

# Liberty Financial Group FY24 Full Year Results



26 August 2024



# Acknowledgement of Country

Liberty acknowledges the traditional owners of country throughout Australia. We acknowledge their continuing connections to the lands, waters, cultures and communities. We pay our respect to Elders past and present. In doing so we also acknowledge that sovereignty has never been ceded by the traditional owners of this country.



## About the artwork

This design was created by proud Wamba Wamba man Keagan Mallia, a talented artist from Matakupaat (Swan Hill) now residing in Naarm (Melbourne).

*"The artwork depicts Liberty in the centre, while the solid colours represent Liberty's different types of lending solutions. The outer meeting spots are First Nations people and businesses coming to Liberty for lending support, growing their businesses and being empowered to achieve their goals."*

# Presenting today

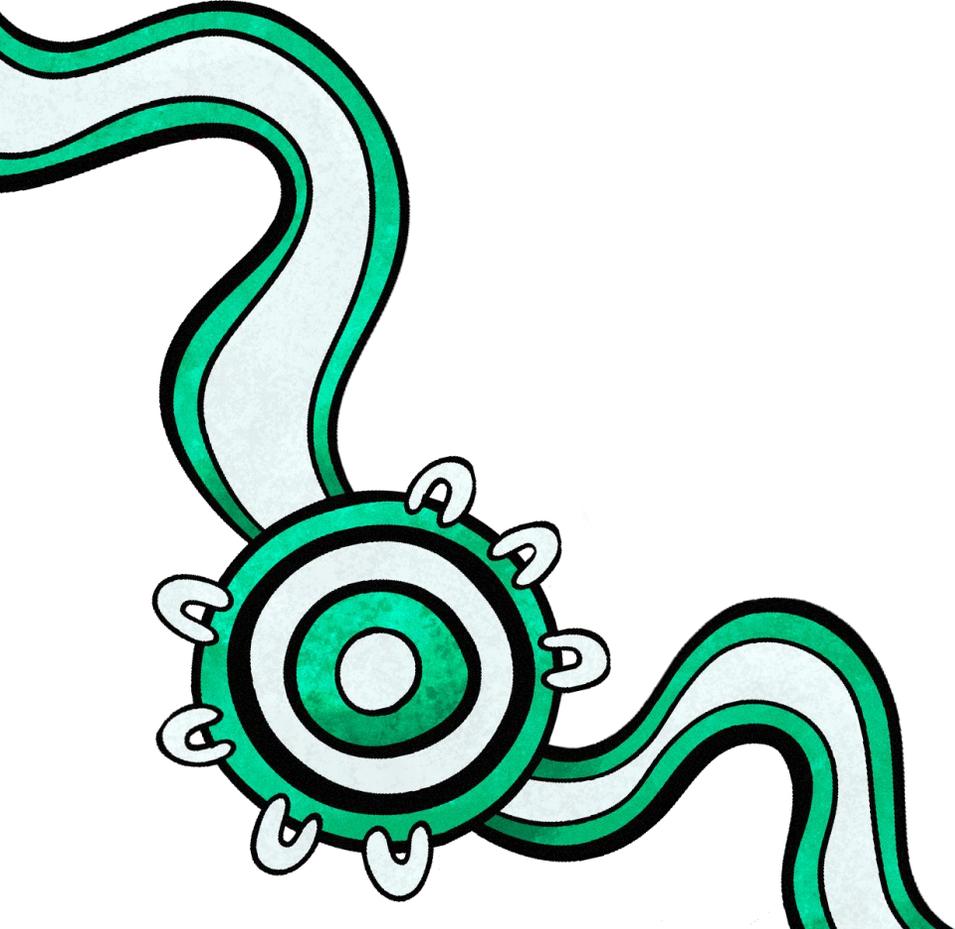


**James Boyle**  
Chief Executive Officer

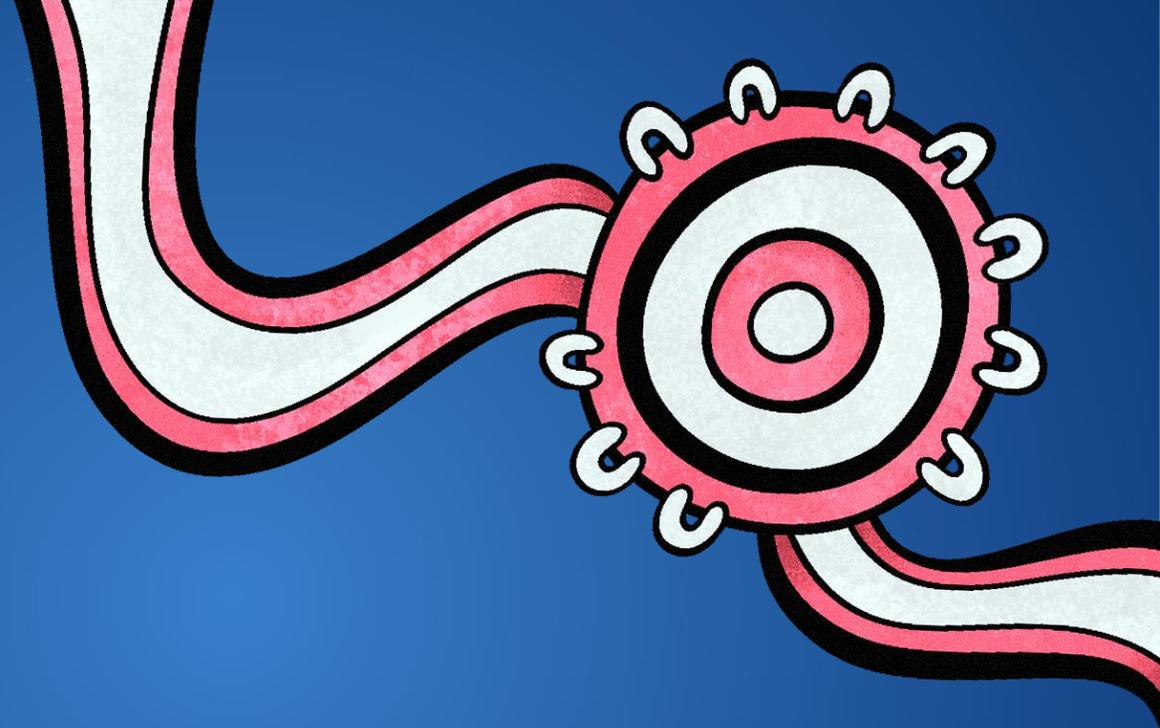


**Peter Riedel**  
Chief Financial Officer

# Agenda



- 01** Overview
- 02** Results Analysis
- 03** Business Update
- 04** Outlook
- 05** Summary
- 06** Questions



# 01 Overview

# Overview

-  Result reflects competitive environment
-  NIM lower but stabilising
-  Portfolio growth through targeted diversification
-  Investment grading rating upgraded to BBB with 11% ROE
-  Higher bad debt provisions supporting customer hardship
-  Strong and stable broker and customer net promotor score
-  Continued investment in digital customer experience

# Financial Highlights



## Underlying NPATA

\$132m (\$187m)  
(29%)



## Net revenue

\$583m (\$590m)  
(1%)



## NIM

2.51% (2.76%)  
(25bps)



## BDD

25bps (13bps)  
+12bps



## Cost to income

28.0% (26.9%)  
+110bps



## Distribution

25c (45c)  
(44%)

# Operating Highlights



## Average financial assets

\$14.1b (\$13.2b)  
+7%



## New assets originated

\$5.7b (\$5.4b)  
+5%



## Impaired loans

\$309m (\$198m)  
+56%



## Average FTE Staff

535 (546)  
(2%)



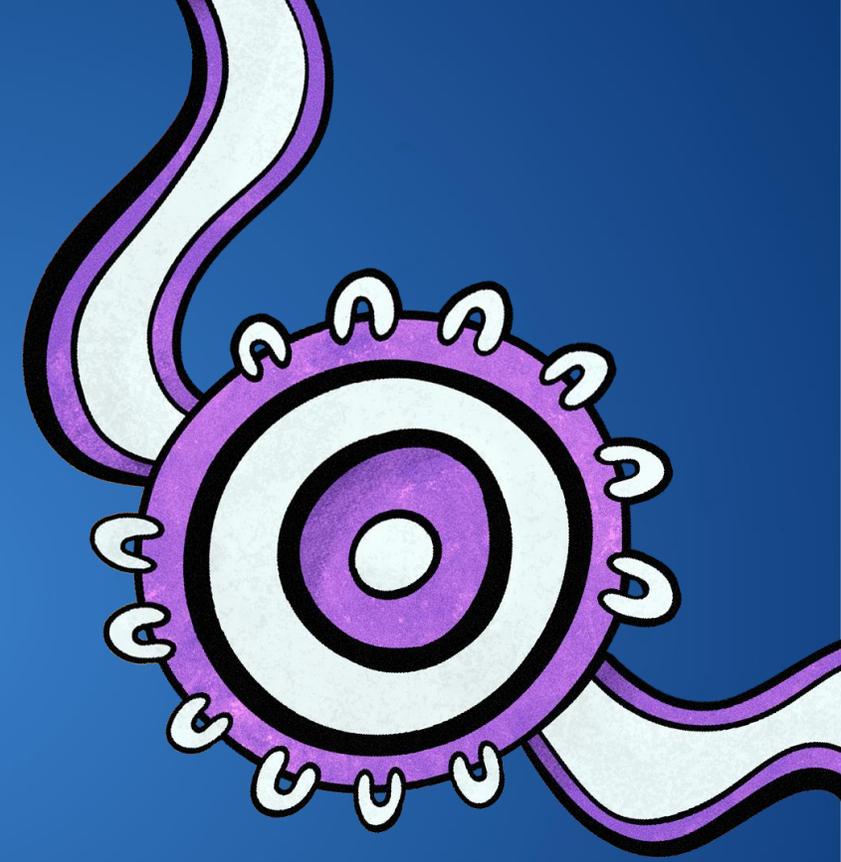
## Broker NPS

82 (82)  
-0%



## Customer NPS

60 (59)  
+2%



## 02 Results Analysis

# Profit Performance Full Year

## Statutory NPATA (\$m)



- ▲ Reduction in Underlying NPATA FY24 v FY23 explained by
  - Reduction in net interest margin (25bps) partly offset by higher average financial assets (7%) (\$12m)
  - Higher loan impairment provisions reflecting continuing mix move toward Secured and Financial Services (\$17m)
  - Higher commission expenses with increased new originations (\$20m)
  - Higher operating expenses (\$5m)

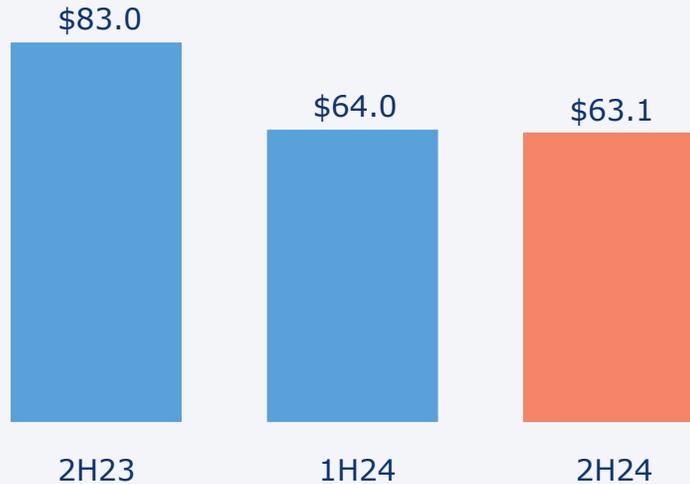
## Underlying NPATA (\$m)



- ▲ Impact of moving to full ownership of ALI
  - FY23: reduces underlying NPATA (\$6m)
- ▲ Impact of sale of MPRE
  - FY24: increases underlying NPATA (\$5m)

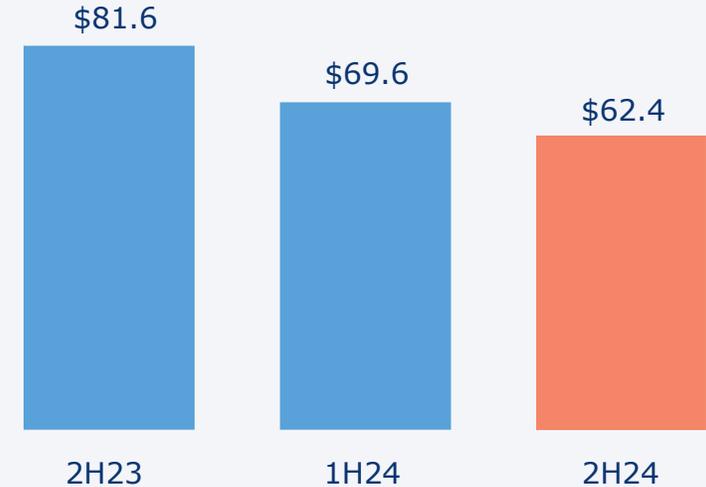
# Profit Performance Half Year

Statutory NPATA (\$m)



- ▲ Reduction in Underlying NPATA in 2H24 v 1H24 explained by
  - Reduction in net interest margin (9bps) partly offset by higher average financial assets (4%) (\$2m)
  - Higher loan impairment provisions (\$3m)
  - Higher commission expenses (\$6m)
  - Lower operating expenses (\$5m)

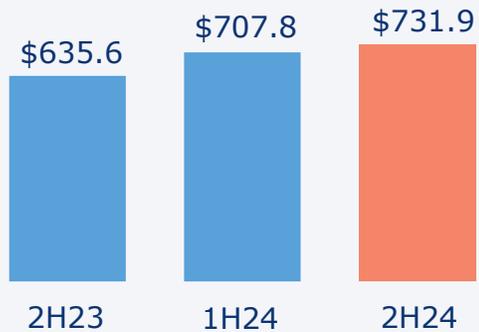
Underlying NPATA (\$m)



- ▲ Impact of moving to full ownership of ALI
  - 2H23: reduces underlying NPATA (\$1m)
- ▲ Impact of sale of MPRE
  - 1H24: increases underlying NPATA (\$6m)
  - 2H24: reduces underlying NPATA (\$1m)

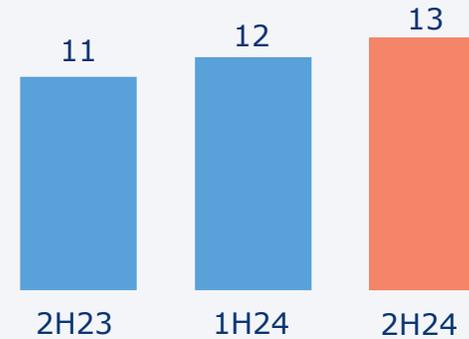
# Profit Drivers

## Total Revenue (\$m)



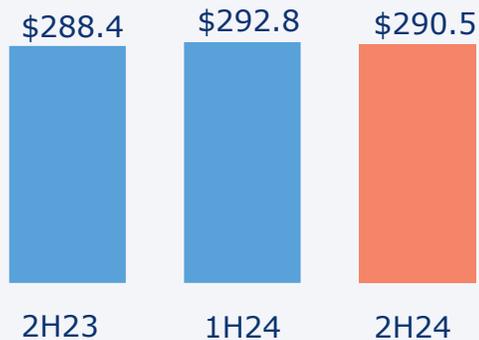
- ▲ Total revenue growth +15% (2H24 v 2H23) and +3% (2H24 v 1H24) driven by increased yield given RBA rate increases and higher average financial assets

## Loan Impairment (bps)



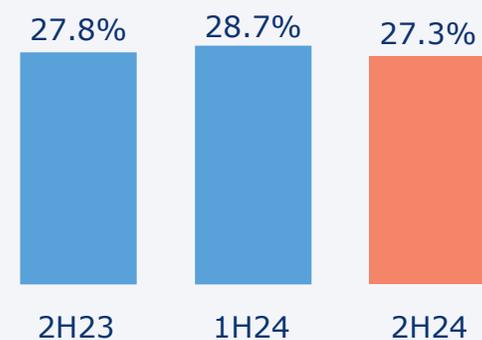
- ▲ Increase in impaired loans driving higher specific provisions (10bps)
- ▲ Increase in collective provision (3bps) reflecting mix shift towards Secured and Financial Services assets
- ▲ Collective provision reflects life-time loss (higher than annual loss)

## Net Revenue (\$m)



- ▲ Net revenue +1% (2H24 v 2H23) with higher net interest income and lending income, partly offset by lower commission income
- ▲ Net revenue -1% (2H24 v 1H24) driven by lower net interest income and stable lending and commission income
- ▲ Lower NIM in 2H24 (9bps) to 2.47% from lower yield (4bps) and higher cost of funds (5bps)

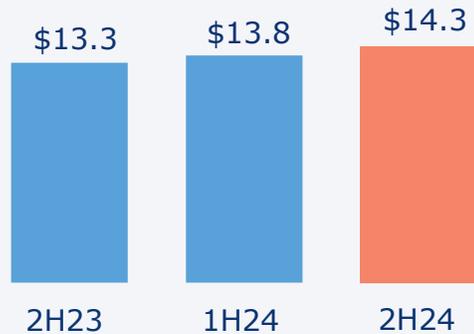
## Cost to Income (%)



- ▲ Stable CTI 2H24 v 2H23 with stable net revenue, personnel and other expenses
- ▲ CTI reduction 2H24 v 1H24 driven by effective cost management

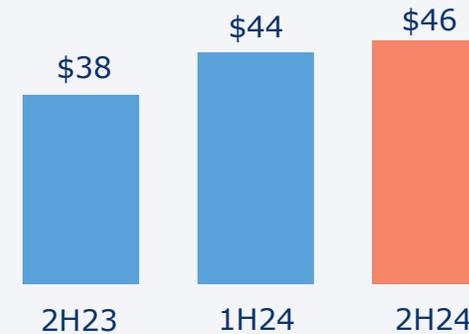
# Revenue

## Average Assets (\$b)



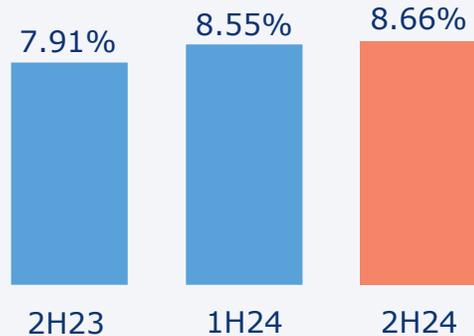
- ▲ Average asset growth 7% (2H24 v 2H23) and 4% (2H24 v 1H24) driven by Secured and Financial Services segments
- ▲ New originations \$2.8b in 2H24 (v \$2.9b 1H24 and \$2.6b 2H23)
- ▲ Loan discharges and prepayments improving but continue to influence Residential portfolio growth

## Lending Income (\$m)



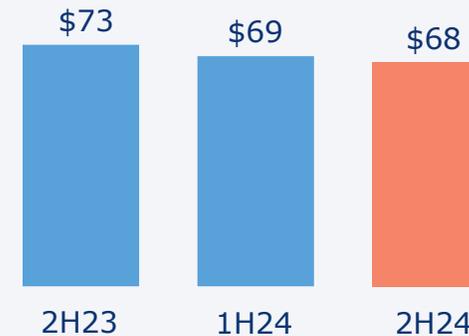
- ▲ Movement in lending income between periods largely consistent with movement in new loan origination volume

## Yield (%)



- ▲ Increase in yield to 8.66% (2H24) from 8.55% (1H24) due to
  - Passed on RBA cash rate increases to existing customers (+15bps)
  - Origination and discharge yield versus portfolio yield (-9bps)
  - Asset mix benefit towards higher yielding Secured and Financial Services segments (+5bps)

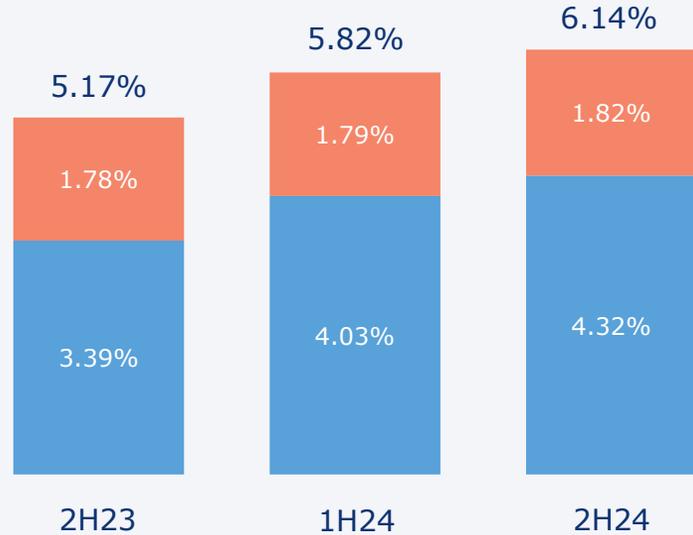
## Commission Income (\$m)



- ▲ Movement reflects transaction volumes in Australian and NZ distribution businesses

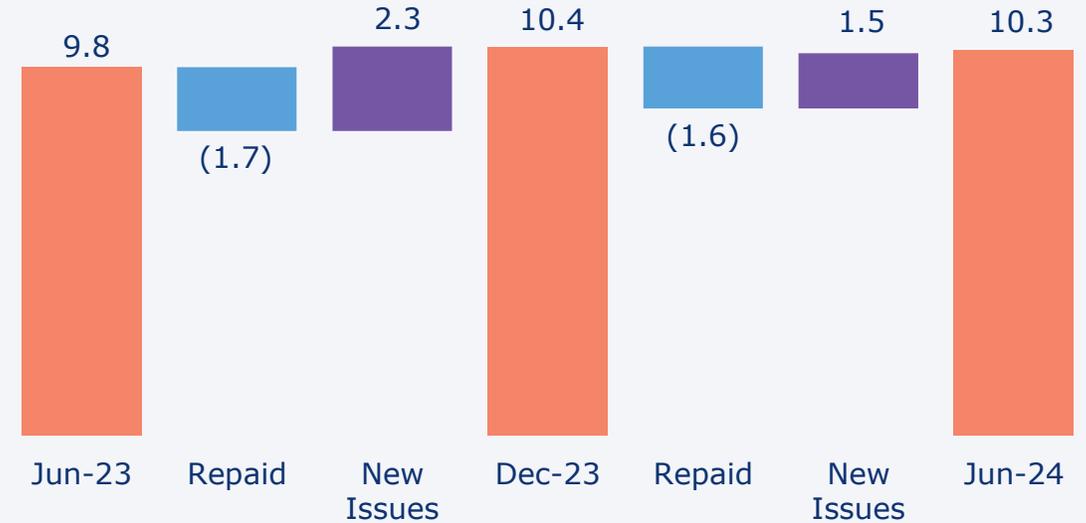
# Funding

### Cost of Funding



- ▲ Average funding benchmark cost in 2H24 includes 4bps basis cost above RBA cash rate increase (not passed on to customers)
- ▲ Increase in 2H24 average funding margin (3bps) from higher margin on replacement MTN funding
- ▲ Margin on FY24 term issues (169bps) reduced throughout the year and below 2H24 funding margin (182bps)

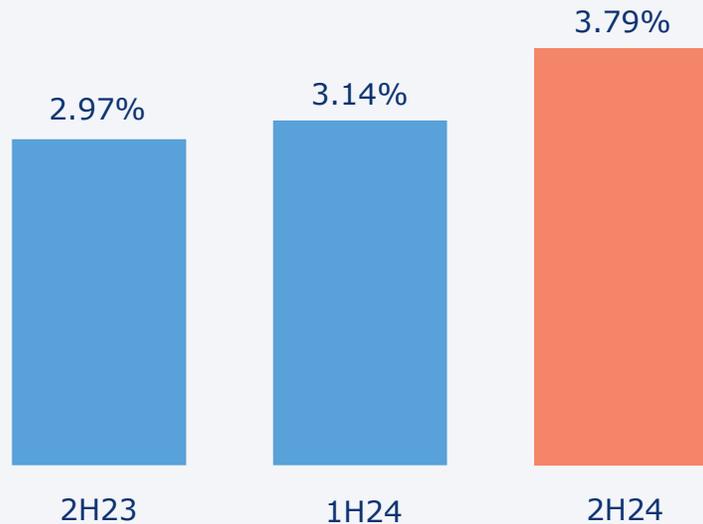
### Term Funding (\$b)



- ▲ Term issuance (\$3.8b) and increased wholesale limits (\$1.8b) in FY24 supporting new loan originations (\$5.7b)
- ▲ Feb-24 MTN maturity (\$250m) replaced with new MTN issue in Mar-24 (\$250m)

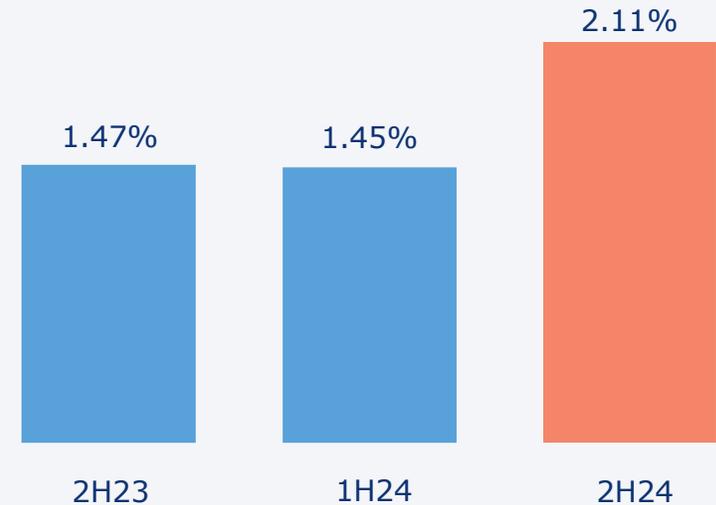
# Portfolio Risk

## 30+ Day Delinquency



- ▲ Early-stage delinquency higher at Jun-24 v Jun-23 driven by higher number of customers seeking repayment variations
- ▲ Delinquency stable since 30-Jun-24

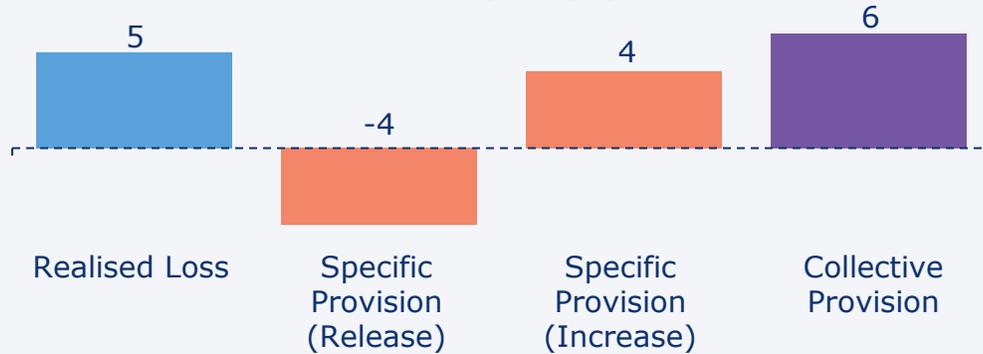
## 90+ Day Delinquency



- ▲ Later-stage delinquency higher at Jun-24 v Jun-23 as small group of customers having difficulty catching up missed payments
- ▲ Majority of customers in 90+ day delinquency supported by property security (78%)

# Loan Impairment

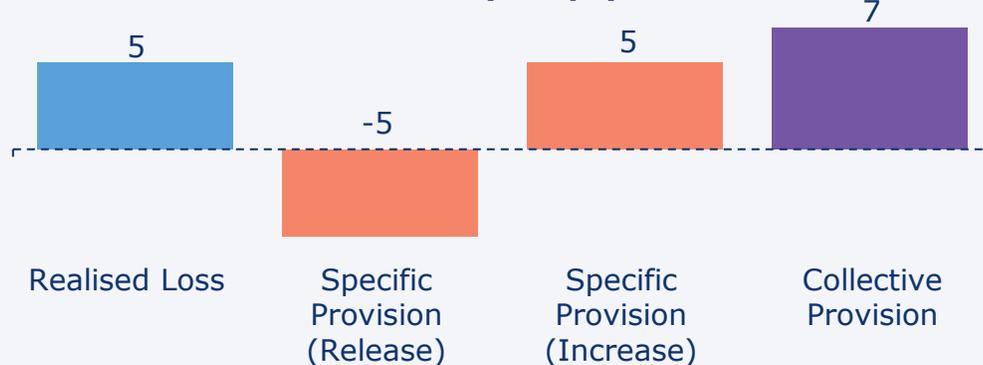
2H23 (11 bps)



2H24 (13 bps)



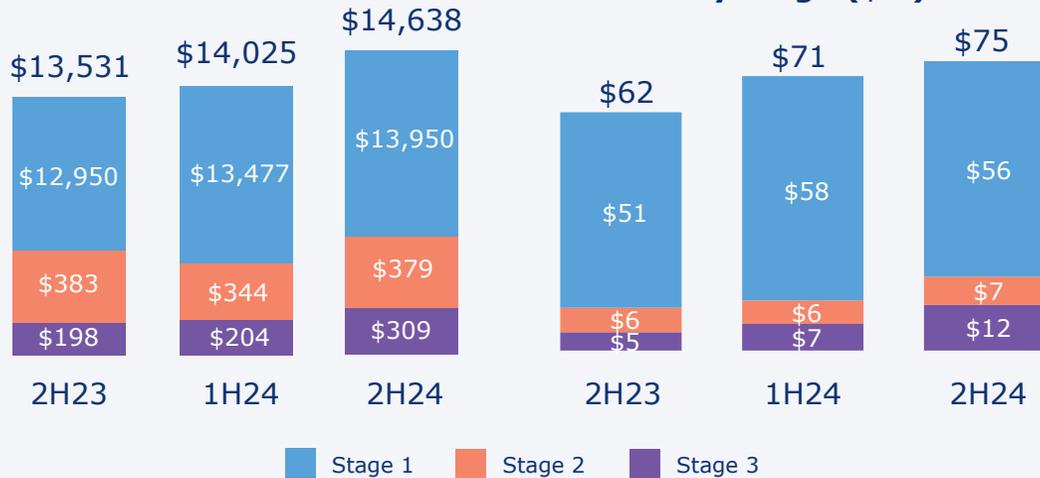
1H24 (12 bps)



- ▲ Impairment expense 13bps in 2H24 demonstrating:
  - Stable realised losses and specific provision release each period
  - Higher specific provisions reflecting increase in impaired loans
  - Collective provision increase reflects continued mix shift towards higher risk Secured and Financial Services segments

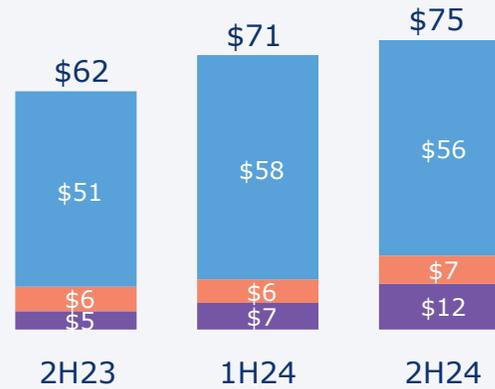
# Loss Provisions

### Portfolio by Stage (\$m)

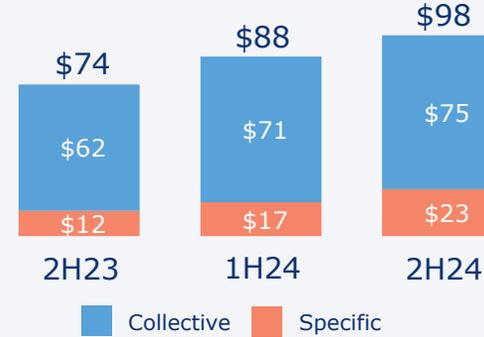


- ▲ Increase in Stage 2 and Stage 3 balances reflect higher number of customers seeking repayment variations
- ▲ In 2H24, exposure with property security represents Stage 2 (85%) and Stage 3 (78%) supported by strong security position (LVR=59%, 85%)
- ▲ 48% of customers (by balance) in Stage 3 making active payments at 81% of contract amount

### Collective Provision by Stage (\$m)

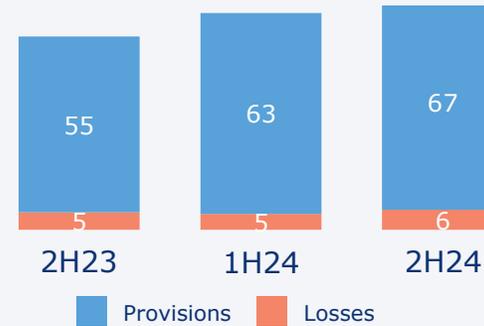


### Provisions by Nature (\$m)



- ▲ Increase in specific and collective provisions reflecting mix shift towards Secured and Financial Services segments

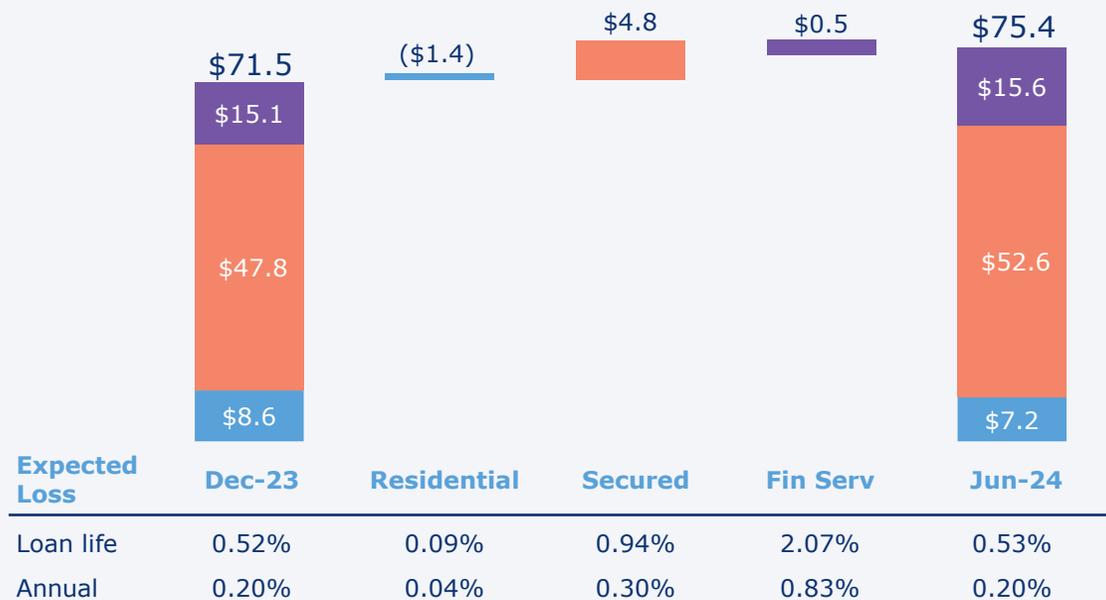
### Provision Coverage (bps)



- ▲ Total provisions at 2H24 (67bps) provides 6 times coverage against annualised 2H24 realised losses (12bps)

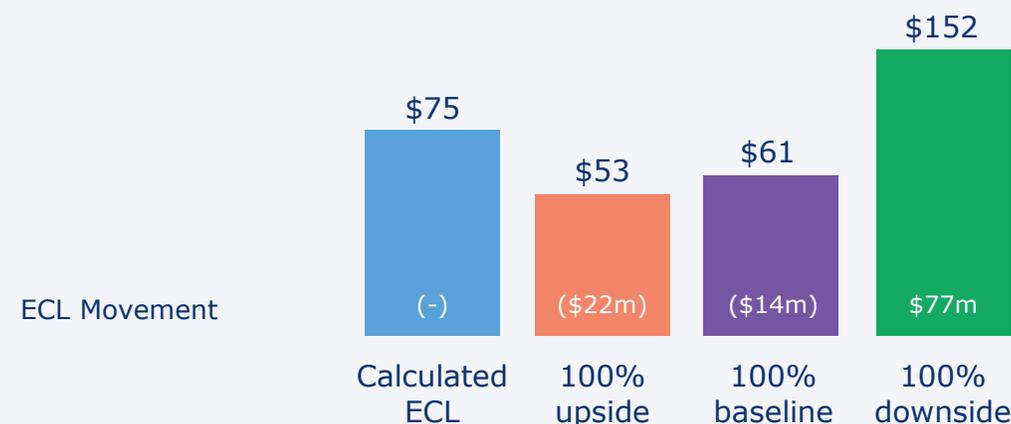
# Expected Credit Loss

### ECL by Segment



- ▲ Reduction in AU Residential and NZ Residential from 1bps lower expected annual loss
- ▲ Increase in Secured from higher portfolio; 1bps increase in expected annual loss
- ▲ Increase in Financial Services from higher portfolio; 10bps lower expected annual loss

### ECL Economic Scenarios (\$m)



Economic Scenarios (Aust)	Current	Upside	Baseline	Downside
Probability weighting (Jun-23)	-	5% (5%)	80% (70%)	15% (25%)
Unemployment	4.2%	4.4%	4.5%	5.4%
GDP	1.4%	3.0%	2.1%	0.4%
Property Prices (HVI*)	199	213	207	201
RBA Cash Rate	4.4%	3.4%	3.6%	5.1%

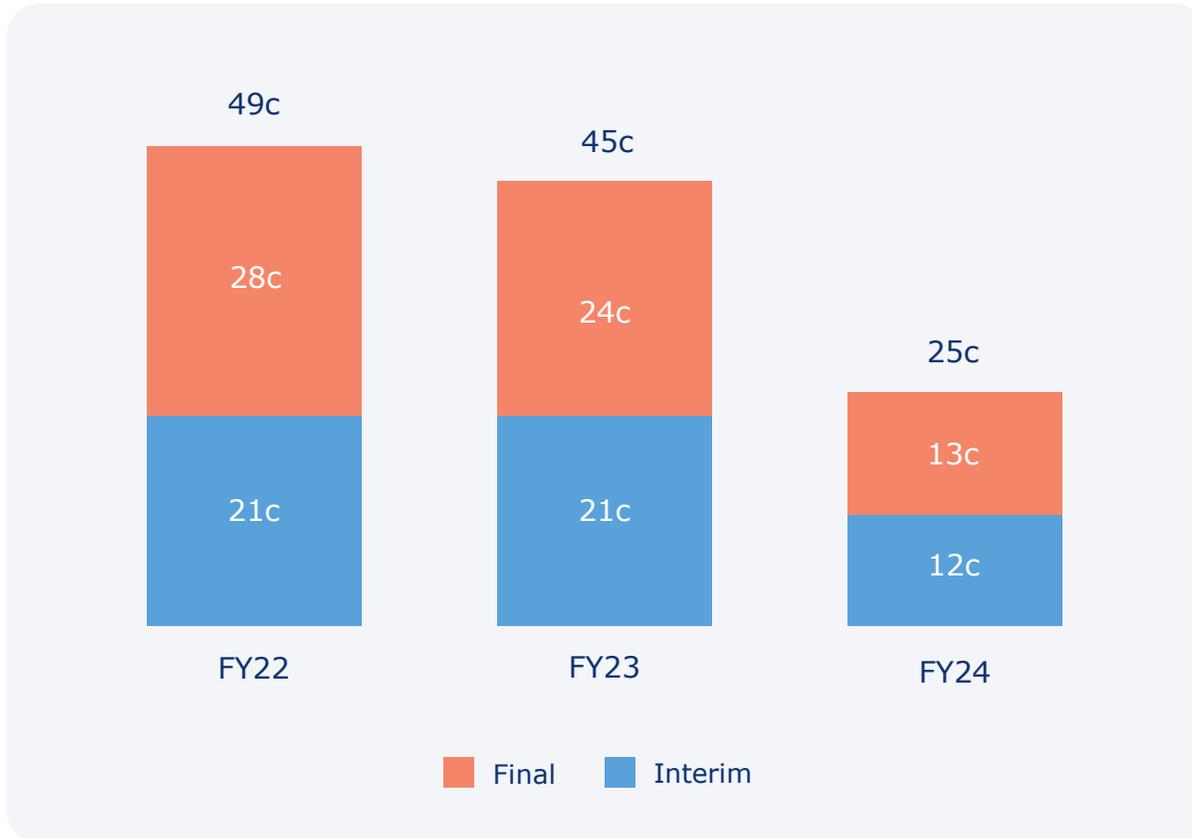
- ▲ Weighting shift from downside to baseline reflecting more stable economic outlook

# Operating Expenses

Operating expenses (\$m)	2H23	1H24	2H24
Personnel	47	47	46
Other	33	37	33
<b>Cash expenses</b>	<b>80</b>	<b>84</b>	<b>79</b>
IP amortisation	6	6	6
<b>Total expenses</b>	<b>86</b>	<b>90</b>	<b>85</b>
<b>Cost to income (Liberty*)</b>	<b>27.8%</b>	<b>28.7%</b>	<b>27.3%</b>
FTE (average #)	546	558	535

- ▲ Relatively stable net revenue throughout the period
- ▲ Stable personnel costs, with wage inflation in 2H24 offset by lower average FTE
- ▲ Effective cost management in 2H24 following higher marketing and technology investments in 1H24 to drive continued business growth
- ▲ Lower cost to income ratio in 2H24 v 1H24 and 2H23

# Distribution



- ▲ Final distribution 13 cents for the 7-month period to 30-Jun-24 to be paid 30-Aug-24
- ▲ FY24 distribution 25 cents provides 6.6% yield based on security price of \$3.76 (28-Jun-24)
- ▲ FY24 payout ratio 66% of NPAT

# Financial Position

\$m	Jun-23	Jun-24
Cash	1,342	941
Financial assets	13,535	14,638
Loans to related parties	122	96
Other assets	693	631
Financing	(14,082)	(14,627)
Other liabilities	(440)	(483)
<b>Net assets</b>	<b>1,170</b>	<b>1,196</b>
<b>Leverage ratio</b>	<b>13.4</b>	<b>13.6</b>

- ▲ All wholesale facilities due for renewal in FY24 extended (\$5.4b), with limit increases on existing facilities (\$0.8b)
- ▲ New facilities established to support anticipated growth in Secured and Residential (\$1b)
- ▲ Strong liquidity position with total (\$8.7b) and available (\$4.4b) limits at 30-Jun-24
- ▲ Reduction in cash due to pre-funding RMBS & ABS at 30-June-23 (\$425m) utilised in July-23
- ▲ Stable balance sheet and leverage with Underlying cash ROE 11%
- ▲ Investment grade rating upgraded to BBB (stable outlook) by Standard and Poor's



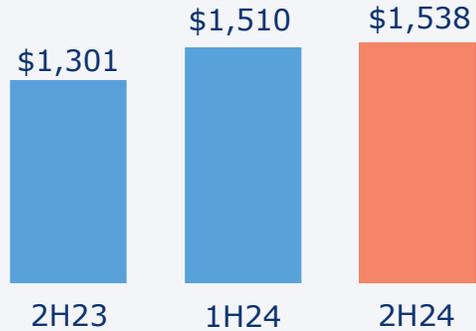
## 03 Business Update

# Business Update

-  Record group originations with continued portfolio growth
-  Residential originations recovering and discharges slowing
-  Continued growth in SME and SMSF lending
-  Auto momentum supported by new distribution partnerships
-  Fin Services benefitting from continued growth in PL lending
-  Ceased writing new LFI policies

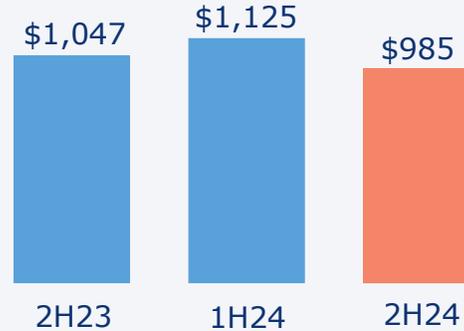
# Segment Loan Origination

## Residential (\$m)



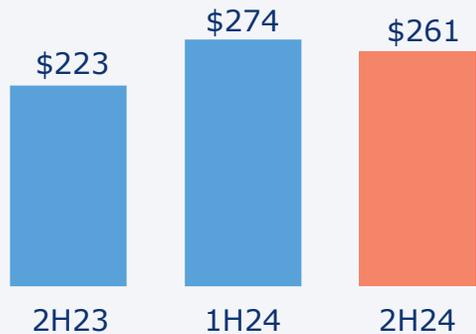
- ▲ FY24 originations (\$3.0b) consistent with FY23
- ▲ Increase in 2H24 v 1H24 (2%) reflecting recovery in credit growth as interest rates stabilise

## Secured (\$m)



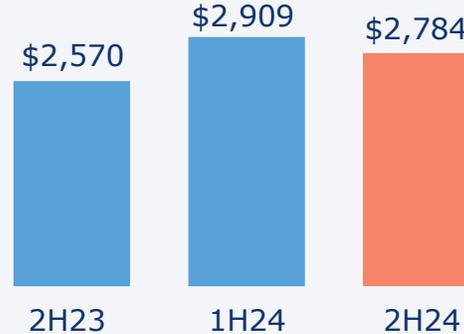
- ▲ Record FY24 originations (\$2.1b) with 5% increase from FY23
- ▲ 12% decrease in 2H24 v 1H24 reflecting increased competitive environment in motor finance
- ▲ FY24 growth driven by continued growth in SME and stable auto finance lending

## Fin Services (\$m)



- ▲ Record FY24 originations (\$535m) with 35% increase from FY23
- ▲ 5% decrease in 2H24 v 1H24 reflecting more challenging consumer environment
- ▲ FY24 growth driven by continued market share gain from other non-banks

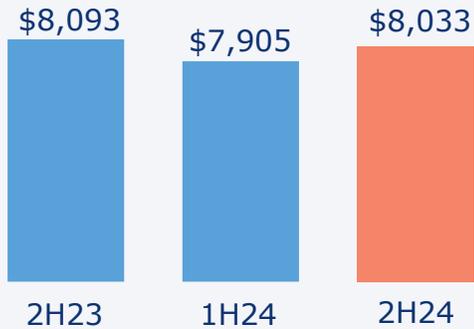
## Group (\$m)



- ▲ Record FY24 originations (\$5.7b) with 4% increase from FY23 (\$5.4b)

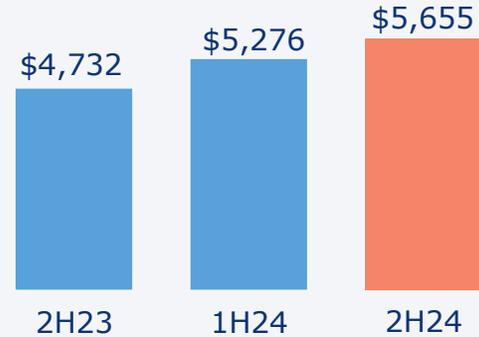
# Segment Loan Portfolio

## Residential (\$m)



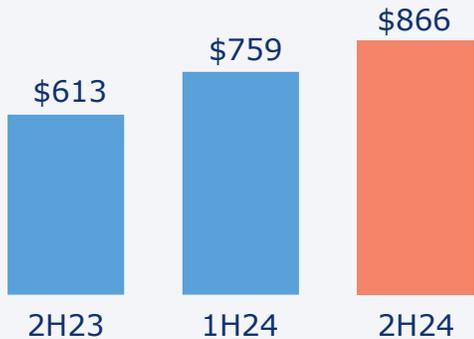
- ▲ Portfolio growth in 2H24 v 1H24 as credit growth improves and discharges stabilise

## Secured (\$m)



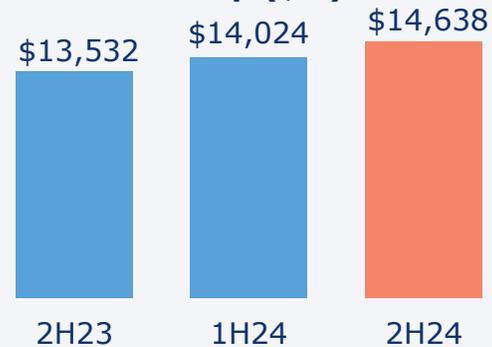
- ▲ Continued growth in Secured loan portfolios as new origination higher than discharges and amortisation

## Fin Services (\$m)



- ▲ Continued growth in personal loan portfolio as new origination higher than discharges and amortisation

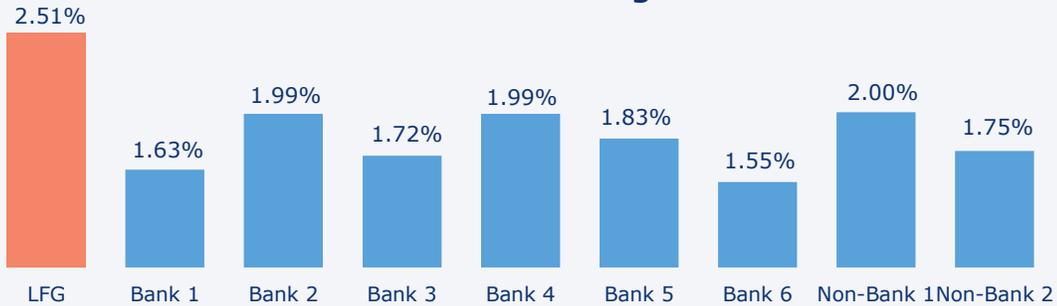
## Group (\$m)



- ▲ 4% portfolio growth in 2H24 v 1H24
- ▲ 8% portfolio growth in FY24
- ▲ Portfolio mix continues to move toward higher yielding Secured and Financial Services assets (45%)

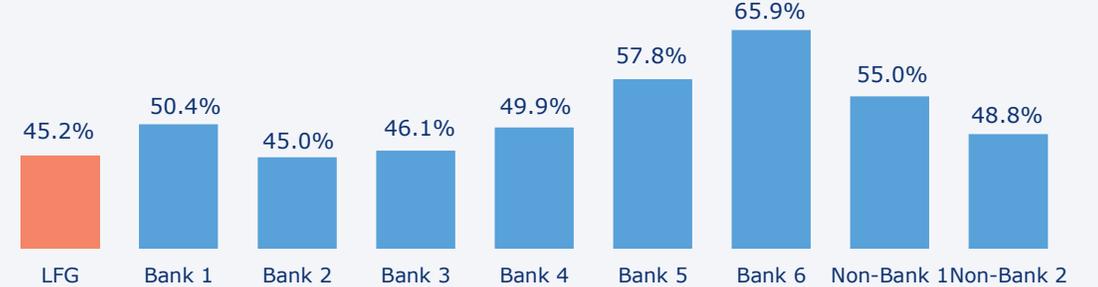
# Relative Value Drivers

### Net Interest Margin



▲ Industry leading net interest margin

### Cost to Income Ratio



▲ Efficient cost management

### Tier 1 Capital Ratio



▲ Bank-like capital strength

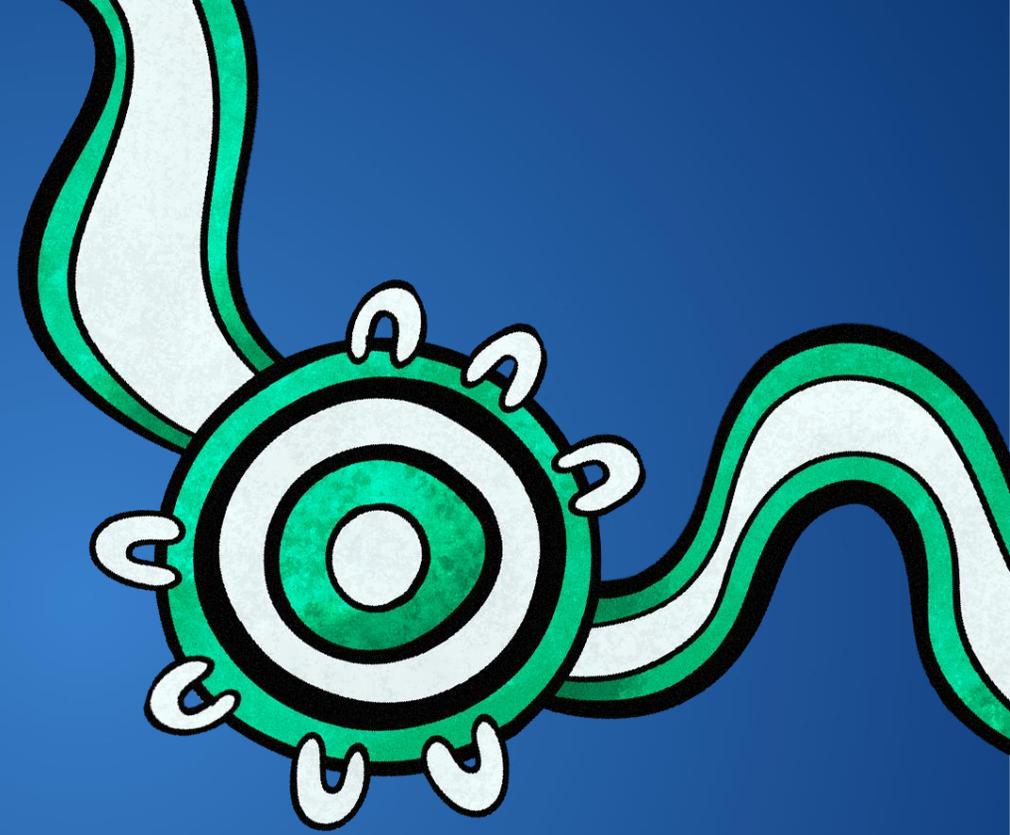
### ROE & Leverage



▲ Highest ROE to Leverage ratio

# ESG, People and Culture

-  Employer of the year (Women in Finance)
-  Gold Employer Status (AU LGBTQIA+ Inclusion Awards)
-  Innovate RAP endorsed (Reconciliation Australia)
-  Gender pay gap 15% (industry average 29%)
-  Preparation for Australian Sustainability Reporting
-  93% staff proud to work at Liberty



## 04 Outlook

# Outlook

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Economic indicators support portfolio growth



Elevated customer hardship support ongoing



Increasing bad debts from asset mix and hardship



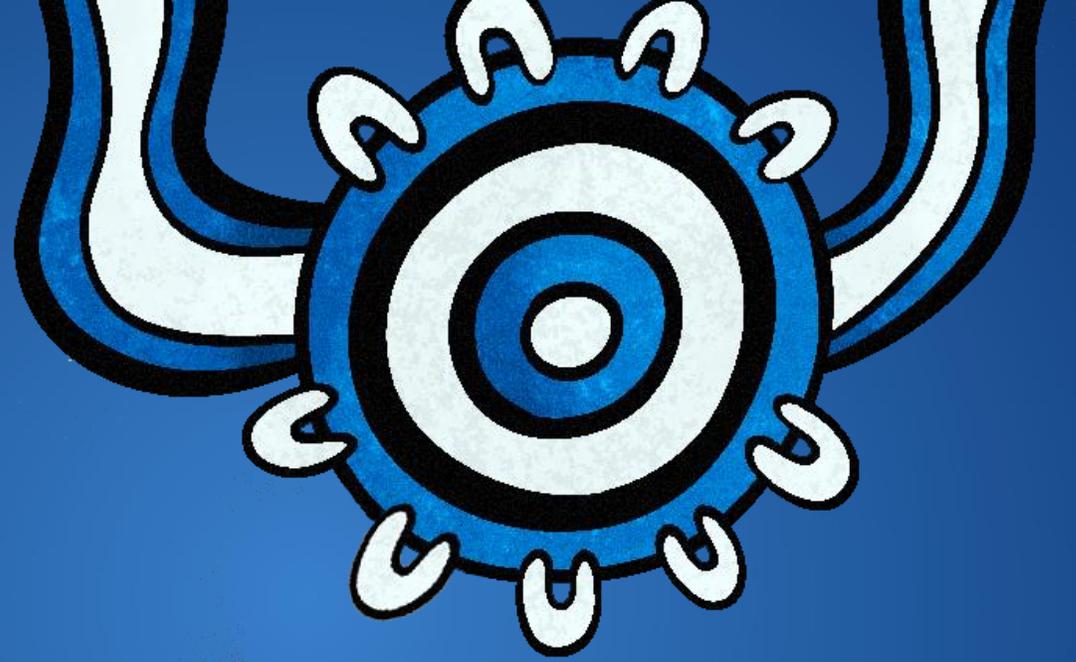
NIM stabilising



Automation to improve operational efficiency



Investment in broker and customer digital experiences



## 05 Summary

# Summary

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-  Diverse customer solutions driving portfolio growth
-  Leading peer NIM delivering leading return on assets
-  Continued focus on exceptional service and cost to serve
-  Strong liquidity and capital position to support growth
-  Continuing investment in diversifying customer solutions
-  Ongoing investment in digital customer solutions



**06** Questions



Appendix

# Who is LFG?

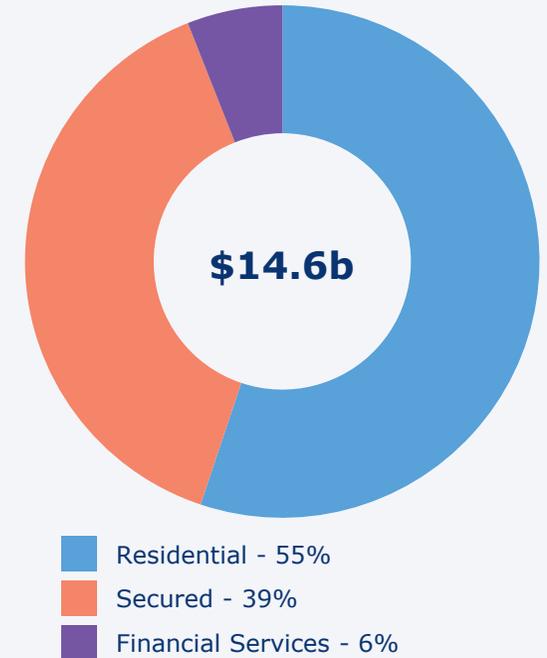
## Liberty Financial

- ▲ Started 1997 and only investment grade non-bank (BBB/stable/A-3)
- ▲ Pioneered specialty finance industry in Australia and New Zealand
- ▲ Over 550 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



# 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



### Life insurance distribution

- Distributor of life insurance in Australia



### Broker network and aggregators

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



### Investments

- Debenture and management investment scheme products for short and long-term investing in Australia and New Zealand



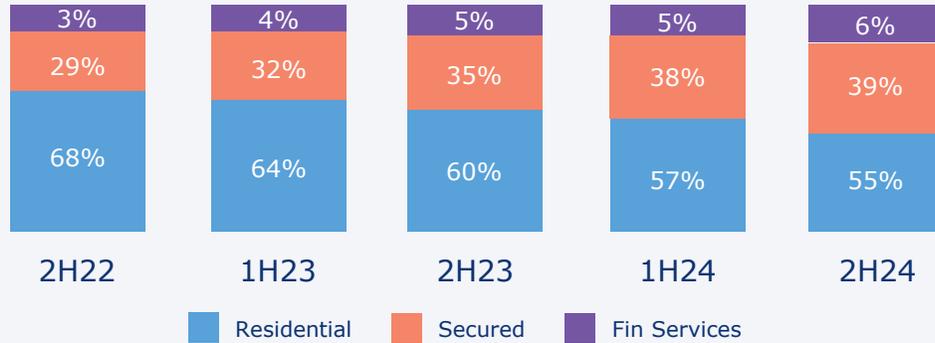
Lending activities

Loan and insurance distribution

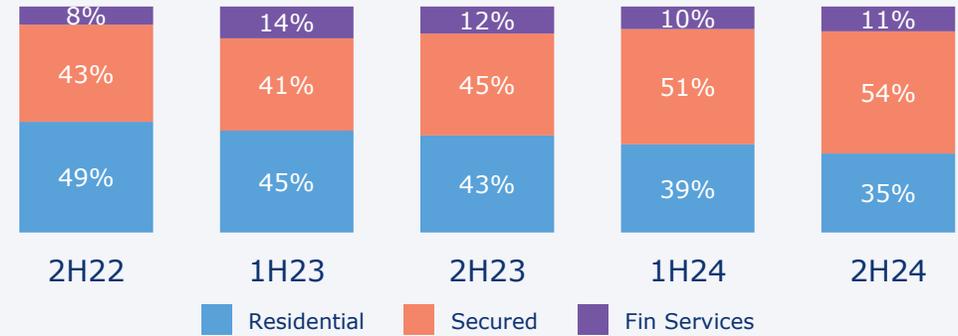
Investments

# Segment Performance

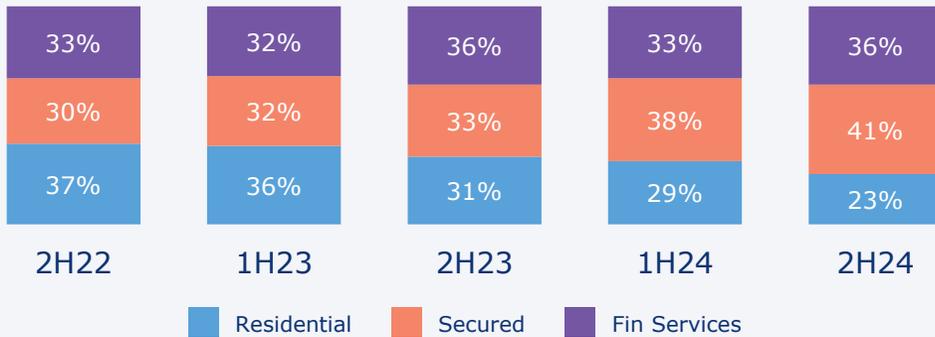
### Closing Portfolio



### Net Contribution



### Net Revenue



- Relative segment portfolio mix continues trajectory toward Secured and Financial Services
- Higher yielding Secured and Financial Services assets generate higher relative contribution to Group net revenue and contribution

# Reconciliation Statutory to Underlying

\$m	FY23	FY24
Statutory NPAT	181.1	115.3
IP amortisation	11.8	11.8
<b>Statutory NPATA</b>	<b>192.9</b>	<b>127.1</b>
MPRE sale-related adjustments		
Commission income	(19.4)	(21.4)
Commission expense	15.7	17.1
Personnel costs	1.5	0.9
Other expenses – operating expenses	2.1	1.6
Other expenses - impairment of goodwill	-	7.0
Other income – gain on sale of business operations	-	(0.8)
ALI acquisition-related adjustments		
Commission income	(23.1)	-
Commission expense	7.5	-
Other expenses - contingent consideration	9.9	-
Tax cost base reset benefit	(5.3)	-
Tax effect of adjustments	4.7	0.5
Total adjustments	(6.4)	4.9
<b>Underlying NPATA</b>	<b>186.5</b>	<b>132.0</b>

\$m	FY23	FY24
Statutory NPAT	181.1	115.3
IP amortisation	11.8	11.8
<b>Statutory NPATA</b>	<b>192.9</b>	<b>127.1</b>
Commission income	(42.5)	(21.4)
Commission expense	23.2	17.1
Personnel costs	1.5	0.9
Other expenses – operating expenses	2.1	1.6
Other expenses - impairment of goodwill	-	7.0
Other expenses - contingent consideration	9.9	-
Other income – gain on sale of business operations	-	(0.8)
Total adjustments	(5.8)	4.4
Tax effect of adjustments	4.7	0.5
Tax cost base reset benefit	(5.3)	-
<b>Underlying NPATA</b>	<b>186.5</b>	<b>132.0</b>

# Statutory P&L

\$m	FY23	FY24
Interest income on financial assets measured at amortised cost	962.7	1,206.5
Interest income on financial assets measured at fair value	2.6	3.0
Effective yield fee income on financial assets measured at amortised cost	39.9	43.7
Other financial income	225.5	205.7
Other income	2.0	3.0
Total operating income	1,232.7	1,461.9
Finance expense	(832.3)	(1,107.9)
Impairment loss on financial assets measured at amortised cost	(18.3)	(35.2)
Personnel expenses	(92.9)	(94.1)
Other expenses	(91.2)	(90.5)
Total operating expense	(1,034.7)	(1,327.7)
<b>Profit before income tax</b>	<b>198.0</b>	<b>134.2</b>
Income tax expense	(16.9)	(18.9)
<b>Profit after income tax</b>	<b>181.1</b>	<b>115.3</b>

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