

25 November 2022

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

Dear Sir/Madam

**2022 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.

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/AFG22>.

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:



**Lisa Bevan**  
Company Secretary

**CONTACT DETAILS**

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

Mob 0402 781 367  
Tel (08) 9420 7888

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## Chair

Good morning, everyone.

On behalf of the board and management of AFG I would like to welcome you to the 2022 Australian Finance Group Limited Annual General Meeting. My name is Tony Gill, 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.

I am pleased to report that AFG delivered another excellent operating performance during the 2022 financial year with overall volumes and key strategic investments delivering growth in underlying earnings and dividends.

This was achieved on the back of strong demand for our mortgage broking and lending services during the 2022 financial year, and the Company's ongoing diversification strategy across business lines and classes. This strategy has focused on building broker market share across a number of asset classes, and growing margins through expansion into white label, direct and investment lending.

Importantly, the level of activity in the business has remained resilient as the RBA commenced much anticipated interest rate increases. I will talk more about the changing market conditions shortly, but first I wanted to provide some key highlights for the year. These included:

- Record residential settlements of \$59.4b, up 36% on FY21
- AFG Securities book growth of 41% to \$4.8 billion
- 20% growth in normalised NPATA to \$61.3million
- Our strategic investments have performed well notwithstanding the disappointing market withdrawal of Volt earlier in the year. Earnings associated with our Thinktank investment continued to grow strongly and were up 16% to \$6.1m during the year, with our Fintelligence and BrokerEngine acquisitions also performing above our initial expectations.

AFG paid a full year dividend of 16.6 cents per share fully franked, up 25% on the 13.3 cents paid in the prior year. This represented a dividend yield of 9%.

We ended the 2022 financial year with a strong balance sheet with \$217 million in net cash and other financial assets, and a trail book with a net present value of \$106 million. We run a capital light business and our low capital requirements support very strong returns with an underlying ROE of 30%.

The extraordinary growth of the past two years will of course be impacted by the changing macroeconomic environment globally. As governments across the world move to curb rapidly rising inflation, borrowers must now face increasing interest rates and additional price pressures on their household budgets. This changing environment poses both challenges and opportunities for AFG.

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Naturally, market sentiment has turned negative on the housing, discretionary spending and lending sectors. However, it is important to note the residential mortgage market has historically performed strongly during periods of rising interest rates and our strategy has us well positioned to weather this stage of the cycle.

We have been very pleased with the support both onshore and internationally, for our RMBS program. AFG issued \$1.7 billion of paper to the market in FY22 and an additional \$1 billion recently in September. An outstanding result that is testament to the fact that AFG Securities offers an exceptional lending alternative with industry-leading credit quality. It is recognised as providing a sound investment opportunity to the securitisation market.

On Sustainability and Board matters, this year the company became a signatory to the United Nations Global Compact and is reporting on progress across our activities in the Sustainability section of our annual report. From a business perspective, we are very proud to be Principal Partner of Foyer Foundation. The Board continues to focus on sound governance and support to the AFG management team.

This year we have been very fortunate to welcome Annette King to the AFG board. Annette is an accomplished company director with extensive experience across the financial sector. Annette joined the AFG board as a non-executive director in February and I look forward to her appointment being ratified at today's meeting. I am also pleased to inform our shareholders that Greg Medcraft has assumed the role of Deputy Chair. I look forward to their ongoing contributions to the board.

Melanie Kiely will step down at the end of this meeting, and I would like to acknowledge the contribution she has made to our business. Melanie has contributed positively over two full terms as a member of our board and Chair of our Remuneration & Nomination Committee. I wish her well in her future roles.

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 thank our brokers, AFG staff and my fellow board members for their support throughout another highly successful year for the company and we look forward to continuing to deliver choice and competition to Australian residential and commercial borrowers.

**Tony Gill**

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## CEO

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

As Tony noted, 2022 represented another very pleasing performance for the financial year. The business delivered strong underlying earnings growth and continued to improve earnings quality through leveraging our scale and diversifying across business lines and into higher margin products.

Normalised profit before acquisition amortisation increased by 20% to \$61.3 million, and EPS grew by 17% on the prior year.

Some of the key operational highlights in the 2022 financial year that were drivers of this performance included:

- Continued growth in the AFG broker base. AFG finished the financial year with more than 3,700 brokers. Across the past 12 months mortgage brokers have continued to dominate the residential mortgage market, they are now responsible for almost 70% of home lending flows. One in 10 home loans in Australia is written by an AFG broker.
- Residential Settlements of \$59.4 billion, an increase of 36% for the year.
- AFG Securities' lodgements and settlements strong growth trajectory continued
- Asset Finance and Commercial also grew and delivered on their role of earnings diversification

Tony has outlined that we face significantly different market conditions today compared to last year, where the focus across the market has now shifted from growth to risk – in particular the risks surrounding lower general levels of lending activity, margin pressure and loan book quality linked to underlying property prices and capacity to service increasing mortgage repayments.

### Trading Update

In response to the pandemic, significant financial stimulus was injected into the Australian economy to support economic activity. This economic activity has had an inflationary effect when combined with external factors it is now time to slow down this activity. The actions initiated by the RBA commencing in May with the first of many rate rises, are beginning to take effect.

We saw residential lending volumes decline in the last quarter of the 2022 financial year, and the AFG Index data for the first quarter of FY23 indicated that this trend has continued. Q1 FY23 volumes are 52% above Q1 FY19 – being pre-stimulus – but activity has been impacted with AFG residential lodgements in October, 24% below the prior year at \$7 billion. AFG Home Loans lodgements were down 42%, including AFG Securities down 60%. This was driven by fierce competition from the major lenders underpinned by unprecedented levels of cashback offers.

November trading is performing better but still 16% below the equivalent period in November 2021. Our strategic investments are performing above expectations and this diversification strategy is helping offset the softening in the residential arm of our business. Our long-standing partnership with Thinktank continues to deliver strongly through its alignment with all major aggregators. The acquisitions made last financial year have grown significantly with Broker Engine subscribers up by 68% and Fintelligence total broker numbers also increasing by 41%.

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Remembering that we are cycling some very strong numbers in the first half of FY22, the level of activity remains solid. Extracting the impact of the stimulus in FY 2021 and 2022 sees that the business continues to build with growth on pre pandemic levels of 32% for the period to October 2022. Growth in both residential and commercial lending is attributable to strong recruitment, and importantly the growing acceptance of the broker channel by both consumers and business.

## Competition

The importance of a competitive environment for all non-major lenders cannot be underestimated. An even playing field is vital to drive innovation and competitive pricing for consumers. The country's major lenders enjoyed a funding free kick due to the government's Term Funding Facility introduced during the pandemic. Fiercely competitive offers from the major lenders have taken their market share to the highest levels seen since 2018. In FY23, RBA rate increases have been quickly passed on by the major lenders however they have been slow to pass on deposit rate increases, driving a funding advantage that smaller lenders, reliant on the RMBS market, have been unable to match.

The recent acquisitions of 86400 and Citibank by NAB and Suncorp's banking arm heading to ANZ will further erode competition. In this environment AFG and brokers will continue to provide a vital source of competition in the market.

## AFG Securities

As we enter a period of uncertainty surrounding rising interest rates, house prices and ongoing home loan affordability, we believe AFG Securities' robust lending criteria and proactive management of its portfolio stand us in good stead. The performance of our lending book is historically strong, underpinned by a book where nearly 90% is under 80% LVR at the time of settlement, and an arrears performance impressively lower than other lenders on the AFG panel. We intend to maintain a risk averse approach to our book as we navigate this challenging period.

## Strategic Investments

Our strategic investments have been strong contributors to growth and provide a key competitive advantage for AFG and our brokers.

Thinktank is an important component of our diversified securitisation strategy. It continues to see strong growth in loan settlements, and contributed earnings of \$6.1 million (after tax) in FY22. The investment had a carrying value of \$28m at the end of the financial year.

Nearly twelve months ago we acquired a 75% stake in leading asset finance aggregator, Fintelligence, and have an exclusive option to acquire the remaining 25% interest over the next two and a half years. This acquisition provides a significant opportunity for AFG to grow asset finance volumes and market share in this channel. The combined group is now delivering asset finance settlements of more than \$1.7 billion per annum and we are working on additional programs of collaboration to extend the opportunity for further diversification of this key lending product line for our residential brokers.

Our investments in Fintelligence and Broker Engine are also an important element of our technology platform going forward.

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## Challenges and opportunities

The changing market environment has provided challenges. The impacts of interest rate rises are still flowing through the market and the effects of the flooding on the east coast and international conflict will continue to place pressure on households. However, our business remains resilient and there are opportunities for our brokers and for AFG. Our strategy remains unchanged.

**Grow distribution** - Build our capacity to grow our book, expand our product range, and provide choice to those underserved in the lending market. AFG's 'home ground' advantage of product development and established credit processes will ensure the quality of our book.

We see an increased likelihood of a positive step change in broker penetration of the commercial market. We will continue to invest in this part of our business to capitalise on this change.

**Diversification** - Support for our broker network and access to additional income streams is a key plank of our strategy for shared success. We will continue to embed our acquisitions and expand upstream into direct and white label lending.

**Continue to strengthen our core** - Helping our brokers grow their revenue with better business processes, technology and diversification opportunities. We will ensure our brokers and our staff are supported and enabled to succeed.

**Capital Management** - Maintain a strong balance sheet and capital light business model.

Our strategy aims to deliver long term growth across interest rate cycles and market conditions. We will continue to execute carefully and take advantage of market opportunities as they arise.

## Outlook

Australian homeowners, and as such our brokers, are heading into a challenging period as customers navigate rising interest rates and higher costs.

Increasing rates have impacted new settlements however while volumes are down more than expected, overall volumes are still above pre pandemic levels. We do know that in changing times our brokers' customers value the support their brokers provide. We expect refinancing activity to rise as the majority of the \$5 billion in low fixed rate loans in the Australian market roll off over the next 18 months and these customers seek affordable alternatives. Our brokers are well positioned to help their customers with this transition. In addition, net migration is increasing, which will fuel activity. Our strategy of diversification ensures AFG is well placed to continue to deliver returns to shareholders as the market moves.

In the prime lending market, extremely competitive pricing and cashback lures by the major lenders means our AFG Securities business will look to conserve margin and target growth in our white label, investor and near prime product lines.

We remain excited about the performance of our material strategic investments; they are playing an increasingly important role in the diversification of our earnings. Further, the expanding acceptance of broker within the Commercial sector points to another avenue of further growth and we will be focussed on capitalising on this opportunity.

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## Conclusion

As we come out of two years of extraordinary activity in the lending market AFG's quality of earnings and balance sheet positions the company well.

With more than 70 lenders on our panel providing a comprehensive suite of lending solutions across asset classes, and 3,700 brokers in our network, we have the scale to continue to drive positive returns for our shareholders and competitive products and services to our customers.

We were once again very pleased to be awarded the MFAA Aggregator of the Year for 2022. I would like to thank AFG staff for their continuing commitment to the company and to the support of our brokers and customers across the country.

**David Bailey**



# 2022

Annual General Meeting

**AFG**

# Tony Gill

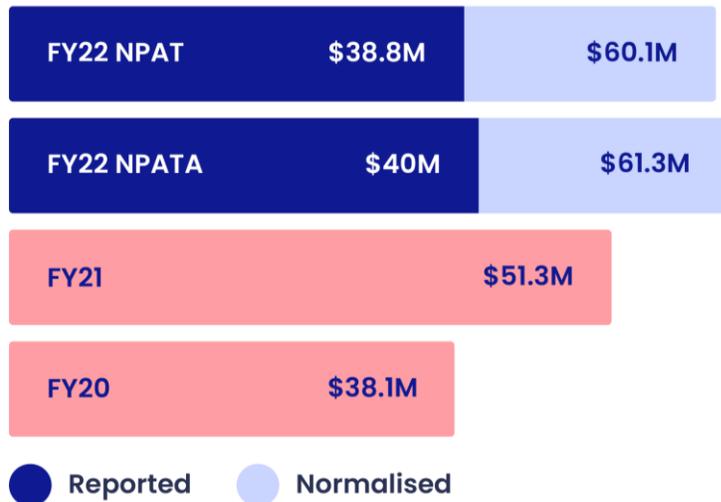
Chair

# Agenda

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

# FY22 Results highlights

Normalised<sup>1</sup> NPATA up 20% to \$61.3M  
Reported NPATA of \$40M



1. Normalised for Volt and technology related impairments

**\$59.4 billion**

FY22 Residential settlements up 36%

**\$4.8 billion**

AFG Securities loan book up 41% from June 2021

**Strategic investments**

Performing well

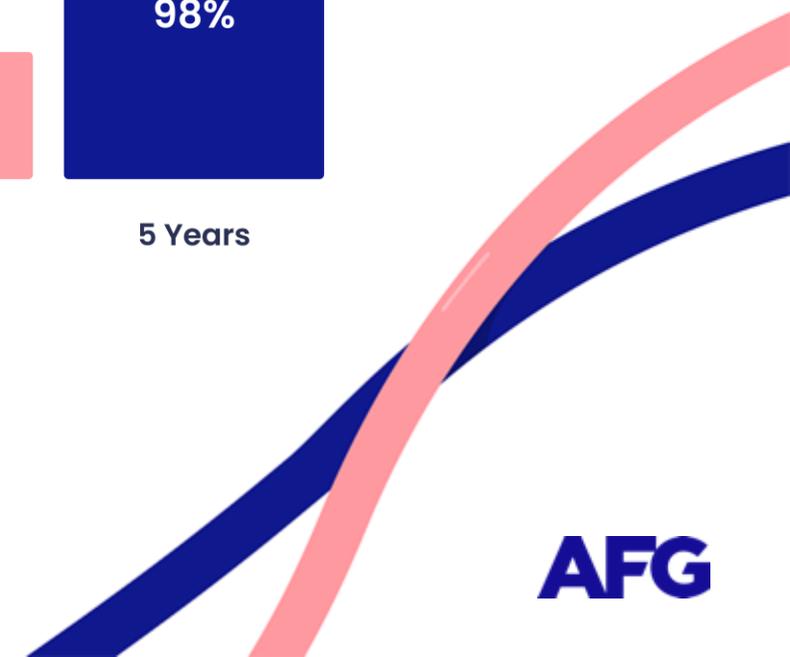
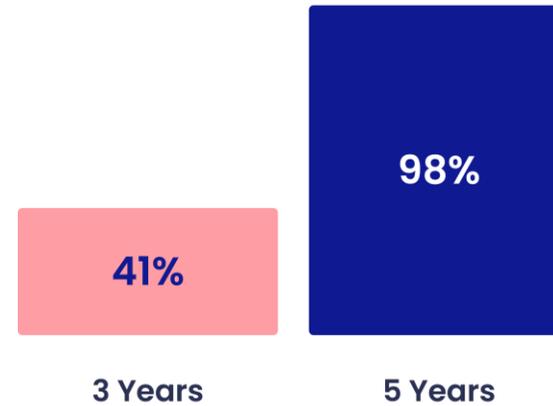
# Delivering value to shareholders

Full year dividend of 16.6 cents per share, up 25% on FY22



9% dividend yield in FY22

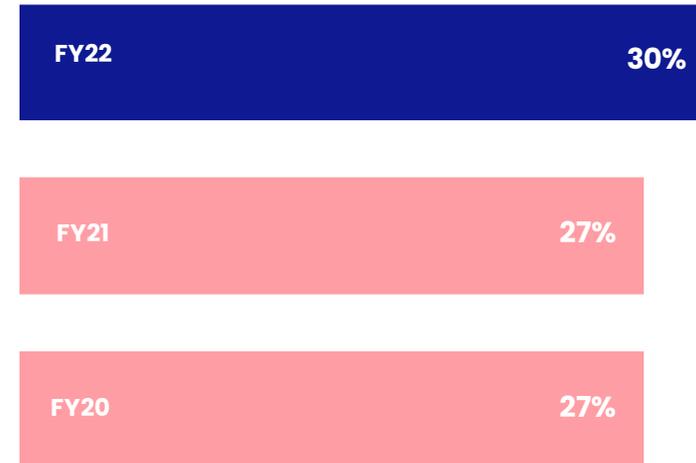
TSR to June 2022



# AFG remains well positioned

- **Strong balance sheet**
- **Ongoing strong cash flow generation**  
Net unrestricted cash, trail book assets, financial assets and sub-ordinated capital totaling \$217M
- **Capital light**
- **Underlying ROE of 30%**
- **RMBS program performing well**  
\$1.7 billion issued in FY22  
\$1 billion in September 2022

## Normalised<sup>1</sup> ROE



1. Normalised for Volt and technology related impairments

# Sustainability



AFG now a signatory to the UN Global Compact to take action to support the UN Sustainable Development Goals (SDGs)



Issued second comprehensive Sustainability section within our annual report

Thank you

# David Bailey

Chief Executive Officer

## HIGHLIGHTS

# FY22 results

Strong growth in financials and strategic products

Number of customers that AFG brokers service

500,000+

AFG Home Loans number of customers

20,850 white label

11,450 AFG Securities

AFG Broker numbers including Fintelligence and non-residential brokers now sit at

3,700+

1 in 10

Australian residential mortgages are arranged by an AFG broker



FY22 Residential Settlements of

\$59.4B

up 36% from FY21

FY22 Residential Trail Book of

\$182.2B

up 9% from FY21



Asset finance settlements of

\$1.5B

Up 132% on FY22  
Including Fintelligence from acquisition (H2 FY22)



FY22 AFGHL Settlements of

\$5.6B

up 62% from FY21

FY22 AFGHL Trail Book of

\$13.3B

up 18% from FY21



FY22 AFGS Settlements of

\$2.7B

up 102% from FY21



FY22 Commercial Settlements of

\$3.9B

up 67% from FY21

FY22 Commercial Trail Book of

\$10.9B

up 19% from FY21

AFGS Loan Book increased to

\$4.8B<sub>FY22</sub>

up 41% from FY21

FY22

\$4.8B

FY21

\$3.4B

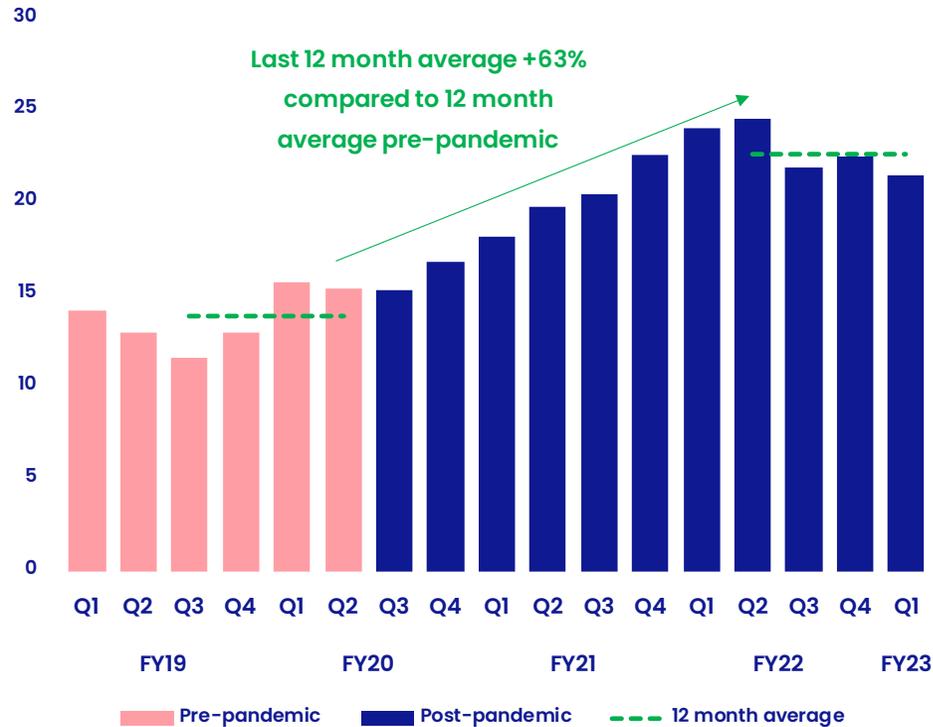
# Trading update

**RBA cash rate rises are being felt across the market as lenders lift interest rates and the residential market slows. AFG is not immune to this, however momentum when compared to pre pandemic levels remains strong with some impressive early results from investments made during the latter part of the pandemic.**

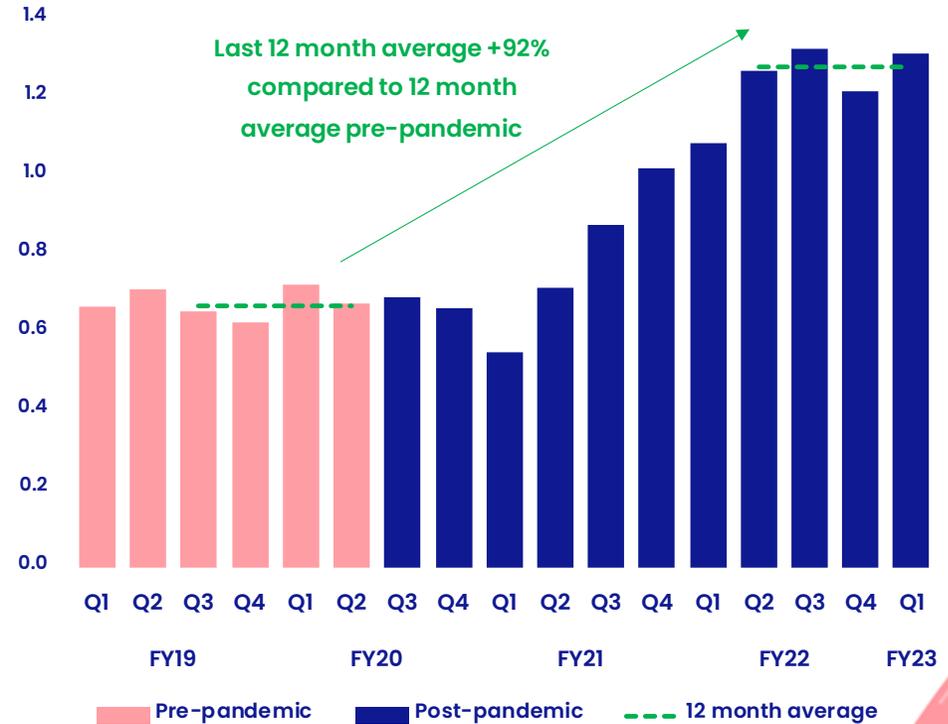
- Q1 FY23 volumes are 52% above Q1 FY19 but activity has been impacted:
  - AFG residential lodgements in October were 24% below the prior year at \$7 billion
  - AFG Home Loans lodgements down 42% overall including AFG Securities down 60% driven by fierce competition from major lenders
  - November volumes to date are performing better but 16% below the equivalent period last year
- Strategic investments are performing above expectations and this diversification strategy is helping offset the softening in the residential arm of our business:
  - Thinktank is an important component of our diversified securitisation strategy and growth momentum continues
  - Broker Engine subscriber growth of 68% since acquisition
  - Fintelligence total broker numbers have grown 41% since acquisition

# Growth in residential and commercial lending

Residential Lodgement volumes (\$b)



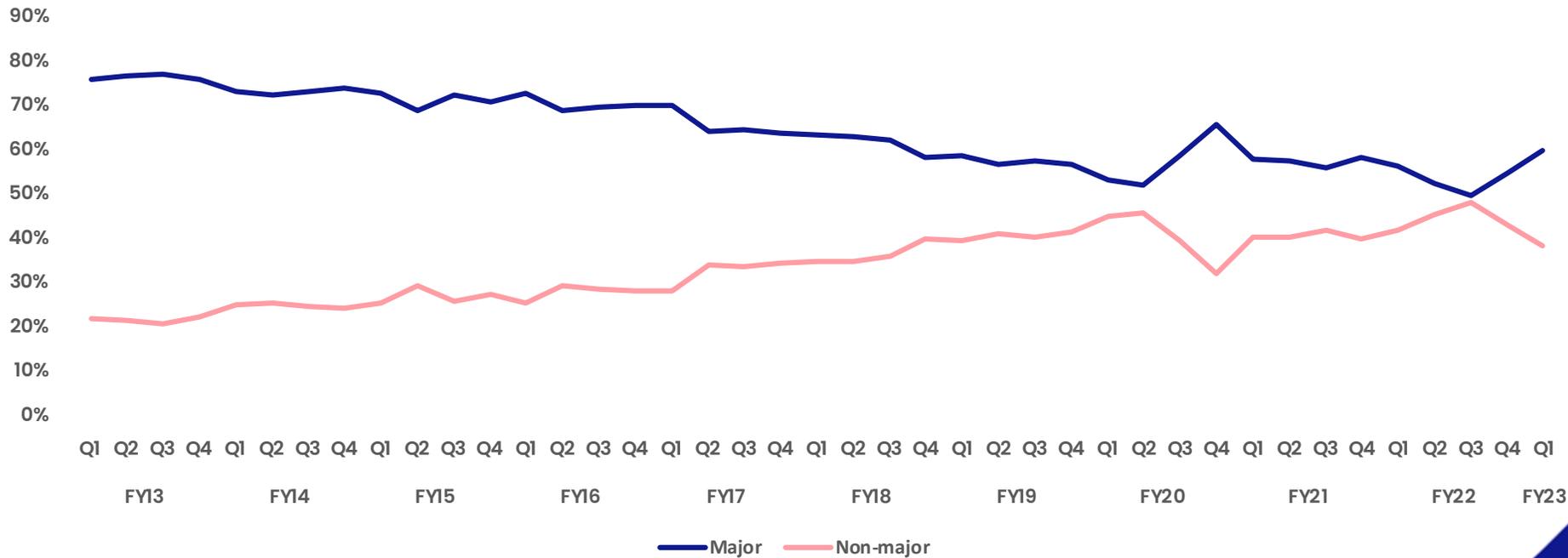
Commercial Lodgement volumes (\$b)



# Major bank market share increasing

Q1 FY23 market share of the major lenders increased to 61%, the highest level since FY20

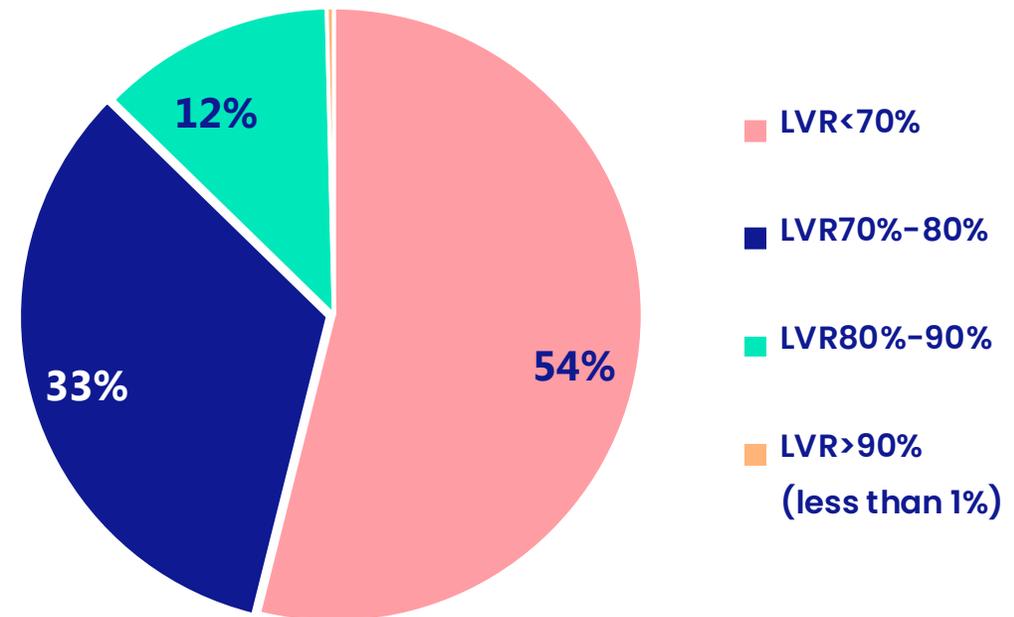
Major v Non-major Lodgement split



# AFG Securities

- AFG Securities' loan book maintains historically strong performance with very low arrears rates
- At 31 October 2022, 44 loans in arrears greater than 30 days out of 11,435. Loans in hardship sit at 0.24% (or 25 loans)
- Strong LMI coverage across the book
- Nearly 90% of loans have a current LVR below 80%

## Current LVR Banding at October 2022



# Major strategic investments

		Thinktank..	fintelligence®	BrokerEngine
	<b>Strategic purpose</b>	Commercial Manufacturing	Aggregation – Asset Finance	Aggregation – Broker
	<b>Current AFG ownership</b>	32%	75%	70%
	<b>Cost at acquisition</b>	\$11.1m <sup>2</sup> ●	\$54.6m ●	\$3.6m ●
	<b>FY22 earnings contribution</b>	\$6.1m ●	\$3.6m <sup>1</sup> ●	\$0.1m <sup>1</sup> ●
	<b>Broker reach</b>	All major aggregators	460+	2,000

1. Fintelligence formed part of AFG from December 2021 | Broker Engine formed part of AFG from January 2022
2. Thinktank strategic investment made April 2018 for 30.4%. Carrying value at 30 June 2022 \$28.3m

# Challenges and opportunities

Interest rate increases and the effects of natural disasters on the east coast and international conflict will continue to place pressure on the market. AFG's business is resilient, and our aim remains to deliver long term growth, continue to execute on our strategy and take advantage of market opportunities as they arise.

## Grow distribution

- Build capacity and leverage 'home ground' advantage

## Diversification

- Support brokers to access additional income streams and continue to focus on white label and manufacturing in other product classes

## Strengthen our core

- Helping our brokers drive efficiencies in their businesses and continue to grow their revenue

## Capital Management

- Maintain a strong balance sheet and capital light business model

# Outlook



**We're the MFAA  
Aggregator of the  
Year 2022**

-  Current trading volumes below FY22 but remain well above pre pandemic levels
-  Refinancing activity expected to increase, with majority of \$5 billion of fixed rate settlements to roll off in the next 12 to 18 months
-  AFG Securities focus on conserving margin and targeting growth in AFG Home Loans white label, investor and near prime product lines
-  Commercial and Asset finance markets remain strong, supporting the performance of strategic investments
-  Major banks benefitting from Term Funding Facility and deposit rates to support their margins
-  The mortgage broking channel continues to grow market share

Thank you

# Tony Gill

Chair

# Voting by Poll

# Q&A

# Formal Business

# Notice of Meeting

# Items of Business

## Item 1:

Financial Reports – financial year ended 30 June 2022

The financial report, director's report and auditor's report for the financial year ended 30 June 2022 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 in accordance with section 250R(2) of the *Corporations Act 2001(Cth)* (**Corporations Act**)

*“That the Remuneration Report for the Company for the year ended 30 June 2022 be adopted.”*

### Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	107,580,458	1,782,804	581,282	207,928	109,944,544
% OF ELIGIBLE VOTES	97.85%	1.62%	0.53%		
NO. OF PROXY FORMS	112	53	46	12	

# Items of Business

## Item 3

### Resolution 2: Re-election of Anthony (Tony) Gill as a Director

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

*“That Anthony Gill, 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	108,741,984	1,111,398	585,582	40,327	110,438,964
% OF ELIGIBLE VOTES	98.46%	1.01%	0.53%		
NO. OF PROXY FORMS	151	18	48	6	

# Items of Business

## Item 4

### Resolution 3: Re-election of Jane Muirsmith as a Director

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

*“That Jane Muirsmith, 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	109,270,328	470,267	581,582	157,114	110,322,177
% OF ELIGIBLE VOTES	99.05%	0.43%	0.53%		
NO. OF PROXY FORMS	150	20	47	7	

# Items of Business

## Item 5

### Resolution 4: Election of Annette King as a Director

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

*“That Annette King, who retires as a Director of the Company in accordance with rule 8.1(d) of the Company’s constitution, and being eligible, be elected as a Director of the Company.”*

### Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	109,608,958	248,593	585,582	36,158	110,443,133
% OF ELIGIBLE VOTES	99.24%	0.23%	0.53%		
NO. OF PROXY FORMS	148	21	48	5	

# Poll



Thank you

Close

AFG



# Disclaimer

This presentation contains general information which is current as at 25 November 2022.

The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 22 November 2022, 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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