

Liberty Financial Group FY25 Half Year Results

24 February 2025



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.

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



Profit growth in a highly competitive environment



NIM stable throughout 1H25



Continued portfolio growth through diversification



Strong balance sheet with 12% underlying cash ROE



Customer hardship stabilising



Strong broker and customer net promoter scores



Continued investment in digital customer experience

Financial Highlights



Underlying NPATA

\$71.4m (\$62.4m)
+14%



Net revenue

\$302.2m (\$290.5m)
+4%



NIM

2.46% (2.47%)
(1bps)



BDD

9bps (13bps)
(4bps)



Cost to income

26.9% (27.3%)
(40bps)



Distribution

17c (13c)
+31%

Operating Highlights



Average financial assets

\$14.7b (\$14.3b)
+3%



New assets originated

\$2.8b (\$2.8b)
+1%



Impaired loans

\$304m (\$309m)
(1%)



Average FTE Staff

528 (541)
(2%)



Broker NPS

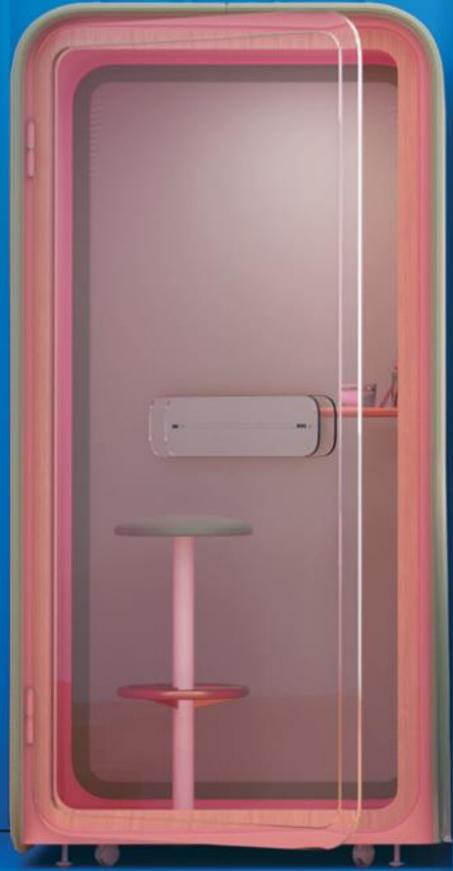
85 (87)
(2%)



Customer NPS

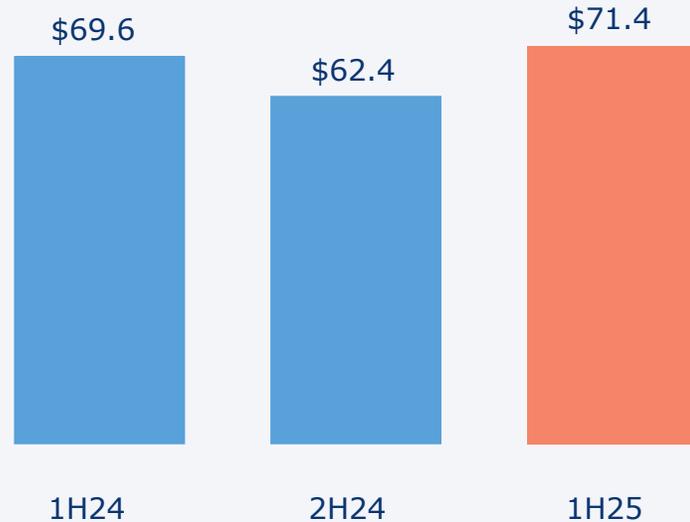
52 (61)
(15%)

02 Results Analysis



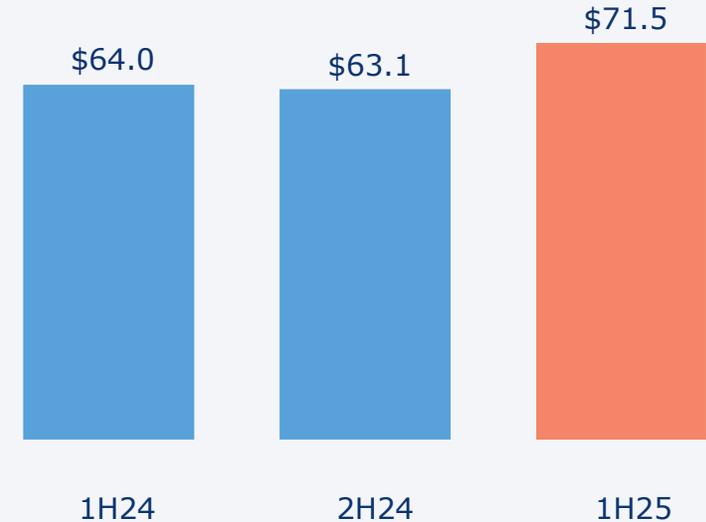
Profit Performance

Underlying NPATA (\$'m)



- ▲ Increase in Underlying NPATA (1H25 v 2H24) explained by
 - Higher net interest income with growth in average assets and stable NIM (\$7m)
 - Lower impairment expense as credit risk moderates (\$5m)
 - Higher operating expenses (\$2m)
- ▲ Increase in Underlying NPATA (1H25 v 1H24) explained by
 - Higher net interest income as higher average assets offset lower NIM (\$5m)
 - Lower impairment expense as credit risk moderates (\$2m)
 - Lower underlying operating expenses through expense control (\$3m)
 - Higher commission as Secured segment portfolio increases (\$7m)

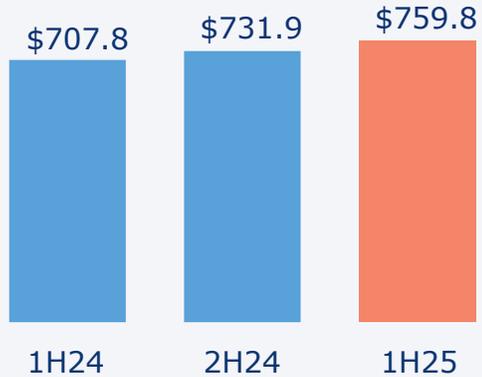
Statutory NPATA (\$'m)



- ▲ Impact of sale of MPRE
 - 1H24: lower statutory NPATA (\$5.6m)
 - 2H24: higher statutory NPATA by (\$0.7m)
 - 1H25: higher statutory NPATA by (\$0.1m)

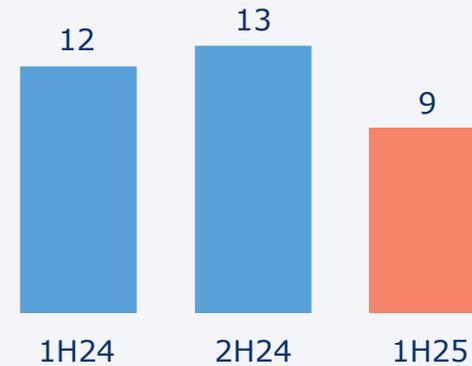
Profit Drivers

Total Revenue (\$'m)



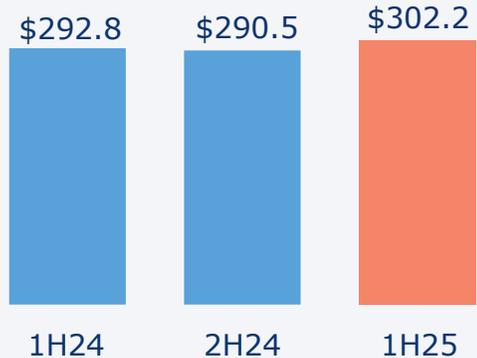
- ▲ Total revenue growth +7% (1H25 v 1H24) and +4% (1H25 v 2H24) driven by increased yield given RBA rate increases during 1H24, higher average financial assets and increased distribution loan flow driving higher commission income

Loan Impairment (bps)



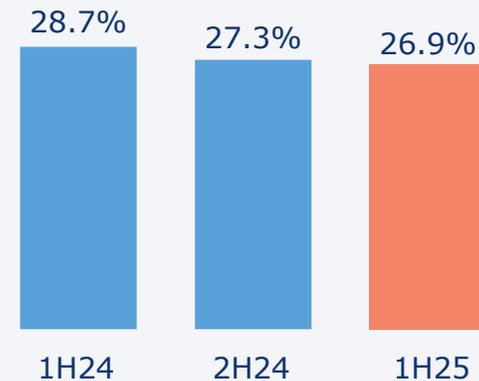
- ▲ Increased write-offs (4bps) given challenging environment for personal loan borrowers
- ▲ Stable new specific provisions (9bps) consistent with stable portfolio delinquency
- ▲ Decreased collective provision (4bps) reflecting Secured segment mix shift and improved loss expectation from reduction in credit risk attributes

Net Revenue (\$'m)



- ▲ Net revenue +4% (1H25 v 2H24) with stable NIM, higher average financial assets and higher commission income
- ▲ Stable NIM (2.46%) throughout 1H25

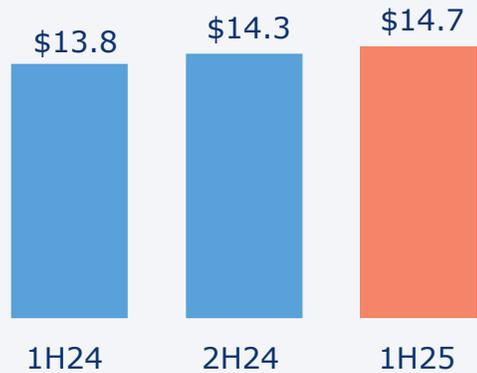
Cost to Income (%)



- ▲ CTI reduction 1H25 v 1H24 and 1H25 v 2H24 driven by a combination of higher net revenue and effective cost management

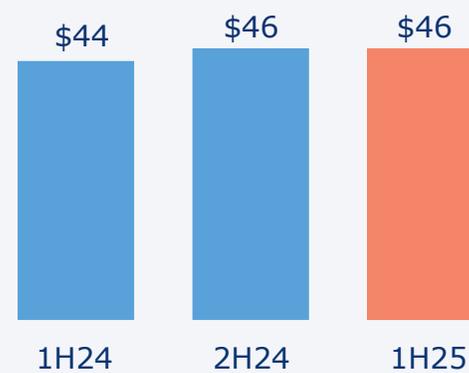
Revenue

Average Assets (\$'b)



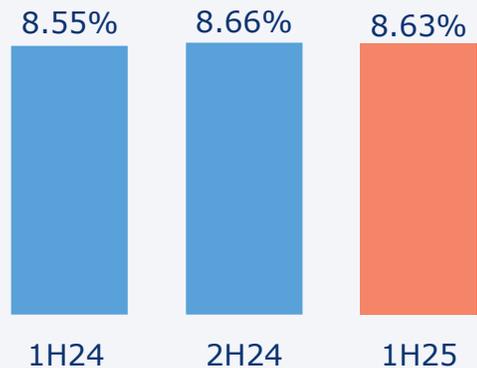
- ▲ Average asset growth 7% (1H25 v 1H24) and 3% (1H25 v 2H24) driven by Secured and Financial Services segments
- ▲ New originations \$2.8b in 1H25 (v \$2.8b 2H24 and \$2.9b 1H24)
- ▲ Loan discharges and prepayments continue to influence Residential portfolio growth despite higher originations

Lending Income (\$'m)



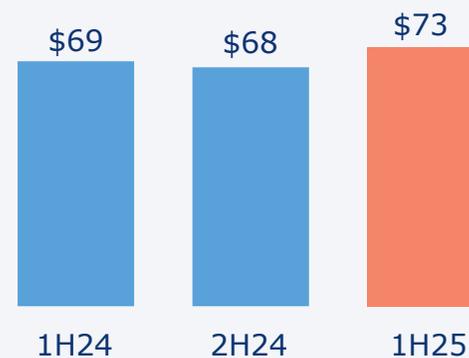
- ▲ Movement in lending income between periods largely consistent with movement in new loan origination volume

Yield (%)



- ▲ Reduction in yield to 8.63% (1H25) from 8.66% (2H24) due to:
 - Consistent RBA cash rate
 - Origination yield lower than portfolio yield (-5bps)
 - Asset mix (+2bps)

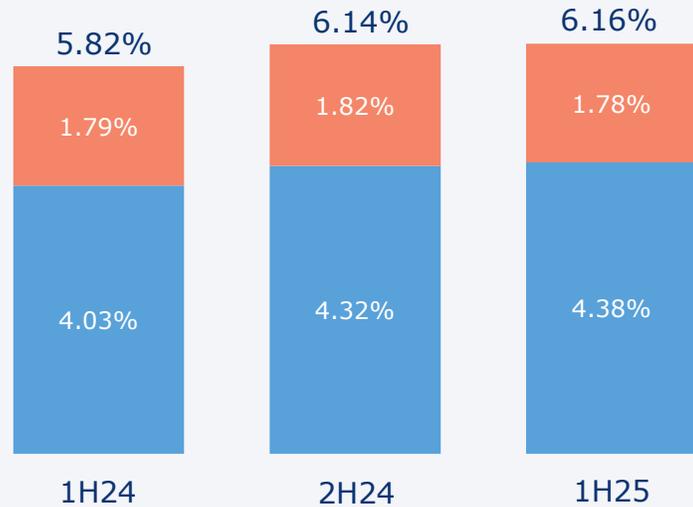
Commission Income (\$'m)



- ▲ Movement reflects transaction volumes in Australian and NZ distribution businesses
- ▲ Commission income increase offset by increased commission expense

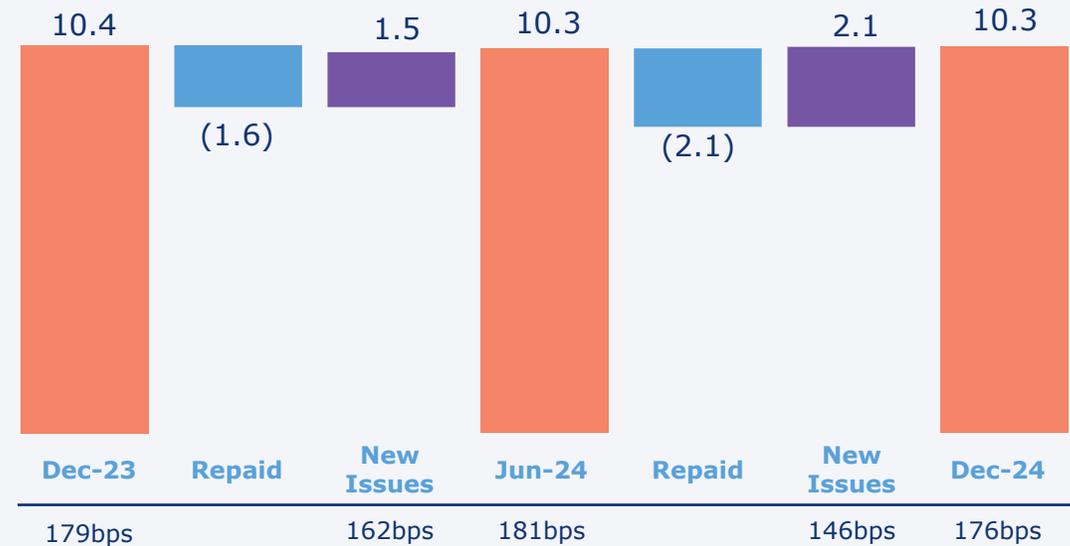
Funding

Cost of Funding



- ▲ Average funding benchmark cost 438bps in 1H25 (an increase of 6bps v 2H24 and 35bps v 1H24) from RBA cash rate increases during 1H24 and BBSW volatility
- ▲ Average funding margin 178bps in 1H25 (decrease of 4bps from 2H24) as margins on new term issues (146bps) lower than average term liability margin at 30-Jun-24 (181bps)

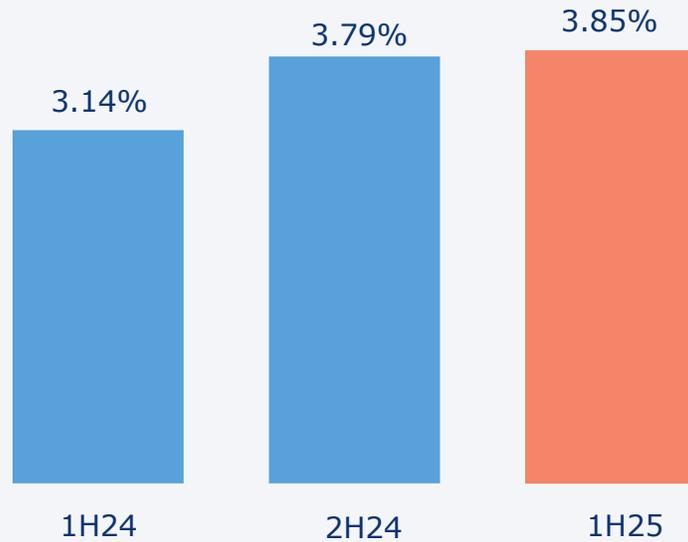
Term Funding (\$'b)



- ▲ 1H25 term issuance (\$2.1b) supporting Residential and Secured asset growth
- ▲ All maturing facilities renewed with improved terms (\$3.6b)
- ▲ Mar-25 MTN maturity (\$200m) to be funded from balance sheet resources; new MTN issue planned in Mar-25 subject to market conditions

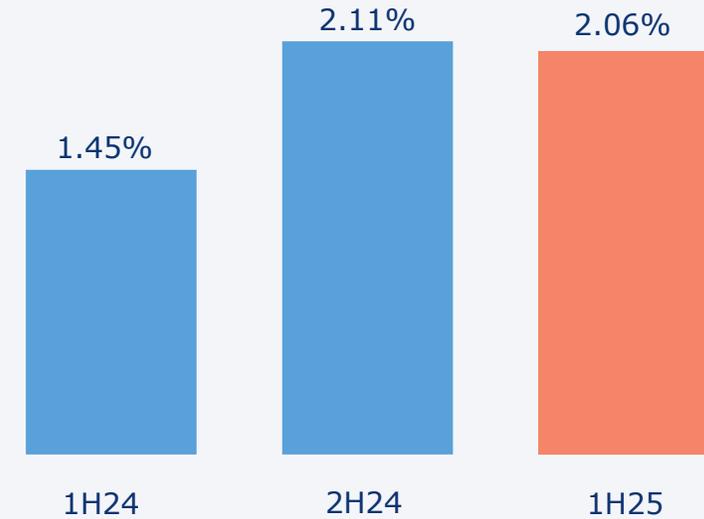
Portfolio Risk

+30 Day Delinquency



- ▲ Early-stage delinquency stabilised in 1H25 as interest rates stable since Nov-23

+90 Day Delinquency



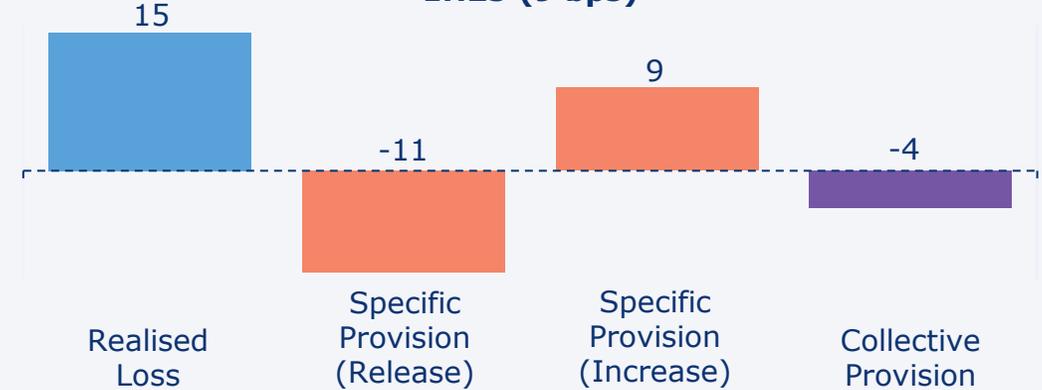
- ▲ Later-stage delinquency stabilised in 1H25 as interest rates stable since Nov-23
- ▲ Majority of customers in 90+ day delinquency supported by property security (78%) with an average LVR of 89%

Loan Impairment

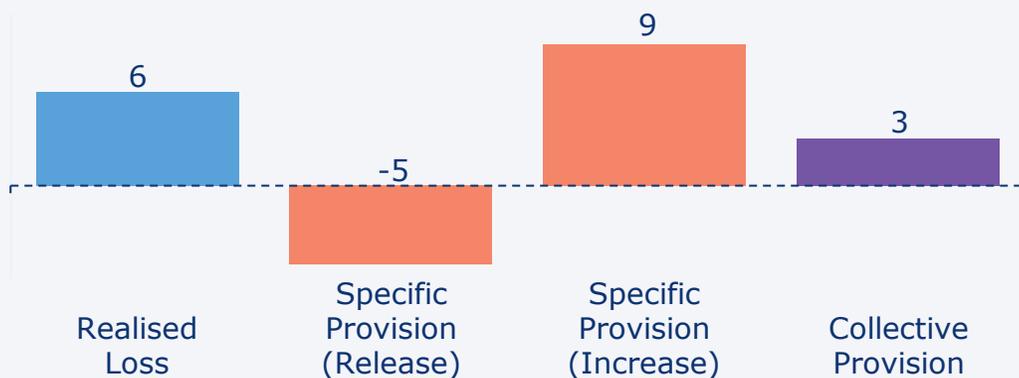
1H24 (12 bps)



1H25 (9 bps)



2H24 (13 bps)

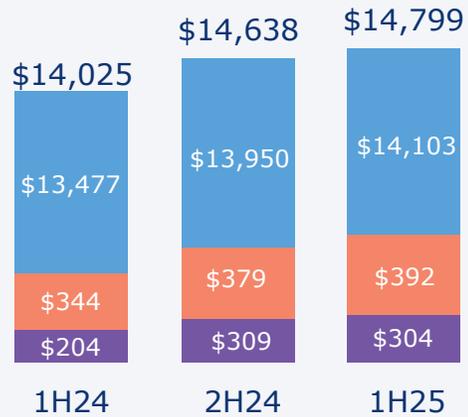


▲ Impairment expense 9bps in 1H25:

- Realised losses (after provision release) increased as challenging environment persists for consumers
- Reduction in collective provision reflects Secured segment mix shift from motor to commercial driving lower segment loss expectations
- Future expected losses stable or improving reflecting emerging trend in customer and portfolio credit loss characteristics

Loss Provisions

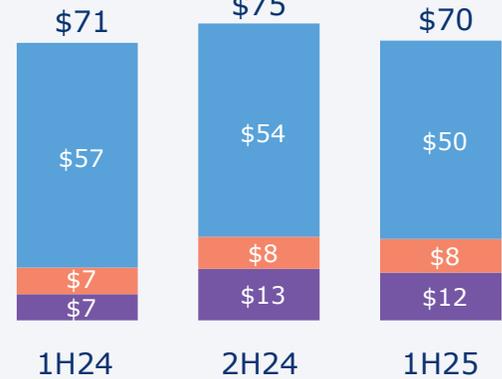
Portfolio by Stage (\$'m)



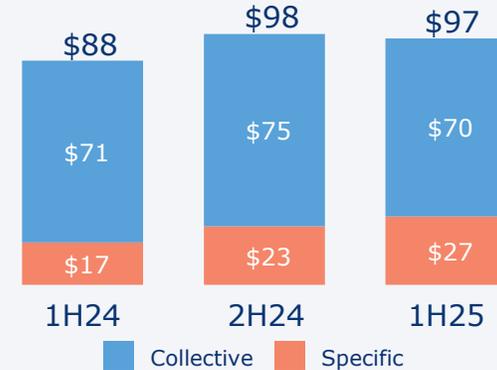
■ Stage 1 ■ Stage 2 ■ Stage 3

- ▲ Stage 2 and 3 1H25 balances have stabilised as interest rates have stabilised
- ▲ Exposure with property security represents Stage 2 (87%) and Stage 3 (78%) supported by strong security position (LVR=59%, 89%)
- ▲ 63% of customers (by balance) in Stage 3 making active payments at 88% of contract amount

Collective Provision by Stage (\$'m)

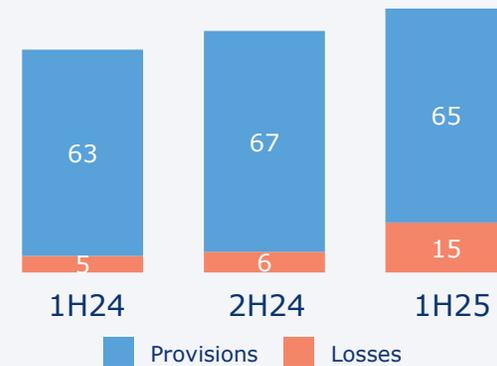


Provisions by Nature (\$'m)



- ▲ Increase in specific provisions reflecting continued Secured segment portfolio growth
- ▲ Decrease in collective provisions reflects Secured mix shift from motor to commercial and a reduction in loss expectations given reduced credit risk attributes

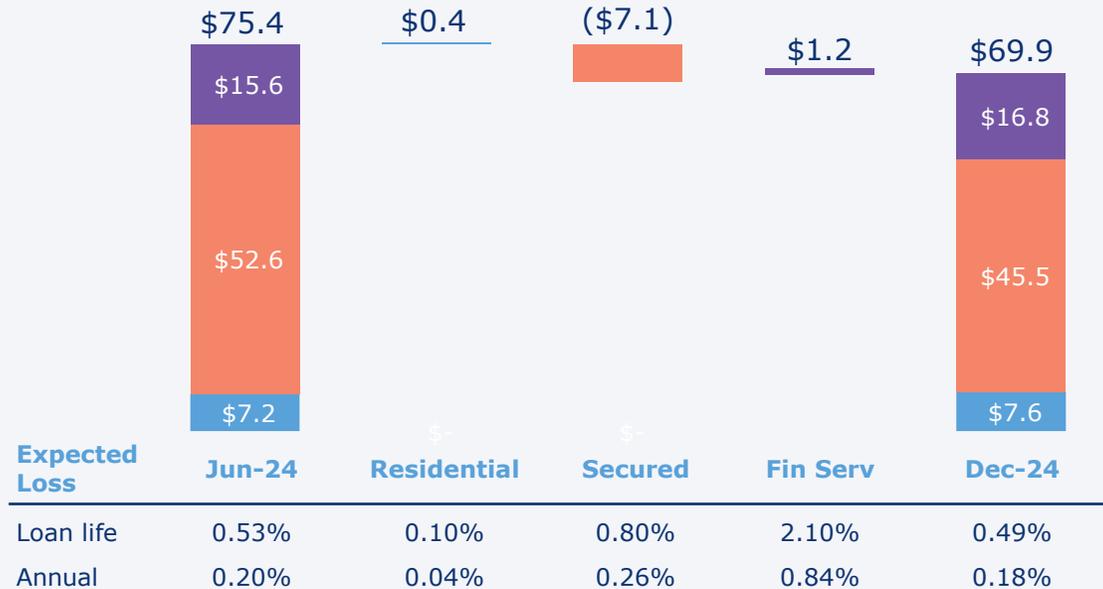
Provision Coverage (bps)



- ▲ Total provisions at 1H25 (\$97m) provide 32% coverage against Stage 3 balances (32% in 2H24)

Expected Credit Loss

ECL by Segment



- ▲ No change in Residential ECL with stable portfolio and stable expected annual loss
- ▲ Decrease in Secured ECL with higher portfolio more than offset by 4bps lower expected annual loss
- ▲ Increase in Financial Services ECL from higher portfolio and 1bps higher expected annual loss

ECL Economic Scenarios (\$m)



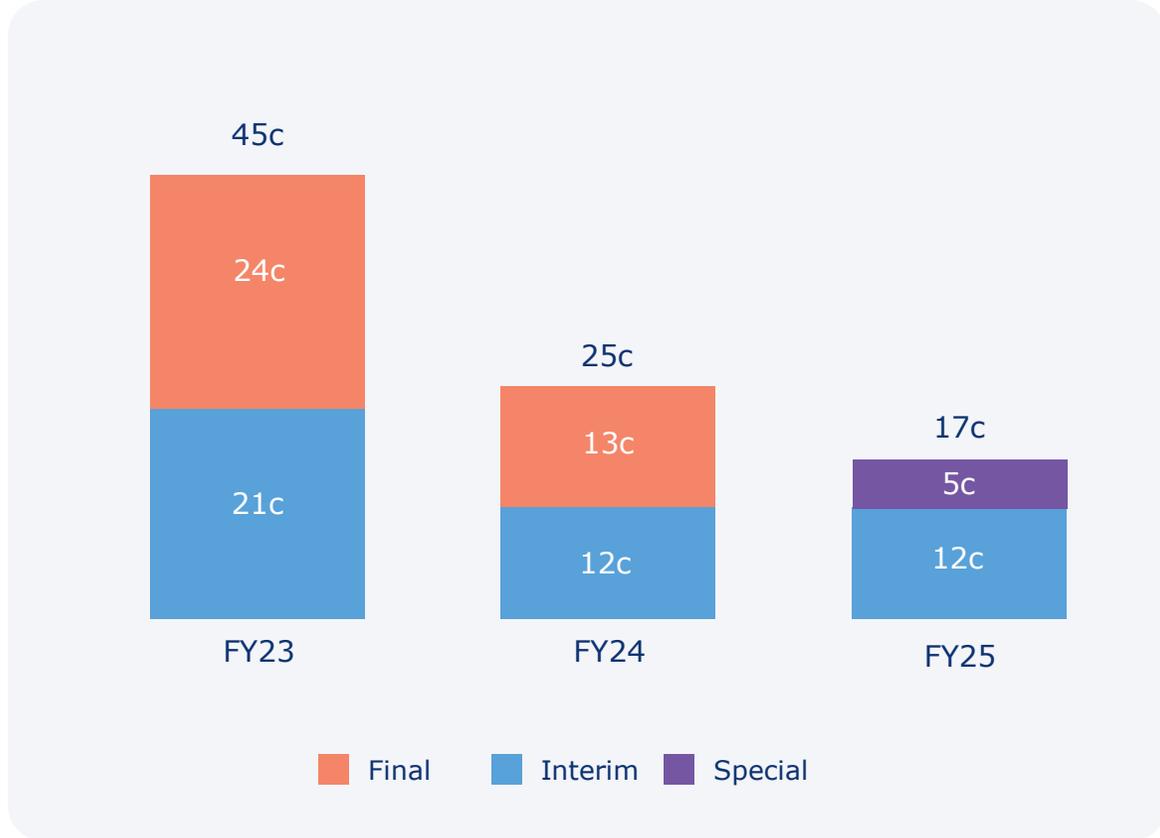
Economic Scenarios (Aust)	Current	Upside	Baseline	Downside
Probability weighting (Jun-24)	-	5% (5%)	80% (80%)	15% (15%)
Unemployment	4.3%	4.5%	4.6%	5.5%
GDP	1.4%	3.3%	2.3%	1.0%
Property Prices (HVI*)	206	224	218	200
RBA Cash Rate	4.4%	3.6%	3.9%	5.5%

Operating Expenses

Operating expenses (\$m)	1H24	2H24	1H25
Personnel	47	47	45
Other	37	32	36
Cash expenses	84	79	81
IP amortisation	6	6	6
Total expenses	90	85	87
Cost to income (Liberty)*	28.7%	27.3%	26.9%
FTE (average #)	555	541	528

- ▲ Lower personnel costs reflect lower FTE offsetting wage inflation
- ▲ Other expenses return to run-rate in 1H25
- ▲ Higher net revenue and effective cost management have lowered cost to income across the periods

Distribution



- ▲ Interim distribution 12 cents paid in Dec-24 for 5-month earnings period to Nov-24
- ▲ Special dividend 5 cents paid in Dec-24
- ▲ LTM distribution of 30c equates to yield of 9% based on security price of \$3.32 (31-Dec-24)
- ▲ Final distribution for 7-month earnings period to 30-Jun-25 expected to be paid end of Aug-25

Financial Position

\$m	Jun-24	Dec-24
Cash	941	905
Financial assets	14,638	14,800
Loans to related parties	96	43
Other assets	631	607
Financing	(14,627)	(14,851)
Other liabilities	(483)	(313)
Net assets	1,196	1,191
Leverage ratio	13.6	13.7

- ▲ Strong liquidity position with total (\$8.9b) and available (\$4.4b) limits at 31-Dec-24
- ▲ Stable balance sheet and leverage
- ▲ Annualised underlying cash ROE 12%
- ▲ Investment grade rating affirmed at BBB (stable outlook) by Standard and Poor's



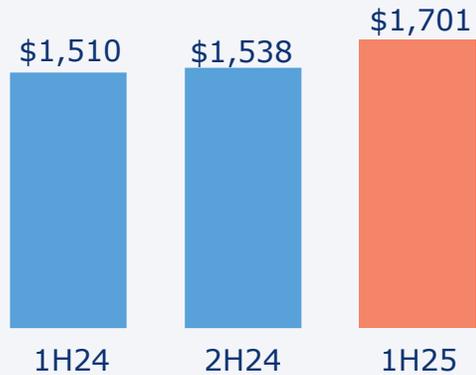
03 Business Update

Business Update

-  Higher group originations with continued portfolio growth
-  Higher residential originations but discharges still impacting
-  Continued growth in SME and SMSF lending
-  Strong competition impacting motor finance
-  Fin Services growth despite challenging environment
-  Continued ongoing effective management of arrears

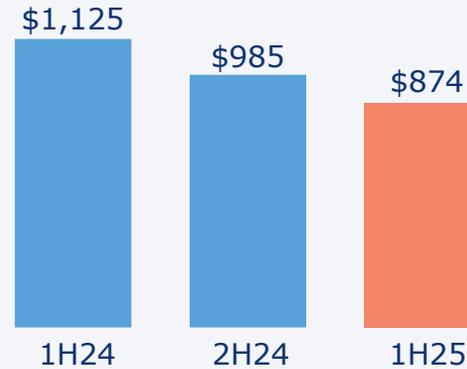
Segment Loan Origination

Residential (\$'m)



- ▲ 1H25 originations 13% higher than 1H24 and 11% higher than 2H24 reflecting improving credit growth driven by stable interest rate environment

Secured (\$'m)



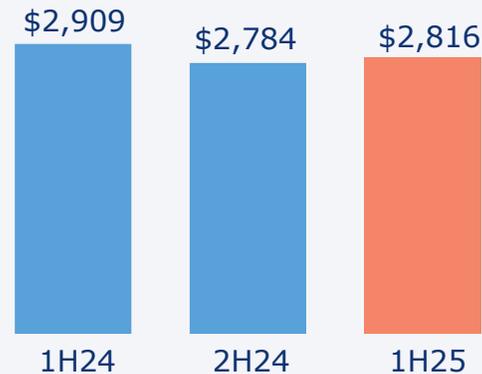
- ▲ 22% decrease in 1H25 v 1H24 and 11% decrease in 1H25 v 2H24
- ▲ Increased competitive environment in motor finance partly offset by continued growth in SME and SMSF lending

Fin Services (\$'m)



- ▲ 12% decrease in 1H25 v 1H24 and 8% decrease in 1H25 v 2H24 reflecting more challenging consumer environment

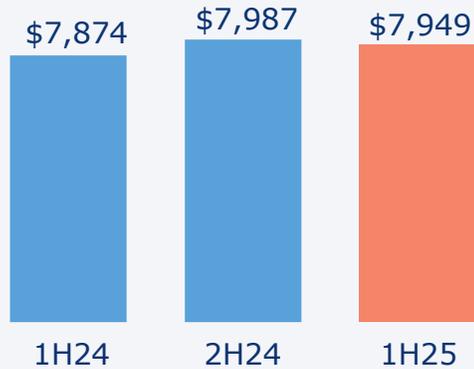
Group (\$'m)



- ▲ Strong Residential, SME and SMSF lending growth more than offset the impact of challenging motor finance and Financial Services lending environments

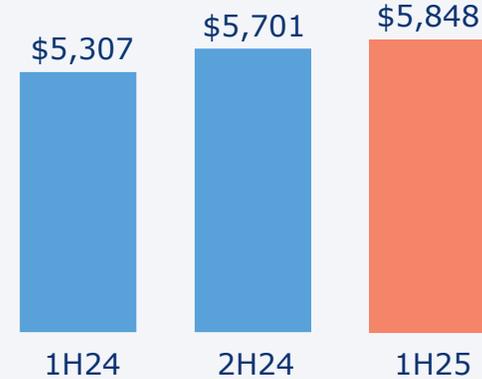
Segment Loan Portfolio

Residential (\$'m)



- Despite increasing originations portfolio growth continues to be impacted by higher than expected discharges

Secured (\$'m)



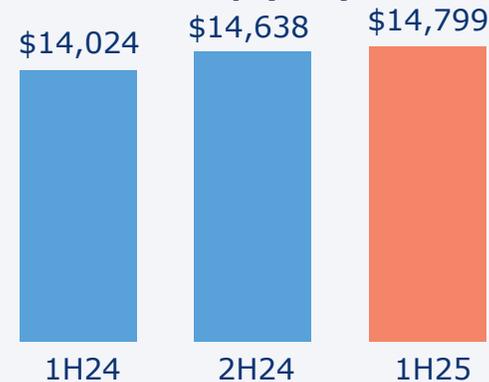
- Continued growth in Secured loan portfolio with strong SME and SMSF portfolio growth more than offsetting a small decline in the motor finance portfolio

Fin Services (\$'m)



- Continued growth in personal loan portfolio as originations remain higher than discharges and amortisation

Group (\$'m)



- 1% portfolio growth in 1H25 v 2H24
- 6% portfolio growth in 1HY25 v 1H24
- Portfolio mix stable in 1H25 at 46% Secured and Financial Services

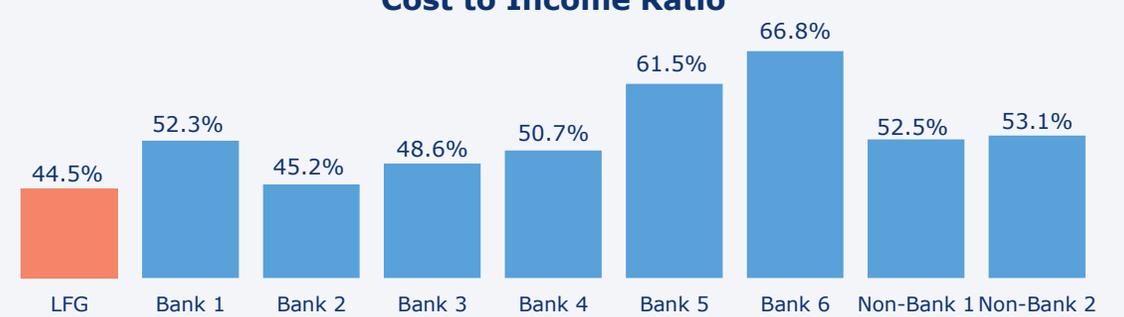
Relative Value Drivers

Net Interest Margin



▲ Industry leading net interest margin

Cost to Income Ratio



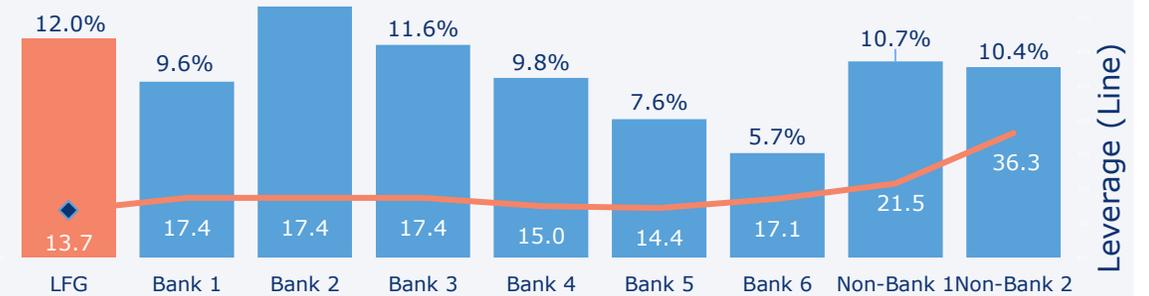
▲ Efficient cost management

Tier 1 Capital Ratio



▲ Bank-like capital strength

ROE & Leverage



▲ Highest ROE to Leverage ratio



04 Outlook

Outlook

-  Environment supports & challenges portfolio growth
-  Stable ongoing customer hardship support
-  NIM stable with possible expansion
-  Continuing NIM, CTI & ROA peer outperformance
-  Automation to improve operational efficiency
-  Investment in broker and customer digital experiences



05 Summary

Summary

-  Diverse customer solutions driving portfolio growth
-  Leading peer NIM, CTI & ROA with bank-like capital
-  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





OPEN

Appendix

Who is LFG?

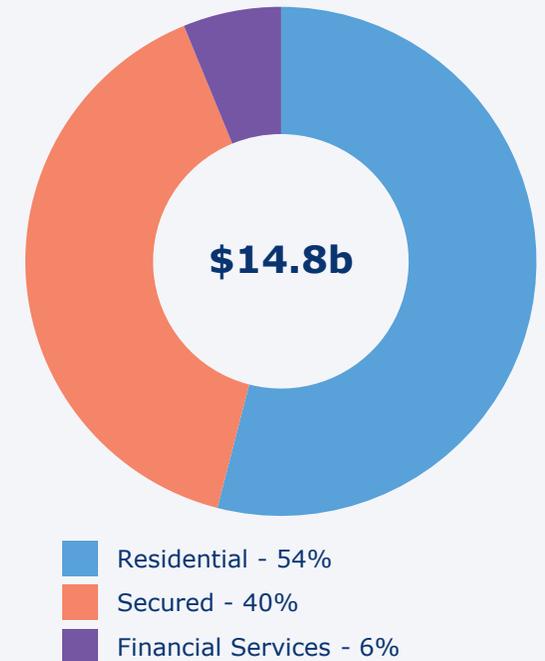
Liberty Financial

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



Products and Service

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



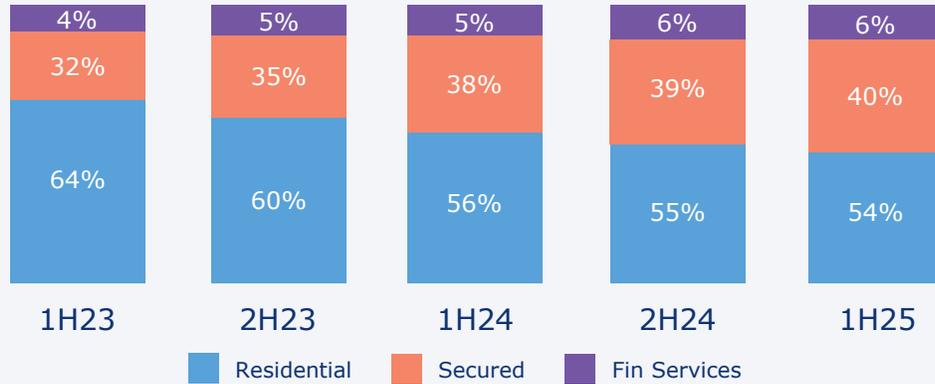
Lending activities

Loan and insurance distribution

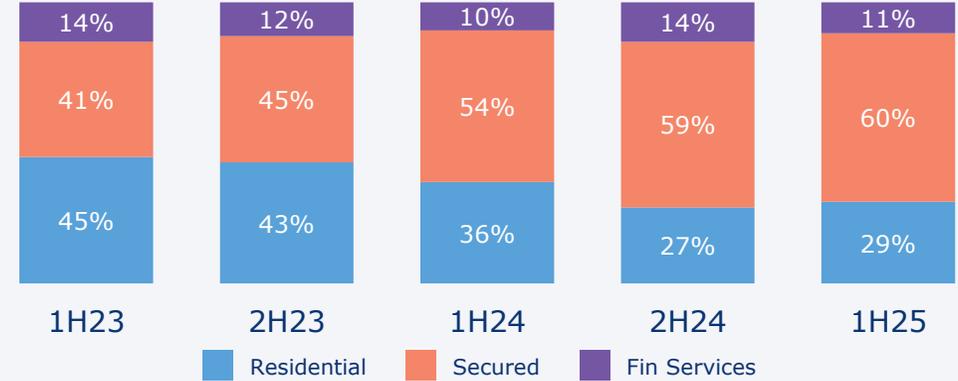
Investments

Segment Performance

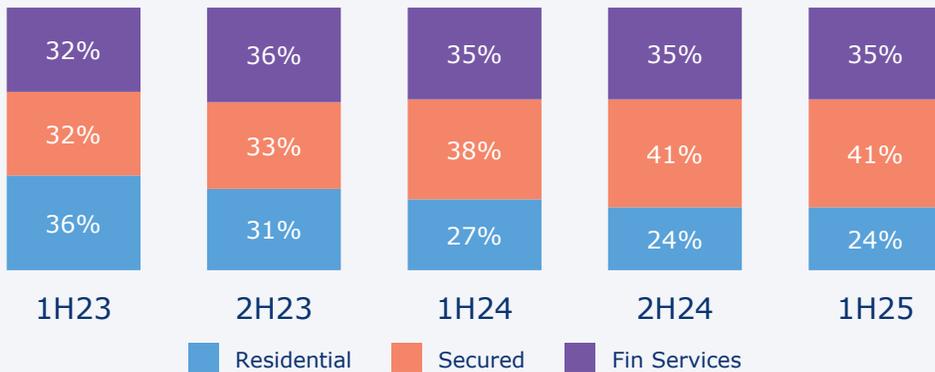
Closing Portfolio



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	1H24	2H24	1H25
Statutory NPAT	58.1	57.2	65.6
IP amortisation	5.9	5.9	5.9
Statutory NPATA	64.0	63.1	71.5
MPRE sale-related adjustments			
Commission income	(12.1)	(9.3)	(1.9)
Other income – gain on sale	-	(0.8)	-
Commission expense	9.7	7.5	1.5
Personnel costs	0.6	0.3	-
Other expenses – operating expenses	1.2	0.4	0.2
Other expenses - impairment of goodwill	6.0	0.9	-
Tax effect of adjustments	0.2	0.3	0.1
Total adjustments	5.6	(0.7)	(0.1)
Underlying NPATA	69.6	62.4	71.4

Statutory P&L

\$'m	1H24	2H24	1H25
Interest income on financial assets measured at amortised cost	590.8	615.7	639.6
Interest income on financial assets measured at fair value	1.5	1.4	0.4
Effective yield fee income on financial assets measured at amortised cost	21.5	22.2	21.5
Other financial income	104.9	100.8	99.8
Other income	1.2	1.8	0.4
Total operating income	719.9	741.9	761.7
Finance expense	(539.1)	(568.9)	(584.9)
Impairment loss on financial assets measured at amortised cost	(16.4)	(18.8)	(14.3)
Personnel expenses	(47.3)	(46.6)	(45.2)
Other expenses	(50.4)	(40.1)	(42.1)
Total operating expense	(653.2)	(674.4)	(686.5)
Profit before income tax	66.7	67.5	75.2
Income tax expense	(8.6)	(10.3)	(9.6)
Profit after income tax	58.1	57.2	65.6

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