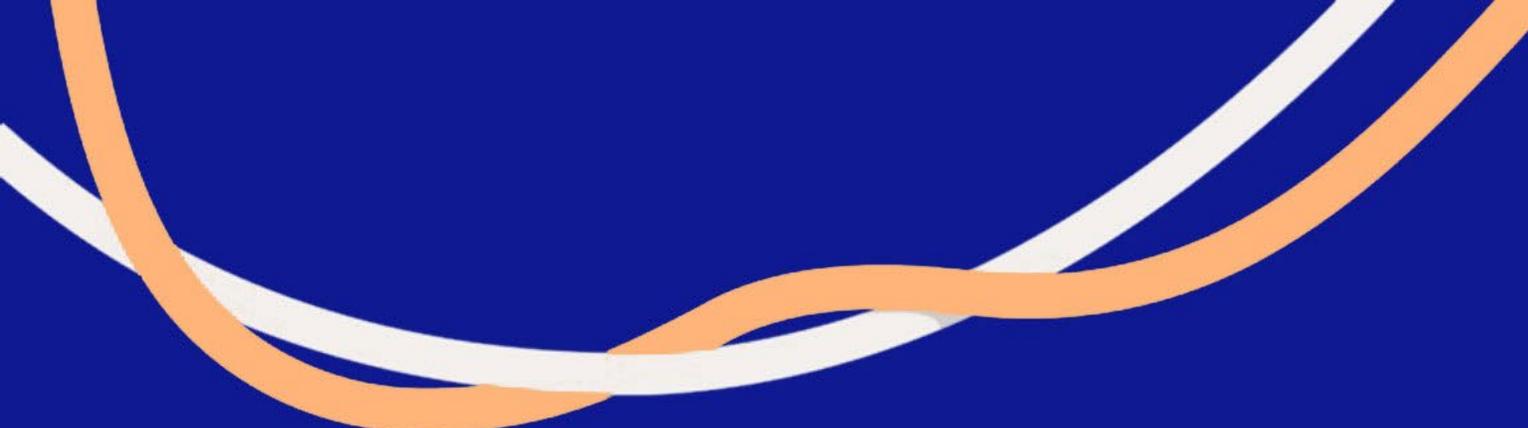
*“That Brett McKeon, who retires as a Director of the Company in accordance with rule 8.1(e) of the Company’s constitution, and being eligible, be re-elected as a Director of the Company.”*

### Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	112,354,499	1,332,195	928,046	46,728	114,614,740
% OF ELIGIBLE VOTES	98.03%	1.16%	0.81%		
NO. OF PROXY FORMS	163	28	58	10	

# Poll

**AFG**



# Thank you

Close

**AFG**

# Disclaimer

This presentation contains general information which is current as at 24 November 2023.

The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 23 November 2023 and does not purport to be complete in any respect.

The information in this presentation is not a recommendation or advice about shares in AFG (or any other financial product or service). It is not intended to influence, or be relied upon by, any person in making a decision in relation to AFG shares (or any other financial product). This presentation does not take into account the objectives, financial situation or needs of any particular investor. You should consider your own objectives, financial situation and needs when considering this presentation and seek independent investment, legal, tax, accounting or such other advice as you find appropriate before making any financial or investment decision.

This presentation contains some forward-looking statements. Such statements only reflect views held by AFG as at the date of this presentation and are subject to certain risks, uncertainties and assumptions. Actual events and results may vary from the events or results expressed or implied in these statements. You should not place undue reliance on any of these statements.

No representation or warranty is made in respect of the accuracy or completeness of any information in this presentation, or the likelihood of any of the forward-looking statements in the presentation being fulfilled.

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