

HY24

Half Year Results Presentation
6 months to 31 December 2023

Presentation Outline

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72%

of residential mortgages in Australia written through a broker



\$532B

Residential mortgage market¹



\$269B

Commercial finance market¹

Portfolio of Businesses

Thinktank..

fintelligence.

BrokerEngine

AFG HOME LOANS



1 in 10

Residential mortgages in Australia written by an AFG broker



500K

Customers helped by an AFG broker



\$4.1B

AFGS loan book



\$209B

Trail book



\$18M

Underlying NPATA



18%

Underlying Return on Equity



\$14M

Operating cashflow

1. ABS data 12 months to October 2023

AFG's growth is centered on being the **aggregator of choice**, delivering **higher margin products** through its **national network**

Our purpose...

Fairer financial future for all

Delivered through our competitive advantage...

3,850+ active brokers

Creating...

Competition and choice for brokers, customers and lenders

With growth via our strategic pillars...



Grow our broker network



Provide market leading technology



Leverage our distribution delivering higher margin

Based on our foundation of...

'Whole of business' broker support proposition

Extensive industry experience and rich transaction history

Financial discipline and strong balance sheet

Through our segments...

Distribution

Manufacturing

Strategic priorities progressing

Grow our broker network



Delivering a broader broker network for AFG to provide financial products

+14% increase in settlements¹ with **87** new broker groups recruited. Half of these expected to be large groups

65% underlying earnings from annuity-style income streams

Increased Fintelligence investment, \$3m invested in compliance and data security

Provide market leading technology



A differentiated offer meeting customer demand for a more efficient digital experience

+408 subscribers to recurring revenue streams²

Progressed direct lodgement, delivered new broker functionality

Invested \$9m in enhancing technology platform which is adaptable to evolving broker needs

Leverage our distribution delivering higher margin



Uplift capability and efficiency delivering financial innovation and earnings diversity

Manufacturing loan book of \$4.1bn

\$750m RMBS³ issuance
No losses incurred on book

Delivered new lending platform creating efficiencies and opportunities to bring new products to market faster

1. 1H24 Settlement increase for Residential Mortgage, Commercial Mortgage, and Asset Finance (versus 2H23)
2. Includes Flex, Fintelligence Ambition Cloud, BrokerEngine

3. Residential mortgage backed securities

HY24 Financial Summary



Diversified business model provides growth options



Quality cash generation and strong balance sheet provide stability to fund growth



History of delivering shareholder value

Underlying NPATA¹

\$17.9m
(30)%

Profit before tax

\$22.6m
(28)%

Operating Cash Flow

\$14.3m

Underlying ROE¹

18%

Total Shareholder Return³

15%

Well above non-bank peers

Reported NPAT

\$14.5m
(34)%

Distribution

\$26.8m
+7%

Cash realisation²

80%

Unrestricted Cash

\$66m

Total Dividends paid in HY24

\$11.1m

AFG Securities loan book

\$4.1b

with \$0 losses in HY24

Manufacturing

\$8.6m
(54)%

Annuity style earnings

65%

Investments and liquid assets

\$187m

Dividend payout ratio

60%

1. Based on Underlying NPATA – see slide 37

2. Lower from timing of tax payments compared to prior half. Calendar year 2023 cash realisation of 103%

3. Total Shareholder Return for the 1 year period ending 31 December 2023

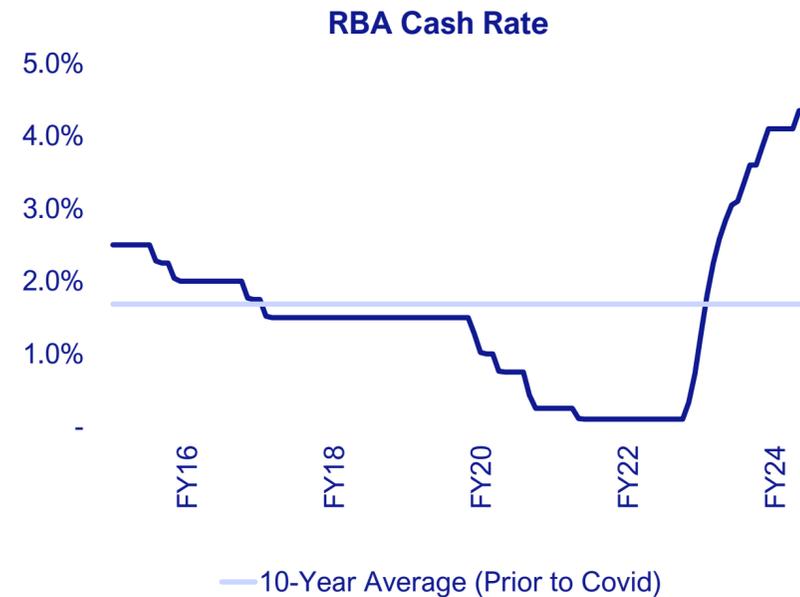
HALF YEAR RESULTS

Market update



Economic conditions deliver **sustained housing market credit growth**

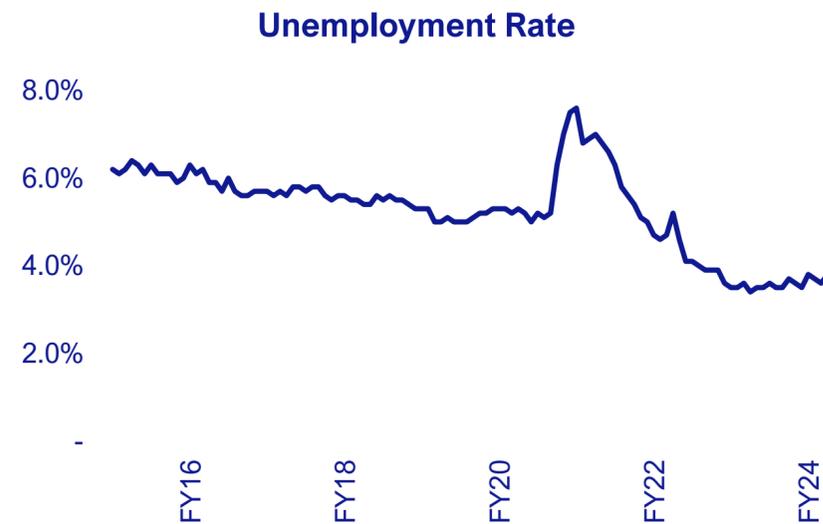
Following record increases, cash rate is forecast to be at the peak ¹



Source: RBA

- The RBA has increased rates 13 times between May 2022 to November 2023
- Rate cuts are forecast by the Major Banks, as early as 2024

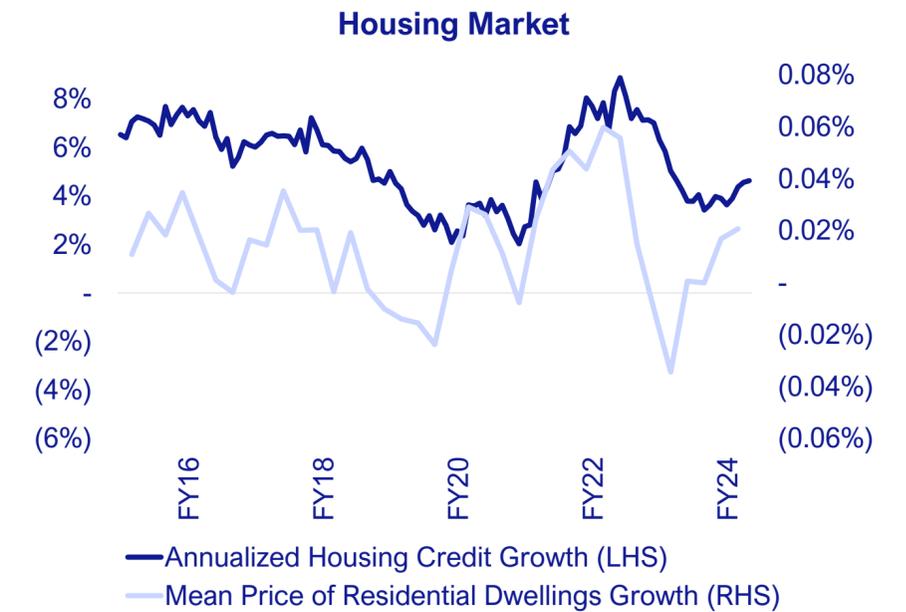
Unemployment remains well below long-term average



Source: ABS

- Unemployment and participation rates remain steady at 3.9% and 67%, respectively²
- Forecast minor increase by 0.3% in 2024³

Housing market returned to growth in H1, growing at 0.7x 10 year average



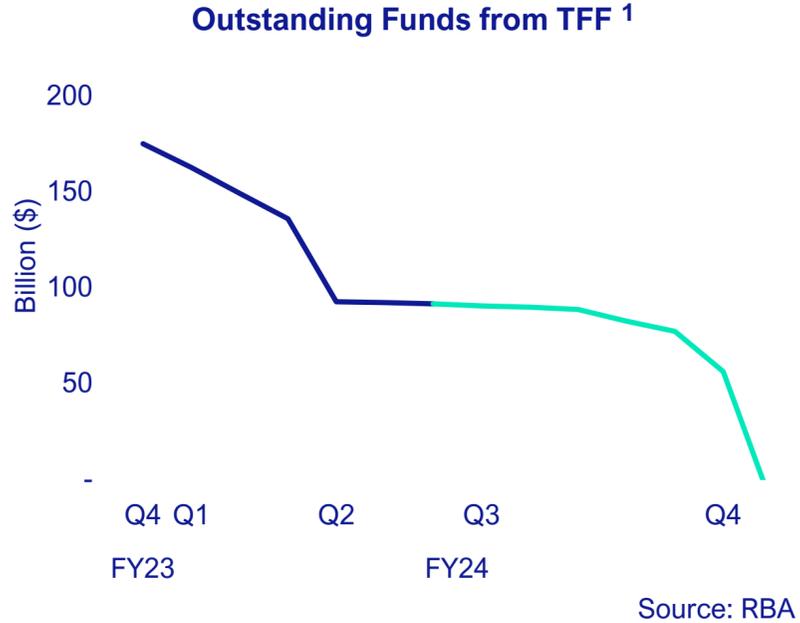
Source: RBA, ABS

- House prices continue to be supported by low unemployment, supply constraints, strong rental yields and record migration
- House prices are forecast to grow by 5% in 2024⁴

Non-banks beginning to regain share

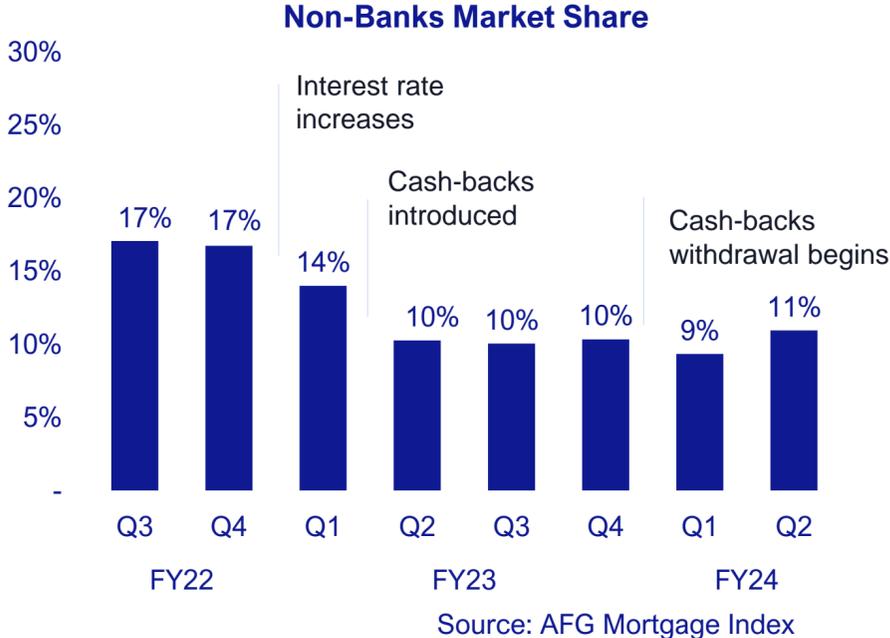
Brokers well placed to continue to grow share

TFF funding advantage ending in FY24
Funding mix will become more expensive



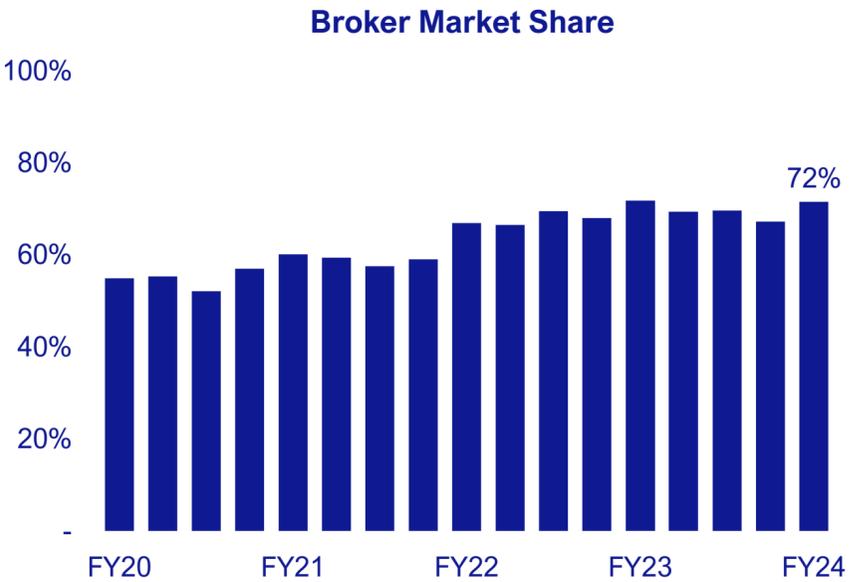
- TFF funds will need to be replaced by alternate sources. Delivered through a mix of significantly higher priced deposits and warehouse funding
- Anticipate that ADI's² will increase rates to offset change in funding mix

Driving non-bank market share rebound, which has begun in Q2



- Non-bank market share at highest level since Q1 FY23
- Withdrawal of cash-backs, and the reduction in price competition fueled by the ADI's funding advantage expected to re-balance competition towards historic averages

Bank branches close at record pace, enhancing the role of the broker channel



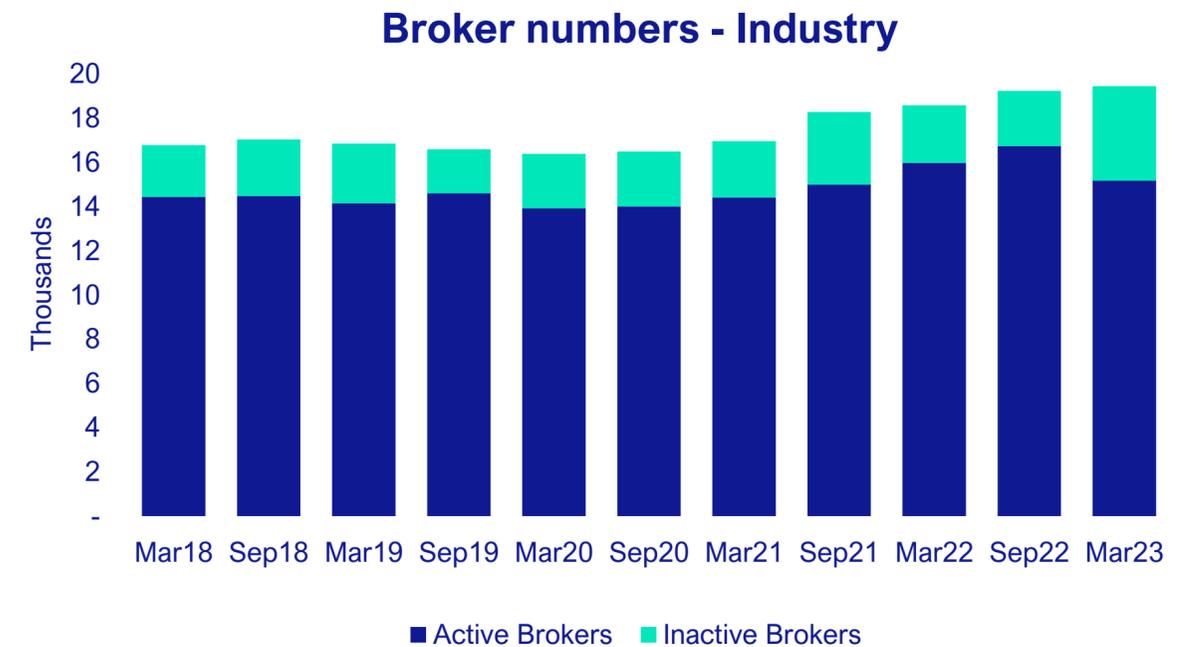
- Market share increased 4% in the past quarter to 72% - in line with historic high
- Lender direct channel continuing to reduce as brokers provide alternate distribution to branches
- Rate of change in the market and price competition supports the broker proposition of providing guidance and choice to customers

1. Term Funding Facility (TFF) was established by the RBA as part of its policy response to the effects of the pandemic to offer low-cost three-year funding to ADIs
2. Authorised deposit-taking institution (ADIs)

Growing AFG's broker network as the industry transitions

AFG's technology and compliance investment will see it take share of active brokers who prioritise growth. Our largest market share is with large groups¹

- Broker channel reached record 72% of the Australian market
- Inactive broker growth indicates coming consolidation and expectation broker numbers to return to long term average
- AFG has 24% of all large broker businesses, who are best positioned to benefit moving forward
- AFG's technology and service investment provides the tools to enable groups to improve efficiency and meet changing customer's digital expectations
- Opportunity for AFG to provide greater support and additional services to broker groups
- \$3m invested in compliance and data security. Leading compliance support underpins our brokers long-term growth



Industry brokers by group size



Brokerage group	Core	Mid-size	Large
# brokers	1-2	3-5	6+
# in industry	11.9k	3.7k	3.9k
AFG market share	15%	13%	24%

1. Source: AFG and MFAA data

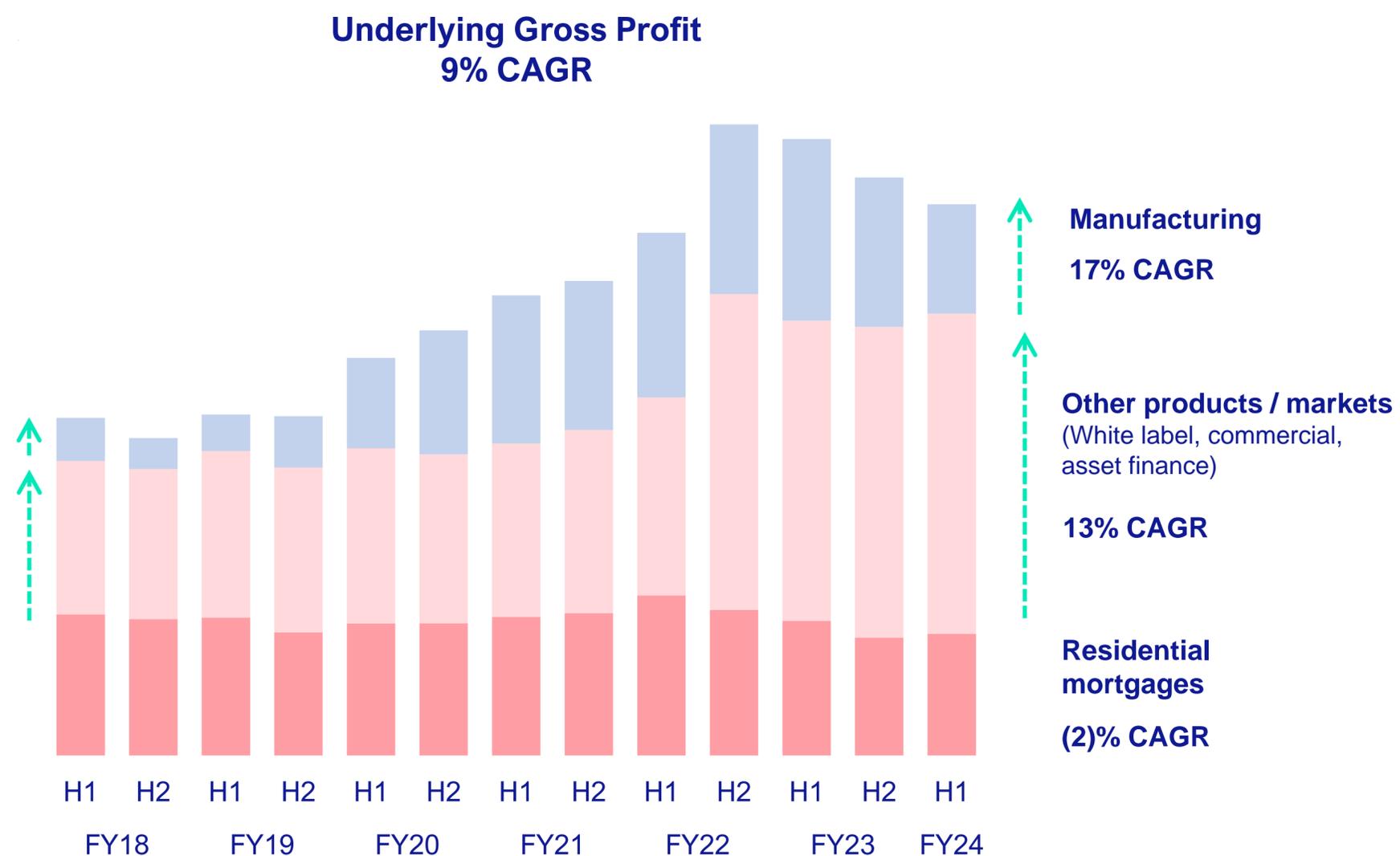
HALF YEAR RESULTS

Operations update



The power of our core asset – our broker network

Our 3,850+ brokers are our competitive advantage, providing access to +500k Australians to distribute higher margin products. Delivering 9% average earnings growth over 6 years through our diversified products



>75%

earnings now from diversified products ¹

Manufacturing

- \$4.1B Loan book
- No losses incurred on book²
- 4 Warehouses with capacity for growth
- 32% ownership of Thinktank

Distribution

- \$209B Aggregation trail book
- \$13B White label trail book
- \$3.0B Asset finance settlements²
- \$21.3M Broker service margin²

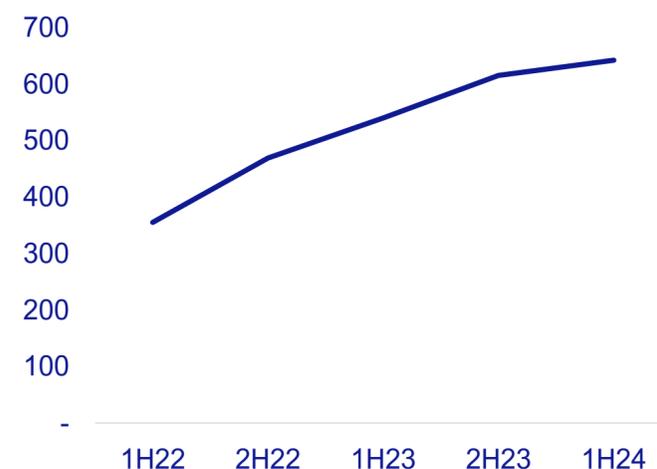
1. Diversified products include all products outside of traditional Residential mortgage aggregation margin such as Commercial, White Label, Asset finance and Manufacturing
2. Calendar year 2023

Delivering services and value through our investments

Investments in Fintelligence and BrokerEngine delivering 250 growth in subscriber numbers in HY24
Technology investment further expanding our broker services – delivering market leading broker proposition

- Market share increasing to 21.1%¹ with net broker growth of 50 in H1 FY24
- Dedicated programs to support brokers: creating pathways for the next generation of broker
- Increased ownership and \$9m invested to deliver enhanced functionality, core to delivering efficiency and diversification
- H1 subscriber growth in broker services, including:
 - +223 BrokerEngine users – CRM enabling consistent and efficient broker processes and workflows
 - +27 Ambition cloud users – Fintelligence’s industry leading aggregation platform
- 30% of BrokerEngine subscribers are non-AFG. These represent opportunities for distribution and manufacturing, in addition to the subscription annuity revenue stream

Fintelligence Brokers



BrokerEngine Subscribers

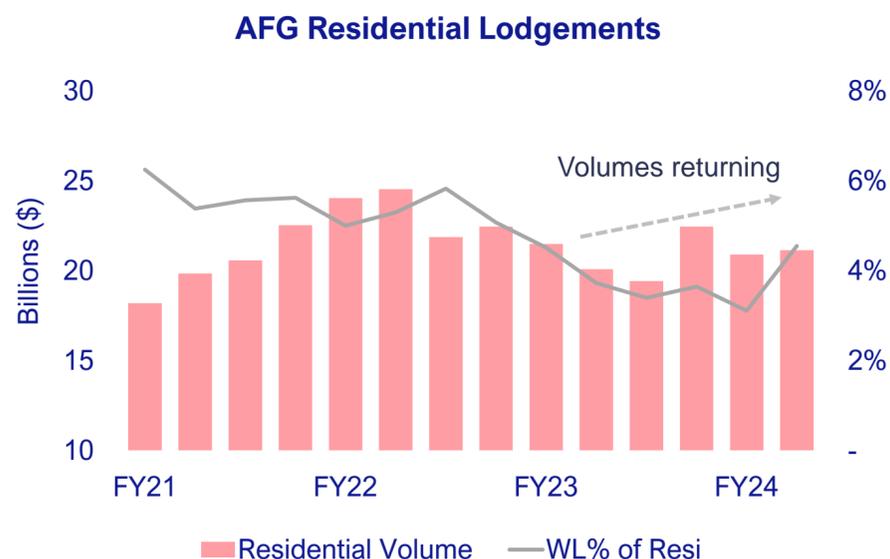


Distribution grew earnings by 7% in HY24 further growth anticipated as market conditions improve

Residential

Market has returned to growth

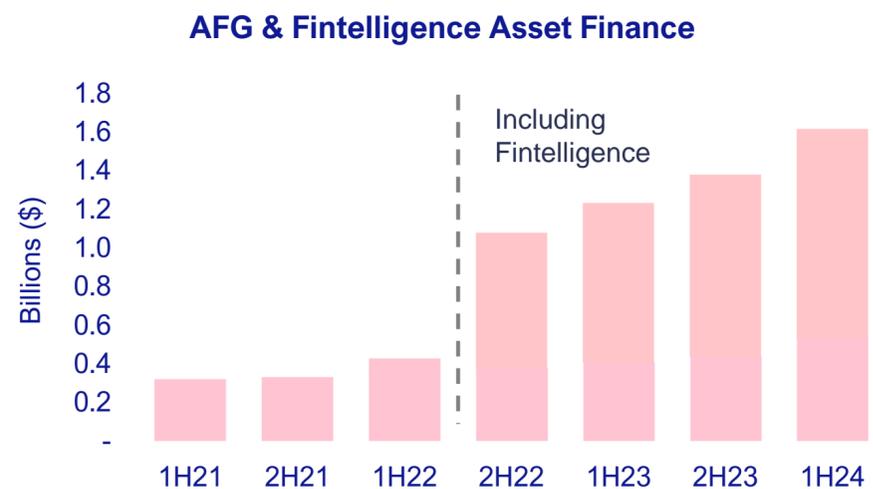
- ✓ Residential settlements in Q2 up 5.3% on prior year and 1.2% on Q1
- ✓ Embedded new AFGHL white label partner Brighten
- ✓ AFG Home Loans White label 4.5% market share in Q2 FY24, the strongest since Q4 FY22



Asset Finance

Leading technology and significant scale

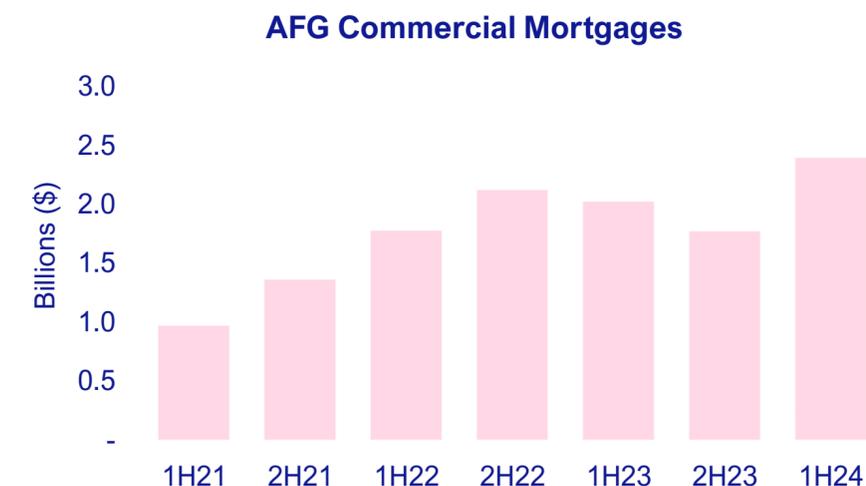
- ✓ Fintelligence settlements grew 27%
- ✓ Leveraging market leading technology and investing in our sales force
- ✓ Settlements represents significant scale. Launched spot and refer and exploring white label and manufacture



Commercial

Large market an opportunity for brokers

- ✓ \$269B market, with broker share approximately 20-30% compared to 72% in Residential
- ✓ AFG settlements are up 18% with a \$12.8b trail book and includes Thinktank White Label
- ✓ Launched 'Partner Connect' spot & refer program



AFG #1 Non-bank lender¹, book returns to growth

Despite strong competition from major banks, AFG grew Q2 settlements by 34%

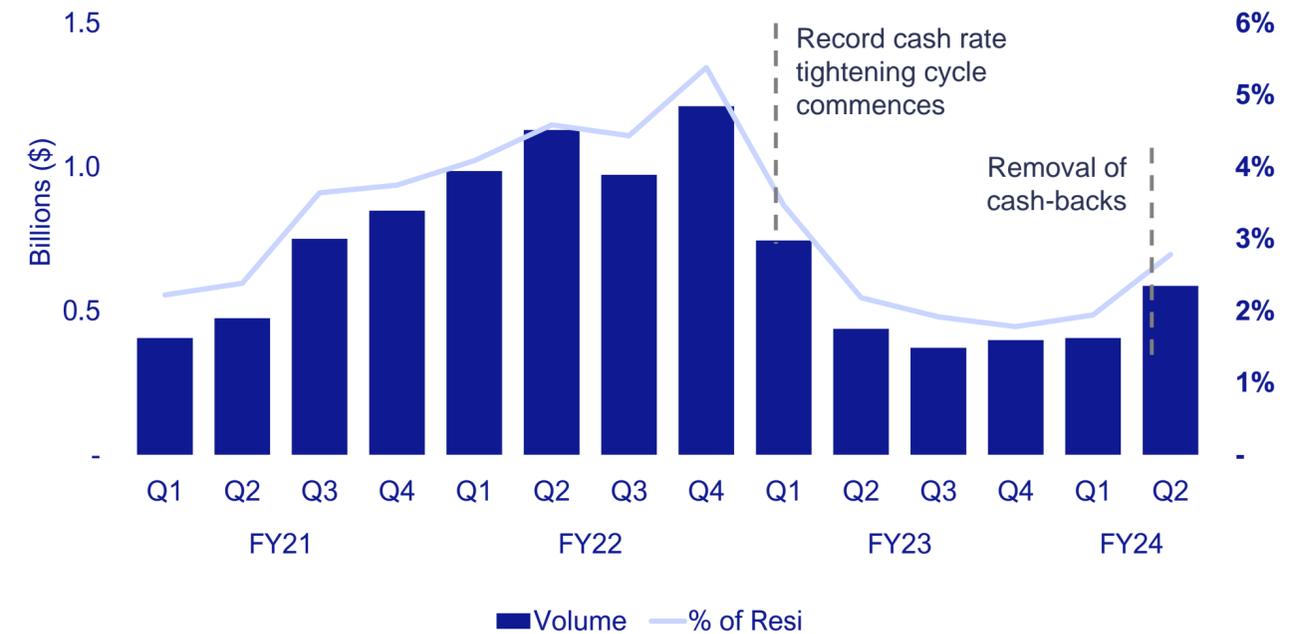
AFG Securities (AFGS)²

- AFGS maintained its pricing discipline and focus on high quality, but became less competitive as banks capitalised on their funding advantage
- Removal of sub-economic cashbacks from banks saw AFGS settlements in Q2 FY24 34% above Q2 FY23 with the book returning to growth
- Price competition driving run-off reduces the mix of back book which has a higher rate to customer. This lowered the average rate, impacting NIM
- New origination platform now live delivering long term efficiencies as the book returns to growth and facilitates the introduction of new products
- Product development – focus identifying underserved customers in the market. Successfully launched Retro Thrive targeting over 50's

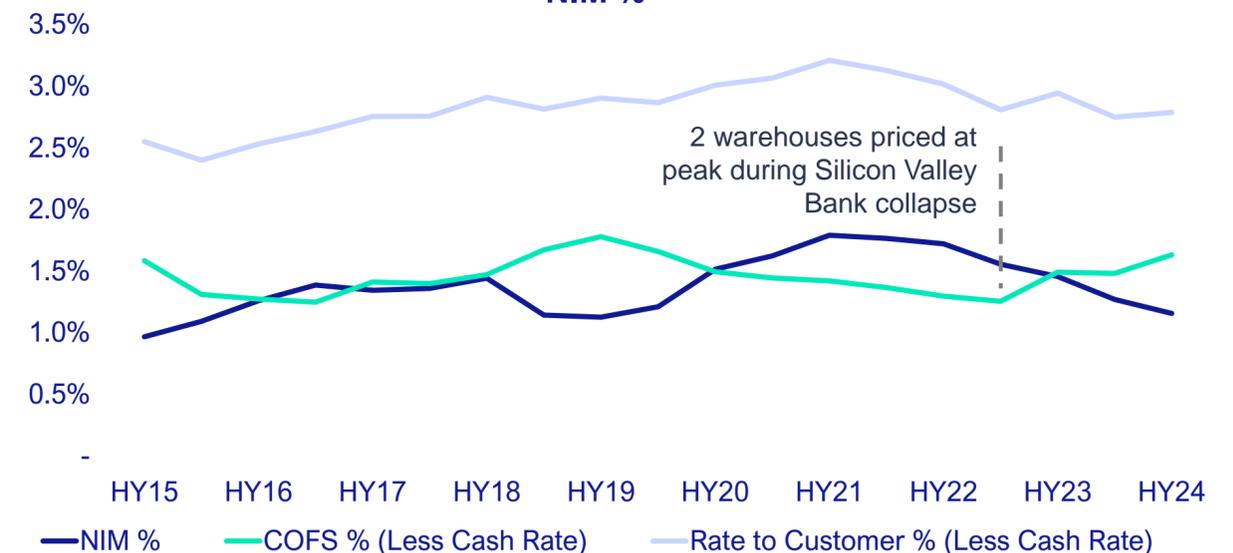
Investment in Thinktank - A Commercial and Residential non-bank lender

- Book has grown to \$5.5b from \$0.8b at AFG's investment in 2018
- NIM also impacted by rising cost of funds in this stage of the funding cycle
- Contribution from Thinktank as a consequence is \$1.3m, 63% below HY23

AFGS Lodgements



NIM %



1. AFG Home Loans market share of AFG brokers Residential lodgement volumes. Source: AFG Index FY23
 2. AFG Securities refers to AFG funded products within AFG Home Loans. White Label products with a range of funding partners are also included in AFG Home Loans

AFG Securities: funding costs reducing from peak

Proven history of issuing term outs through the cycle.
Structure allowing for growth and optimisation

AFG Securities loan book at \$4.1bn

- Run-off remained elevated at 42% (10 year average 29%)
- Loan book returned to growth in Q2 as both settlement volumes improved, and run-off reduced

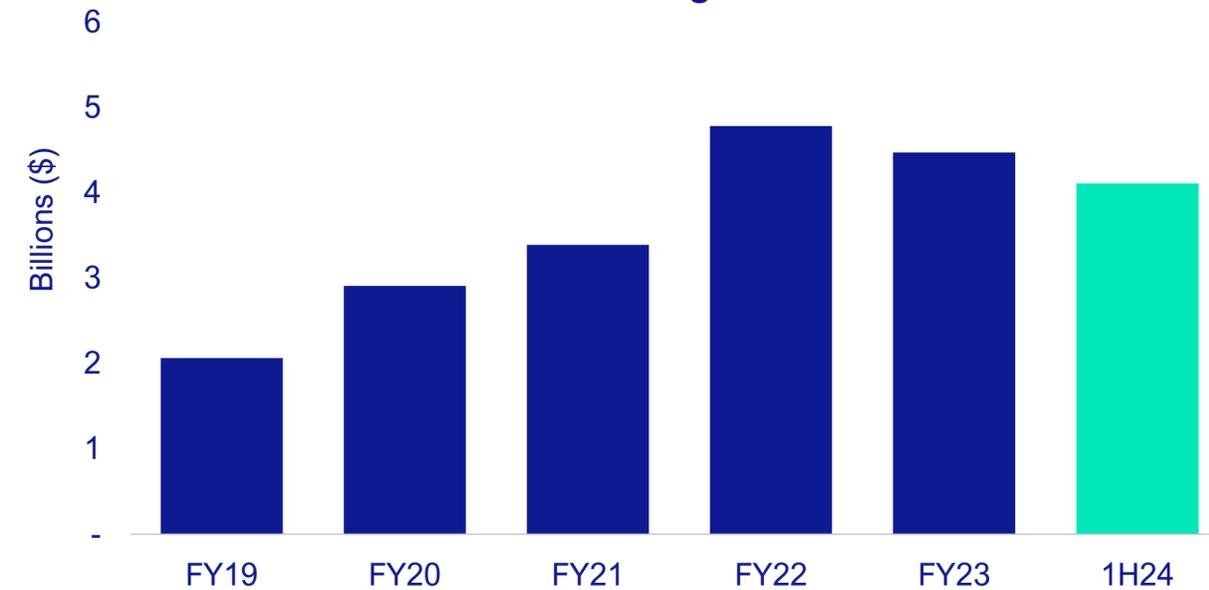
Warehouse Funding

- 3 warehouses increased funding costs significantly year on year
- Positive signs that funding costs have peaked
- Exit NIM of 111bps
- New warehouse established providing additional capacity in non-prime

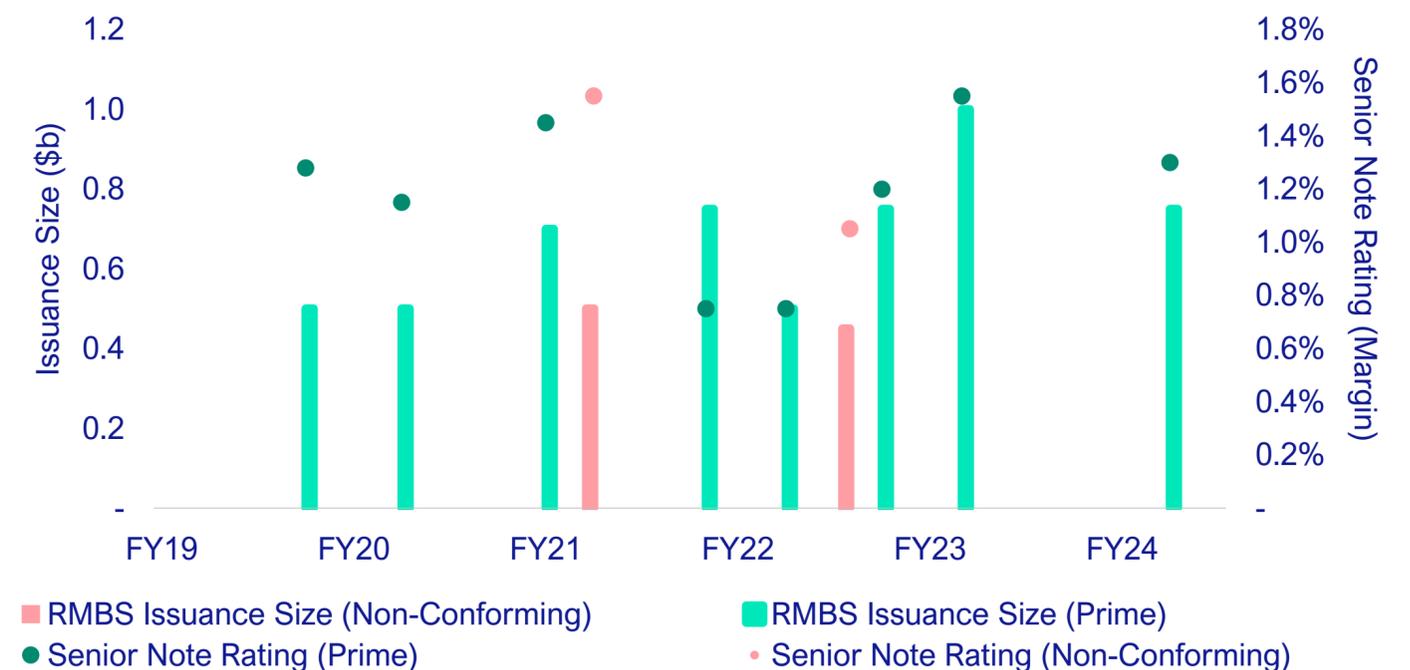
Residential mortgage backed securitisation (RMBS)

- Successful completion of upsized \$750m RMBS issue
- Strong history of issuing RMBS transactions, with \$8.3b transactions issued since 2013 including \$4.2b in the past 3 years

AFGS Closing Book



AFG RMBS Issuance history - Size and Senior Note Rating



AFG Securities: loan book quality maintained

Well provisioned, with proven history of disciplined risk management
 Only \$30k losses on \$10b settled since 2015

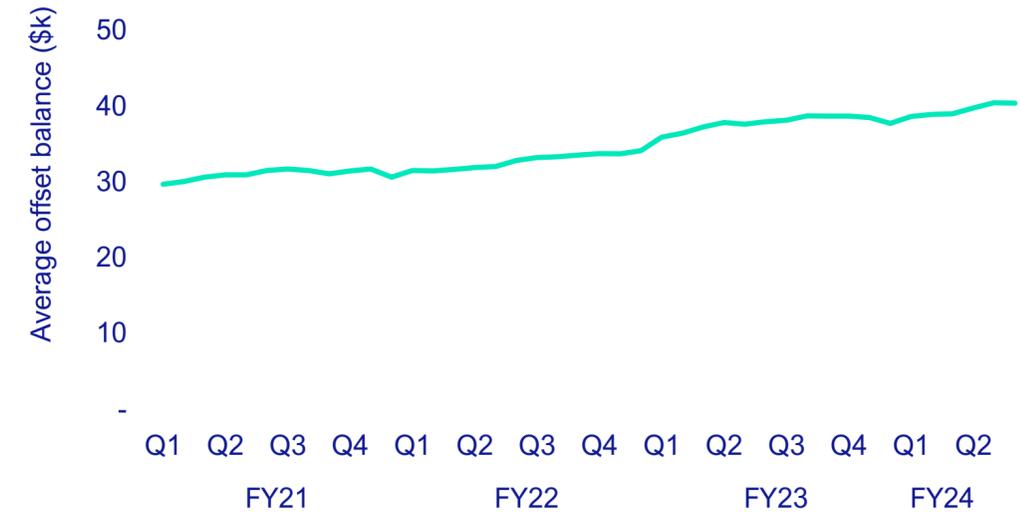
Well balanced portfolio

- 75% prime mortgages
- 42% of balances are below \$500k
- 87% of balances have an LVR¹ below 80%
- All prime loans originated above 80% LVR require individual LMI² policies, with LMI underwritten on a per loan basis

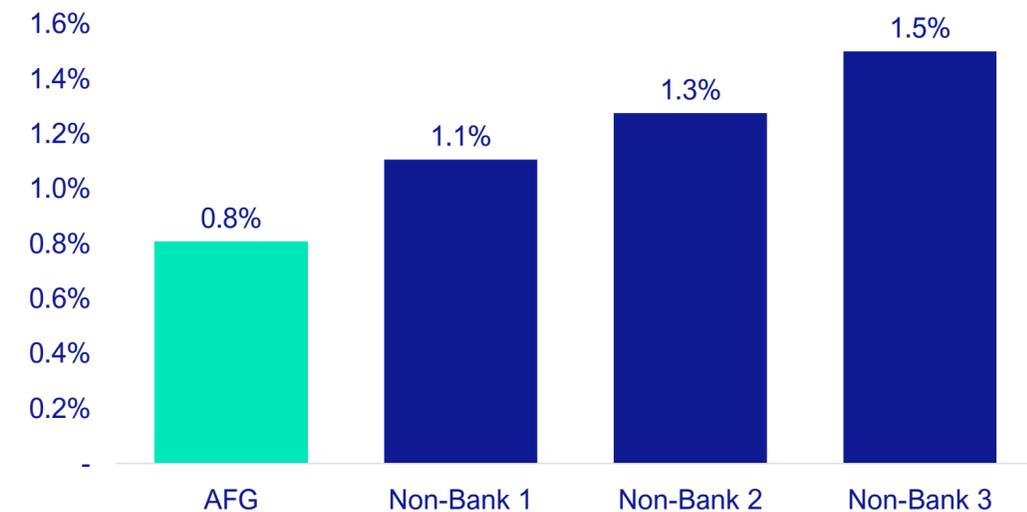
With robust credit management processes

- Established credit assessment process leverages insights from almost 30 years of extensive industry experience
- Arrears have increased following pragmatic credit expansion and a lower loan book. Arrears have since decreased through to February
- No losses in H1 FY24 with cumulative loss history across over 15 years totaling just \$260k. Demonstrating the effectiveness of our pro-active policies and procedures
- Total loss provision prudently held at \$3.3m

Half of AFGS customers have an offset sub-account with growing balances



Arrears 90+ days³



1. LVR = Loan-to-value ratio
 2. LMI = Lenders Mortgage Insurance

3. Data sourced from recent publicly disclosed financial reports, as at 31 December 2023 apart from Non-Bank 2 whose data was as at 30 June 2023; Arrears calculated as 90 days past due as a percentage of total credit exposure

Market leading technology

Technology improvements focused on delivering a differentiated broker experience that meets customer demand for a more efficient digital experience

Refreshed technology stack



Modern API services
Cloud Native Platform
Flex CRM upgraded interface

Enhanced digital trust



Multi-factor authentication
Enhanced 24/7/365 monitoring and response

Progressing to direct lodgment



Progressive feature releases – first feature launched

Advanced operational efficiency



AFGS digital loan processing
Improving analytics

Developing improved Asset Finance platform



Partner Connect platform launched
Progressed Ambition Cloud v3

HALF YEAR RESULTS

Financial update



Financial Results

- Reported NPAT of \$14.5m, down 34%
- Distribution earnings increased \$2m, up 7%
- AFG Securities loan book and lower net interest margin represent 135% of decline or \$12m down
- NIM reduced to 116bps, reflecting higher funding costs with 2 warehouses renewed in May 2023 (peak cost)
- Thinktank similarly affected by higher cost of funds and price competition, down \$2.2m
- Operating expenses lower driven by improved efficiency, and despite \$1.2m investment in one-off items
- Net finance income includes higher rates on cash balances, offset by an increase in debt cost
- Once off non-cash tax adjustment of \$0.9m
- Fully franked dividend of 4.0cps, ex-dividend date is 7 March and payable on 25 March 2024

\$m	HY24	HY23	Variance
Gross profit ¹	66.2	76.0	(13)%
Trail book adjustment	(2.0)	(2.4)	19%
Operating expenses	(45.2)	(45.9)	2%
Fintelligence put / call	-	(0.8)	-
Net finance income	2.2	0.9	151%
Share of profit from Thinktank	1.3	3.5	(63)%
Profit before tax	22.6	31.2	(28)%
Reported NPAT ²	14.5	21.9	(34)%
Underlying NPATA ²	17.9	25.6	(30)%

Financial Metrics	Units	HY24	HY23	Variance
Net cash from operating activities		14.3	24.7	(42)%
Underlying EPS	cps	6.6	9.5	(32)%
Dividends % of Underlying NPATA	%	60	70	(14)%
Underlying ROE	%	18	25	(28)%
Net Interest Margin	bps	116	145	(21)%
Average FTE ³	#	324	334	(3)%
Underlying Cost to Income ⁴	%	68%	61%	(7)%

1. Gross profit and Other income excluding trail book accounting adjustment
 2. Reconciliation between Reported NPAT and Underlying NPATA detailed on slide 37

3. Average for reporting period
 4. Total Operating Expenditure / (Gross Profit (adjusted for Trail) + Other Income)

Distribution provides earnings growth, with higher margins from manufacturing when market economics make sense

Distribution

Profit before tax HY24

\$27^M 7% on pcp
Underlying ROE 41.2%¹

- AFG's largest segment, 75% of earnings²
- 41% underlying return on equity
- Operating cost reduction of \$1m predominately efficiency
- \$9m invested to uplift broker technology

Business model comparison

- No credit risk, or exposure to funding markets
- High quality actuarial assessed income
- Earnings underpinned by large and growing sectors

Manufacturing

\$9^M (54)% on pcp
Underlying ROE 12.4%¹

- 12% return on equity reflecting high levels of market competition
- Development of new products to identify focusing on volume and increasing margins
- In favourable market conditions, retain the ability to increase investment
- Thinktank book grew to \$5.5b

- Higher capital required, includes credit risk
- Higher margin value pools
- Earnings profile similar to other non-bank lenders in the market

Central services

-\$13^M (3)% on pcp

- Increased investment in operating expenses in HY24 to achieve improved cyber security and data analytics capabilities
- Includes one-off costs associated with broker technology projects, Fintelligence integration and technology projects

- Includes various centralised cost support functions, including IT, Finance, HR among other functions and costs

1. Based on H1 FY24 annualised
2. Profit before tax excluding Central

Strategic investments delivered 20% growth

Distribution: Growth from diversified products and supported by residential trail book growth

- **Residential upfront** down \$0.9m from higher average payout ratio. This increase is driven by the growing mix to large groups who are at higher payout ratios. Large group who have higher payouts grew settlements by 4% compared to HY23, increasing the overall average¹
- **Residential trail** book (average for the half) grew 5%, but affected by higher payout ratio and elevated runoff
- **Other product** commissions lower primarily because of white label market share which returned to growth in Q2
- **Fintelligence and BrokerEngine** up \$1.8m reflecting growth in subscribers and volumes
- **Broker recurring revenue streams** increased by 9%

Loan manufacturing: Affected by sub-economic pricing activity by banks and cyclical peak funding costs

- Lower NIM rate at 116bps, impact -\$6.3m
- Lower average book size (15)% impact -\$5.3m

\$m (unless otherwise stated)	HY24	HY23	Var \$	Var %
Gross profit²	66.2	76.0	(9.7)	(13)%
Distribution	53.9	54.5	(0.6)	(1)%
Residential Upfront	6.9	7.8	(0.9)	(11)%
Settlements (\$b)	28.2	28.6	(0.4)	(1)%
Retained ³ (%)	4.0%	4.5%	(0.5)%	(10)%
Residential Trail	9.4	9.8	(0.4)	(4)%
Average book (\$b)	195.5	185.4	10.1	5%
Retained ³ (%)	5.9%	6.4%	(0.4)%	(7)%
Other products / markets⁴	16.3	17.0	(0.7)	(4)%
Fintelligence / Broker Engine	10.7	8.9	1.8	20%
Broker services	10.5	10.9	(0.5)	(4)%
Manufacturing	11.9	21.6	(9.7)	(45)%
AFG Securities NIM	24.4	36.1	(11.6)	(32)%
AFG Securities average book (\$b)	4.2	5.0	(0.8)	(15)%
NIM (bps)	116	145	(29)	(21)%
AFG Securities Commission	(11.7)	(13.0)	1.3	10%
AFG Securities settlements (\$b)	0.6	1.1	(0.5)	(45)%
Other fees / costs	(0.9)	(1.5)	0.6	39%

1. Large Group based on payout ratio and number of brokers

2. Gross profit and Other income excluding trail book accounting adjustment. Central gross profit includes inter-segment commission eliminations

3. Retained % = (1- Payout ratio %)

4. Other product commissions includes white label, commercial, asset finance and personal loans

Opex investment to support key business initiatives

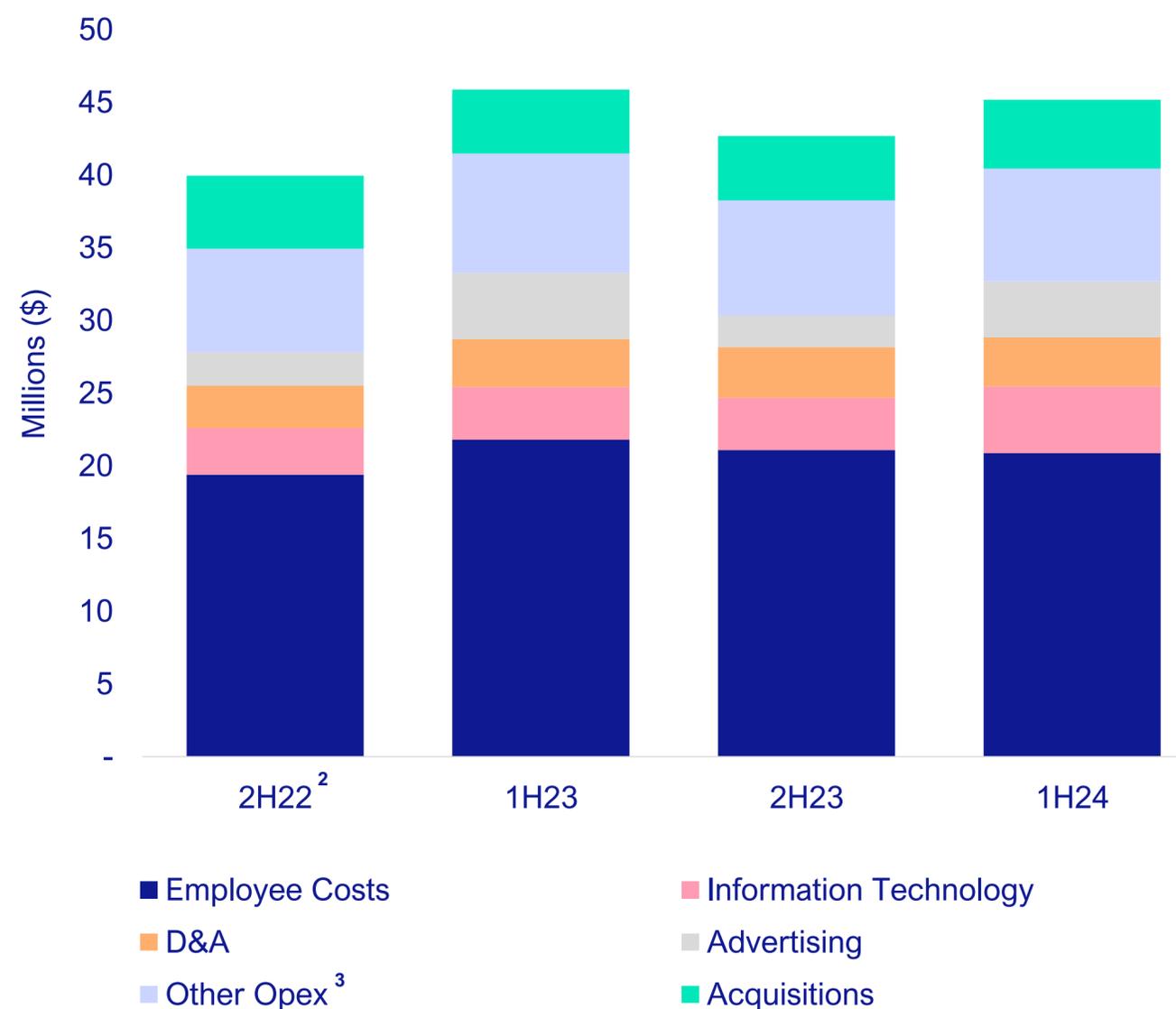
Operating efficiencies delivered partially offset by ongoing technology investment

Operating costs improved \$0.7m year on year, driven by:

- Employee costs improved \$0.9m following the efficiency benefits of projects delivered
- Other opex improved \$1.2m includes lower discretionary costs and lower RMBS amortised setup cost following reduced size of term out in HY24 relative to previous years
- Information technology costs increased by \$(1.7)m primarily driven by
 - One-off project activity of \$1.2m which includes Fintelligence integration and broker technology projects
 - Increased investment in cyber security and data technology \$0.4m

Underlying CTI¹ was 68%, while adjusting for the lower NIM the result would be 55%

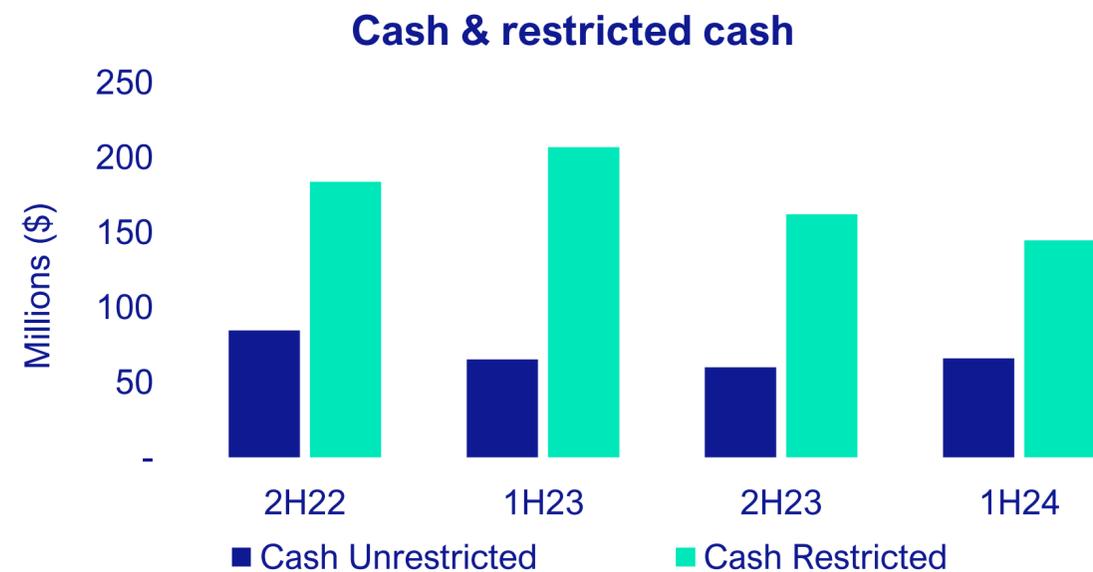
- Distribution CTI of 45%, an improvement on HY23
- Manufacturing CTI of 62% above HY23 at (37%). Cost reductions of \$0.6m offset by lower NIM % and book size



1. CTI = Cost to Income
 2. Excludes Impairment Expenses of \$24m
 3. "Other Opex" includes insurances, consultancy, and travel among other things

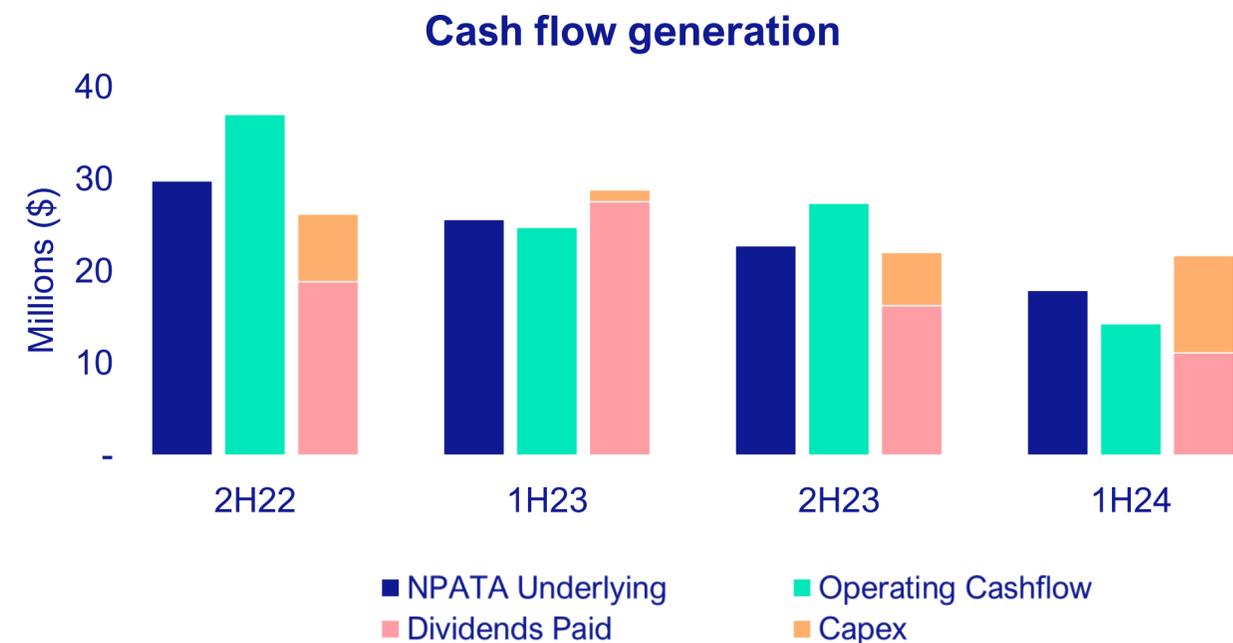
Strong balance sheet and cash generating assets...

Conservatively geared



- \$66m unrestricted cash
- \$145m restricted cash relating to AFGS Trusts
- Intra-month working capital cycle reduces unrestricted cash by c\$30m per month

Cash flow generation underpinned by annuity-style income streams

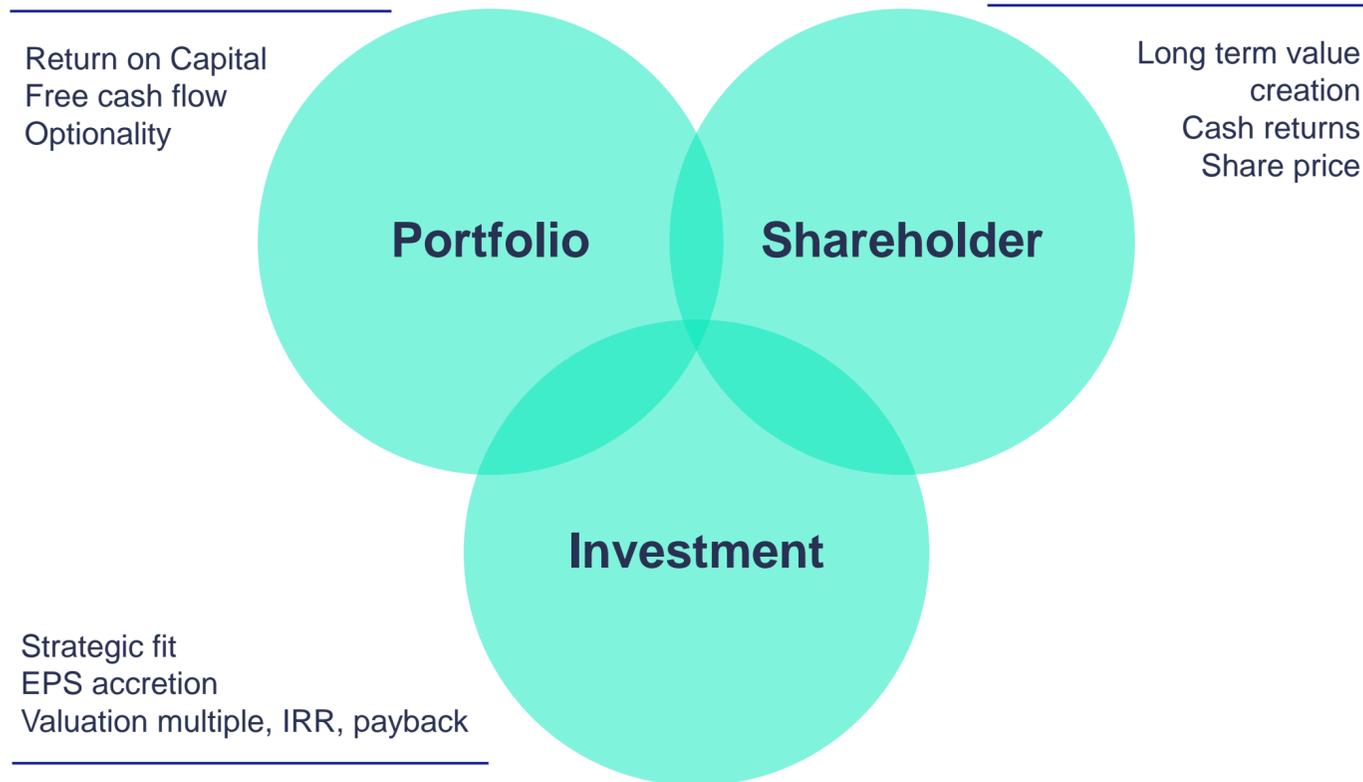


- 80% cash conversion lower due to timing of tax payments compared to 2H23. Calendar year 2023 conversion of 103%
- Capex funded from cash and the temporary reduction to dividend payout ratio of 50 to 60% for up to 24 months¹

... provides capacity to invest to enhance shareholder returns

AFG takes a disciplined through the cycle investment approach to create sustainable shareholder value

Cash re-invested into high returning distribution business. Further growth of capital investments or inorganic opportunities



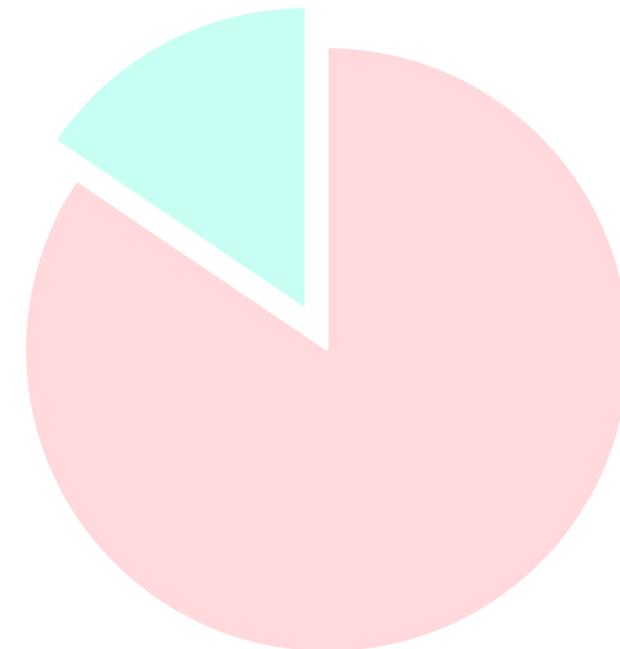
HY24 Capex

Digital

Digital trust
Efficiency

Distribution

Platform Services
Broker Engine Direct
Fintelligence



AFG's investments create a portfolio of growth options

	Industry Trend	Strategic Fit
Fintelligence	 	<p>Digital business, provides brokers efficient processes to scale and diversify income Strengthens AFG's Asset Finance presence, reaching brokers beyond AFG network Optionality to distribute higher margin products</p>
Broker Engine (Direct)	  	<p>Digital business, delivering streamlined workflows allowing brokers to scale efficiently Accelerates AFG's technology transition, providing new services income Provides access to brokers outside AFG network</p>
Platform Services and Digital Capability	  	<p>Delivery of broker-first experiences enhancing the digital experience Simplifying processes, increasing automation and improving productivity Creating broker demand and increasing speed AFG delivers higher margin products</p>
Thinktank	 	<p>Exposure to higher margin and volumes Provides insights to product innovation</p>

Industry trends
 – see slide 30

 **Bigger and busier**

 **Diversification is critical**

 **Technology to drive efficiency**

 **Consolidation is coming**

HALF YEAR RESULTS

Outlook



Residential market **back to growth**

Distribution

Near term trends

- AFG continues to embed itself as providing a crucial service in Australia's financial system:
 - Bank branches continue to close at record rates
 - Digital direct remains centred on 'simple' approvals only
 - Regulation and compliance expectations continue to lift
 - Customers seek a personal, convenient experience that provides competition and choice in a complex market
- AFG will gain share as demand grows for aggregators to provide leading compliance and effective service supported by technology
- Growth in property prices and settlement activity driven by record migration, strong employment and interest rates reaching a peak will underpin credit growth and settlement activity
- Continue to benefit from expansion into higher growth and margin asset classes, as well as new recurring revenue streams

January trading update¹

Residential Lodgements +12%

AFG Home Loans white label +109%

With the return of non-bank competition

Manufacturing

Near term trends

- After a period of cycling, stimulus induced comparatives, we see our market returning to growth
- AFG Securities will benefit from improved funding market conditions as:
 - Final TFF repayments occur replacing near free funding with higher priced alternatives
 - Funding costs appear to have peaked, but NIM remains under-pressure while competition remains intense
- Leverage new lending platform to drive efficiencies and introduce more new products
- Leverage data and experience to deliver industry leading credit, with arrears well controlled and a well supported RMBS program
- Deliver further product innovation for underserved markets
- Thinktank investment expected to grow as markets improve

January trading update¹

AFG Securities Lodgements +98%

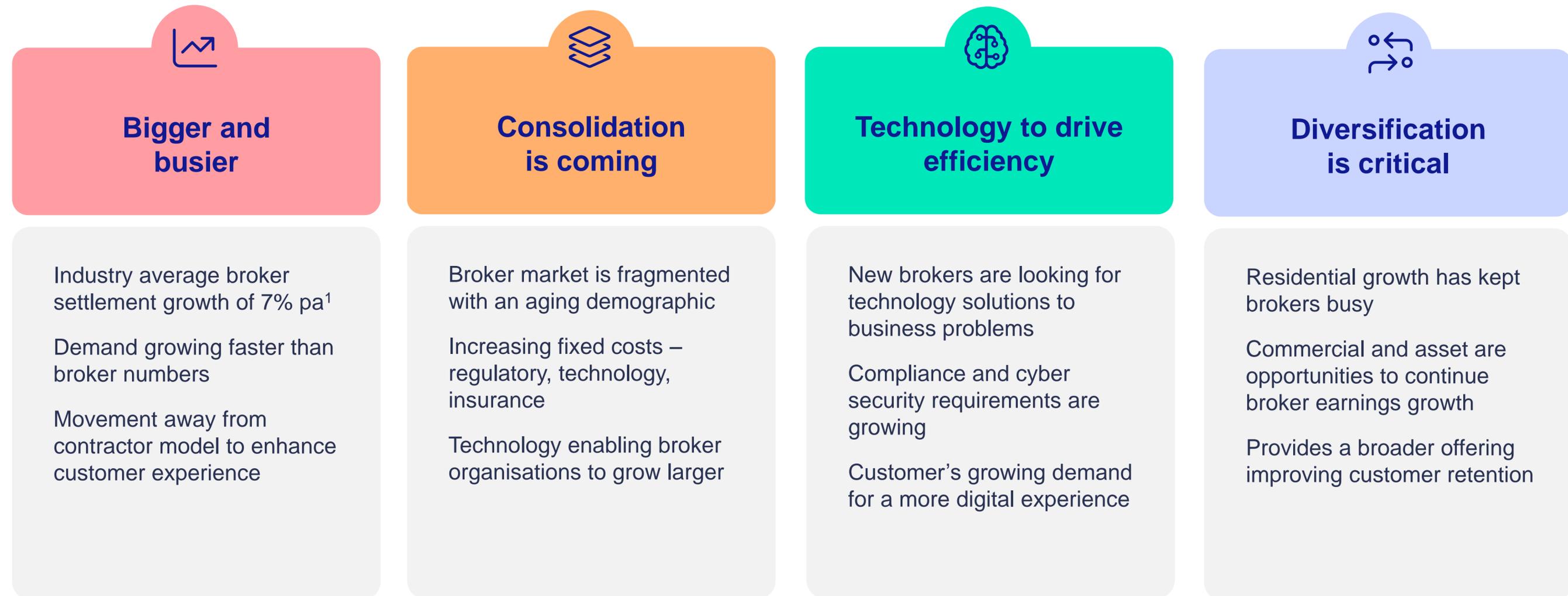
Thinktank volumes² +95%

1. January 2024 change on January 2023

2. Thinktank Commercial volumes through the AFG panel

AFG plays a vital role in the financial system

AFG brokers write 1 in 10 residential mortgages in Australia, connecting with 500k customers. Its annuity style cash flows create capacity to capitalise on emerging industry trends generating sustainable shareholder returns.



1. Source: MFAA

Strategically positioned for market recovery and growth

AFG is well positioned, with upward trends evident across our business segments



Economic conditions improving

Expected sustained growth in housing and finance markets



Return of non-bank competition

ADI structural funding advantage continues to decline



Broker is structurally critical channel, 72% share

AFG has invested to capitalise on this vital channel



AFG's product diversity generates 75% of earnings

AFG has scale to move further into Commercial / Asset Finance



Strong cashflows and conservative balance sheet

AFG has capacity to adapt as market transitions

Supported by a strategy to increase shareholder returns

Growth strategy based on 3 strategic pillars



**Grow our
broker
network**



**Provide
market leading
technology**



**Leverage our
distribution
delivering
higher margin**

To deliver our purpose: Fairer financial future for all

HALF YEAR RESULTS

Appendices



Settlements and Loan Book

Settlements \$m	1H24	2H23	1H23	1H24 v 2H23	1H24 v 1H23
Residential	28,200	25,031	28,598	13%	(1)%
AFGHL	1,462	1,272	2,332	15%	(37)%
White Label ¹	881	757	1,267	16%	(30)%
AFG Securities ¹	582	516	1,065	13%	(45)%
Commercial	2,389	1,766	2,017	35%	18%
AFG Business	28	52	101	(46)%	(72)%
Thinktank	61	265	104	(77)%	(41)%
Leasing and Asset finance ²	1,575	1,379	1,232	14%	28%
Commercial Leasing	487	397	367	23%	33%
AFG Business Asset finance	3	5	6	(35)%	(42)%
Consumer Asset finance	39	34	35	16%	13%
Fintelligence	1,045	944	825	11%	27%
Loan Book \$m					
Residential	196,547	194,546	188,692	1%	4%
AFGHL	12,600	13,150	13,866	(4)%	(9)%
White Label ¹	8,491	8,675	8,940	(2)%	(5)%
AFG Securities ¹	4,109	4,475	4,925	(8)%	(17)%
Commercial	12,778	11,942	11,129	7%	15%
Residential + Commercial	209,325	206,488	199,821	1%	5%

1. Is a subset of AFG Home Loans (AFGHL)

2. Includes Fintelligence settlements from acquisition at January 2022

Key metrics

Key movements

- Distribution operating income up 3% on H1 FY23, primarily driven by increased Residential Settlements and loan book size, and a 33% increase in Commercial Leasing volumes
- Manufacturing operating income down 1% on H2 FY23, due to a reduced average book size, and lower NIM
- Employee costs down 2% on H2 FY23, due to reduced FTE
- IT operating expenses includes \$1.2m relating to new projects as well as additional investment in cyber security and data analytics \$0.4m

\$m (unless otherwise stated)	Units	1H24	2H23	1H23	1H24 v 2H23	1H24 v 1H23
Operating income						
Operating Income – Distribution		428.2	343.7	416.6	25%	3%
Operating Income – Manufacturing		133.0	134.0	108.6	(1)%	22%
Total Operating Income		561.1	477.7	525.2	17%	7%
Profitability						
Trail Book Net Asset		94.2	96.2	103.5	(2)%	(9)%
Residential Upfront Payout Ratio	%	96.0	95.8	95.5	(0.2)%	(0.5)%
NIM	bps	116	127	145	(9)%	(20)%
Operating Costs						
Total Operating Expenses		45.2	42.7	45.9	(6)%	2%
Employee Costs		24.3	24.8	24.7	2%	2%
IT		5.1	4.0	4.0	(25)%	(26)%
Average FTE ¹	#	324	328	334	1%	3%
Underlying Cost to Income Ratio ²	%	68.8	62.1	60.6	(11)%	(14)%
Credit Quality						
Total Losses		0.0	0.0	0.0	-	-
Other						
Contribution from Strategic Investments		4.6	6.1	5.8	(25)%	(21)%
Brokers	#	3,850	3,802	3,717	1%	4%
Underlying ROE	%	17.6	22.6	25.1	(22)%	(30)%
Dividend Yield ³	%	4.9	4.6	8.3	7%	(41)%

1. Average for reporting period

2. Total Operating Expenditure / (Gross Profit (adjusted for Trail) + Other Income)

3. Based on share price as at 23 February 2024, 21 August 2023, 15 February 2023

Summary P&L

Key movements

- Revenue increased to a record half-year result of \$569m in H1 FY24, with growth in Residential settlements and loan book
- Gross Profit was \$9.1m below H1 FY23, with lower NIM, reduced AFGHL volumes, and a higher average payout ratio
- Total opex was \$0.7m lower than H1 HY23, due to reduced employee expenses, discretionary costs and lower RMBS amortised setup cost

\$m	1H24	2H23	1H23	1H24 v 2H23	1H24 v 1H23
Commissions	375.7	291.8	358.5	83.9	17.2
Interest on trail commission income receivable	40.6	40.5	41.9	0.1	(1.3)
Mortgage management services	0.1	0.1	0.2	-	(0.1)
Securitisation transaction fees	2.3	2.1	2.3	0.2	-
Securitisation interest income	147.2	140.2	119.8	7.0	27.4
Subscription income	2.2	2.1	1.5	0.1	0.7
Other income	0.9	0.9	1.0	-	(0.1)
Total Revenue	569.1	477.7	525.2	91.4	43.9
Securitisation interest expense	(122.8)	(118.1)	(92.6)	(4.7)	(30.2)
Commission and other cost of sales	(393.4)	(308.5)	(370.6)	(84.9)	(22.8)
Gross Profit	52.9	51.1	62.0	1.8	(9.1)
Other income	11.4	10.3	11.5	1.1	(0.1)
Administration expenses	(4.6)	(5.0)	(5.8)	0.4	1.2
Other expenses	(37.0)	(34.0)	(36.7)	(3.0)	(0.3)
Depreciation and amortisation	(3.6)	(3.6)	(3.4)	-	(0.2)
Result from operating activities	19.1	18.8	27.6	0.3	(8.5)
Net finance income	2.2	2.2	0.9	-	1.3
Share of profit of an associate	1.3	2.5	3.5	(1.2)	(2.2)
Net change in fair value of financial liability	-	(1.0)	(0.8)	-	-
Profit before tax	22.6	22.4	31.2	0.2	(8.6)
Income tax expense	(7.3)	(5.9)	(8.6)	(1.4)	1.3
Net Profit after tax	15.3	16.5	22.6	(1.2)	(7.3)
Non-controlling interest	0.9	1.0	0.8	(0.1)	0.1
Net Profit attributable to equity holders	14.5	15.5	21.9	(1.0)	(7.4)

Securitisation interest income and commission expense is net of \$8.0m and \$8.8m in HY24 and HY23 respectively

Strategic Investments

			
Investment Date	April 2018	December 2021	January 2022
HY24 NPAT contribution	\$1.3m	\$3.1m	\$0.2m
Carrying value at 31 Dec	\$35.6m	\$61.8m	\$7.6m
Current AFG Ownership	32%	83%	100%
Primary income type	Commercial / Residential Net interest on securitisation	Asset Finance Commission payments	Broker Services Subscription income
Reporting segment	Manufacturing	Distribution	Distribution

Reported NPAT to Underlying NPATA reconciliation

Key movements

- The trail commission adjustment represents the non-cash change in the carrying value of the trailing commissions contract assets and liability. Additional information in relation to trail book accounting and key assumptions is provided on slide 39
- The net change in fair value of the put / call liability for Fintelligence represents the increase in the value of AFG's exclusive option to acquire the remaining 16.7%.
- The value of the put / call liabilities for both Fintelligence and BrokerEngine are assessed each reporting period.
- Tax adjustment related to Fintelligence / Broker Engine

\$m	1H24	1H23	Variance
Reported NPAT	14.5	21.9	(7.4)
Amortisation of intangibles acquired	1.2	1.2	0.1
Trail Commission Adjustment	1.4	1.7	(0.3)
Net change in Fair value put/call option	-	0.8	(0.8)
Change in tax related to prior years	0.9	-	0.9
Underlying NPATA	17.9	25.6	(7.6)

AFG holds \$187m in liquid assets and high performing investments

Key movements

- Net unrestricted cash of \$16.7m
- Trail book net asset at \$94.2m
- High performing, valuable investments in associates with a balance sheet value of \$38.8m, which does not represent fair value, AFG's share of profit was \$1.3m for the half, and \$3.5m for HY23
- Subordinated notes value relates to the AFG Securities loan book which is \$4.1b

\$m	Dec 2023	Dec 2022	Variance
Unrestricted cash	65.9	65.3	0.6
Debt facility	(49.2)	(46.9)	(2.3)
Net unrestricted cash	16.7	18.4	(1.7)
Trail book	94.2	103.5	(9.3)
Investments (Thinktank and MAB)	38.8	34.9	3.9
Subordinated notes	37.5	43.2	(5.7)
Net unrestricted cash, trail book and investments	187.2	199.9	(12.6)

Cash reconciliation			
Unrestricted cash	65.9	65.3	0.6
Restricted cash (Securities)	144.7	206.9	(62.2)
Total cash	210.6	272.2	(61.6)

Trail book asset

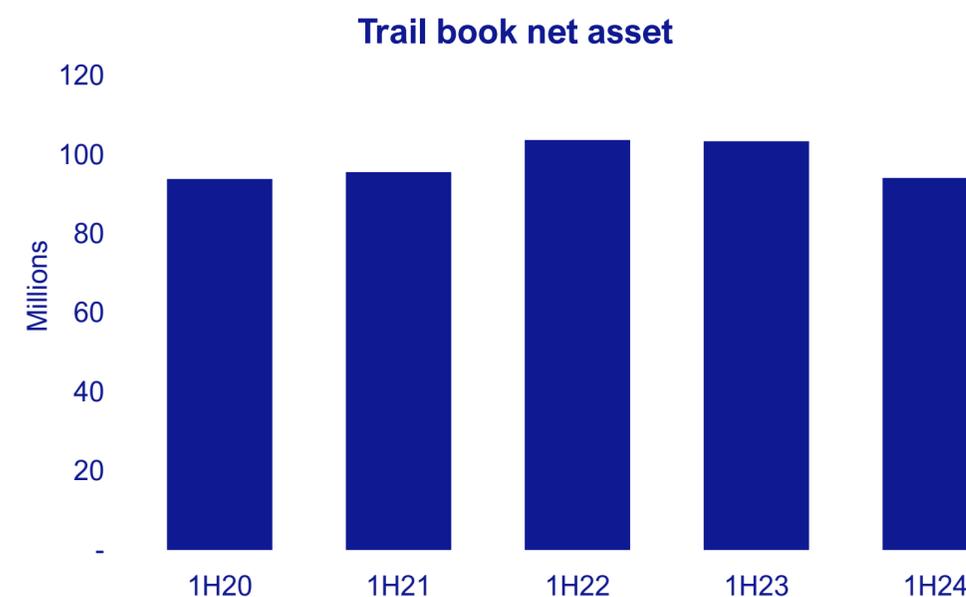
Key movements

- Trailing commissions are received from lenders on settled loans over the life of the loan based on the outstanding loan book balance
- The net present value of our future trail commissions, represent recurring income, without having to perform further services
- Future trail commissions had a NPV of \$94m at Dec 2023
- The valuation is assessed on a six-monthly basis, with movements in valuation recorded in the P&L
- The main valuation drivers are run-off rates and new business
- The discount rate applied to each tranche is applied across the life of the loan. Any current movements in the discount rates will only affect the latest trail commission tranche
- The discount rate is calculated as the risk-free rate + counterparty risk factor

The table below outlines key assumptions used to value trail commissions

Key Assumptions	Dec 2023	Dec 2022
Average loan life	Between 3.5 and 4.4 years	Between 3.7 and 4.6 years
Discount rate per annum ¹	Between 4.0% and 13.5%	Between 4% and 13.5%
Percentage paid to brokers ²	Between 85% to 95.7%	Between 85% and 95%

The chart below shows the change in the net trail book asset over time



1. Discount rates once set are not adjusted during the life of the loan. The spread in discount rate captures loans settled in previous as well as the current financial year
 2. The percentage paid to brokers is set at the time of settlement of the loan

Summary Balance Sheet

Key movements

- Unrestricted cash, which consists of cash at bank and short term deposits, increased to \$66m
- Restricted cash, which primarily represents amounts held in special purpose securitised trusts and series on behalf of the warehouse funders and the bondholders decreased to \$4.1b in line with the closing AFG Securities' loan book
- Contract Assets primarily represents our trail book commission asset and is partially offset by the trail book commission liability recorded in Trade and Other payables. The net asset was \$94m
- Loans and advances represents the AFG Securities program, with the debt facility associated with program represented in Interest bearing liabilities
- Growth in investment in associates represents AFG's share of profit received in the past 12 months from Thinktank

\$m	Dec 2023	Dec 2022	Variance
Assets			
Unrestricted Cash	65.9	65.3	0.6
Restricted Cash	144.7	206.9	(62.2)
Trade and other receivables	12.9	12.4	0.5
Other Assets	9.5	9.0	0.5
Contract Assets	1,158.7	1,167.7	(9.0)
Loans and advances	4,119.0	4,942.3	(823.3)
Investment in associates	38.8	34.9	3.9
Goodwill and intangible assets	103.3	91.9	11.4
Total assets	5,652.8	6,530.4	(877.6)
Liabilities			
Trade and Other payables	1,165.5	1,162.7	2.8
Interest bearing liabilities	4,229.1	5,050.7	(821.6)
Employee benefits	6.3	5.2	1.1
Non interest bearing liabilities	11.8	21.0	(9.2)
Deferred tax liability	26.1	26.3	(0.2)
Other Liabilities	11.0	62.8	(51.8)
Total liabilities	5,449.8	6,328.7	(878.9)
Net assets	203.0	201.7	1.3
Equity			
Share capital	102.1	102.1	-
Reserves	(10.7)	(13.0)	2.3
Retained earnings	93.2	90.7	2.5
Non controlling interest	18.3	21.9	(3.6)
Total equity	203.0	201.7	1.3

Summary Cashflow

Key movements

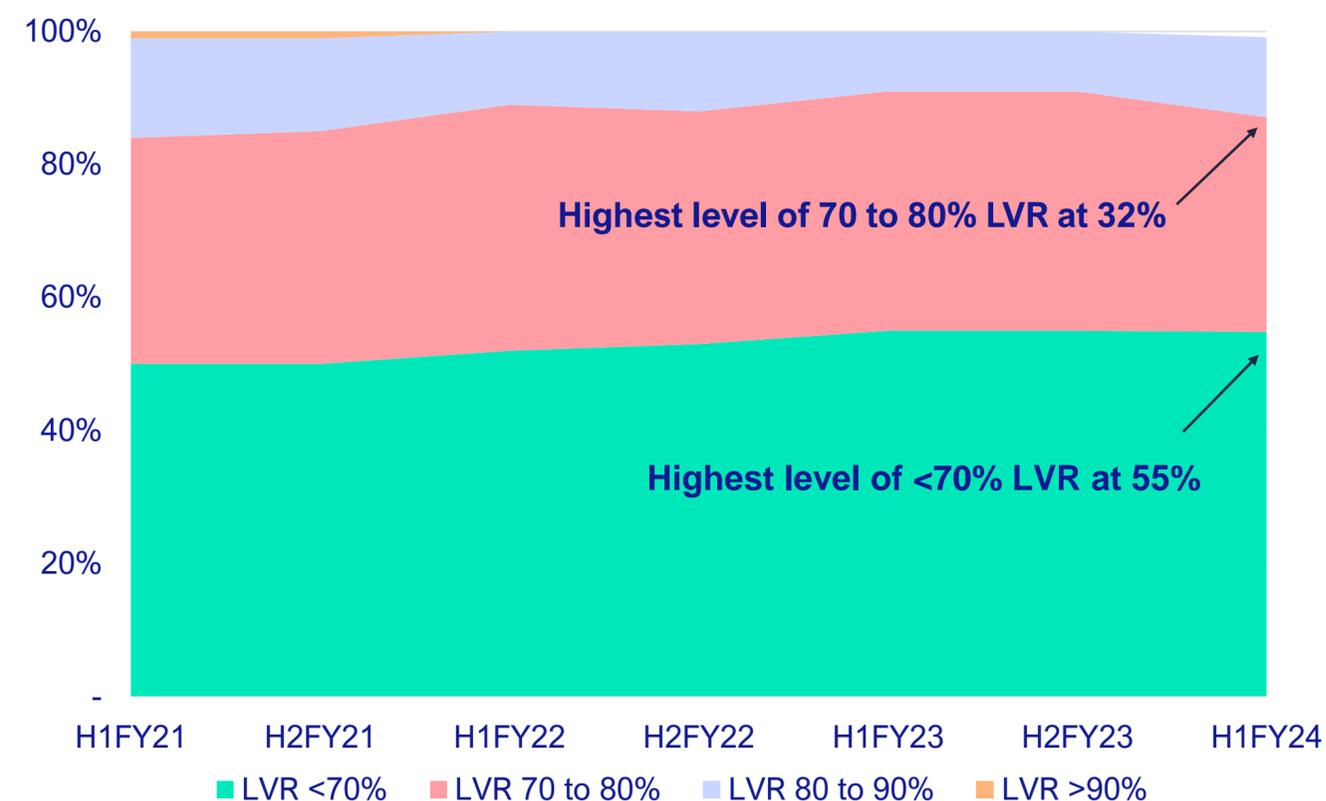
- Lower Net interest received reflect lower AFG Securities book and lower NIM attributable to higher cost of funds
- Income tax paid \$11.2m
- Strategic investment reflect payments to increase equity stake in Fintelligence during the half
- Capital purchases of \$10.6m reflects the investment in strategic initiatives. See further detail on these on slide 25
- Lower dividend paid from short term reduction in dividend payout

\$m	1H24	1H23	Variance
Cash receipts from customers	412.0	389.0	23.0
Cash paid to suppliers and employees	(401.2)	(384.0)	(17.1)
Net Interest received	14.6	25.8	(11.2)
Income taxes paid	(11.2)	(6.1)	(5.1)
Net cash generated by operating activities	14.3	24.7	(10.5)
Net Interest received	4.1	2.4	1.7
Capital purchases	(10.6)	(1.3)	(9.3)
Purchase of additional interest in subsidiaries	(10.2)	(0.9)	(9.3)
Net loans and advances to borrowers and brokers	366.5	(139.1)	505.7
Net cash used in investing activities	349.8	(138.9)	488.7
Repayments of facilities	(4,201.0)	(2,252.4)	(1,948.7)
Proceeds from facilities	3,839.0	2,398.9	1,440.1
Payment of principal proportion of lease liability	(1.3)	(1.2)	(0.1)
Dividends Paid	(11.1)	(27.5)	16.4
Dividend to non controlling interest	(1.3)	-	(1.3)
Net cash generated by financing activities	(375.7)	117.8	(493.5)
Net increase in cash and cash equivalents	(11.6)	3.6	(15.2)
Cash and cash equivalents at the beginning of the period	222.2	268.6	(46.3)
Cash and cash equivalents at the end of the period	210.6	272.2	(61.6)

Expected credit loss provisions

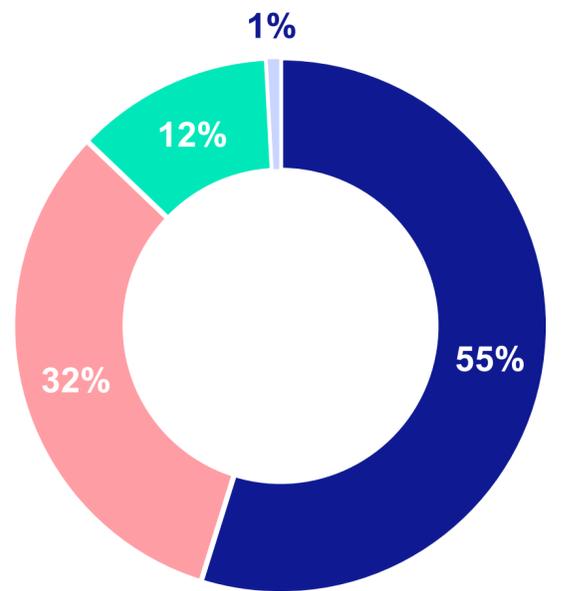
- AFG has a strong history of low credit losses, as a result of insights from almost 30 years of data and extensive industry experience
- Arrears have historically outperformed the Australian non-bank sector of the S&P Global Ratings Mortgage Performance Index
- The Expected Credit Loss (**ECL**) provision provides an estimate of credit risk associated with AFG's residential mortgages
- The ECL model (**the Model**) considers the different risk profiles across the different loan portfolios, with assumptions the same across the portfolios
- The Model calculates the probability of Default and Loss Given Default at an individual loan level
- The Model uses a probability-weighted loss provision for each loan, with 3 scenarios: a base case, mild deterioration and significant deterioration
- The model utilises a range of macroeconomic inputs, but is most sensitive to assumptions for property price changes, unemployment, delinquency status and interest rates
- The expected credit loss provision at 31 December 2023 was \$3.3m (in line with 30 June 2023)
- At 31 Dec 2023, there were 163 loans in arrears greater than 30 days of 9,401 loans in total in the book

AFG Securities LVR over time



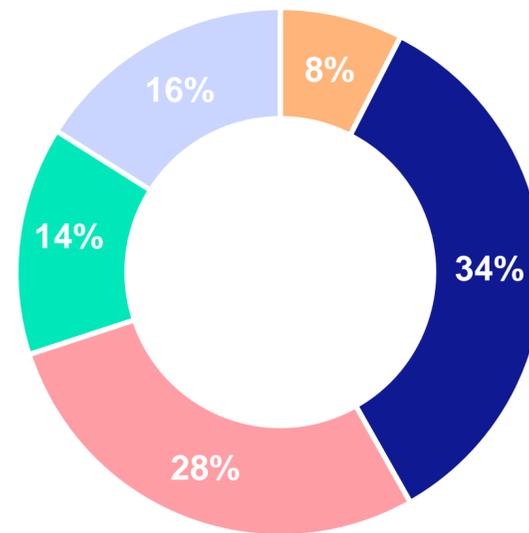
AFG Securities – Loan quality

LVR



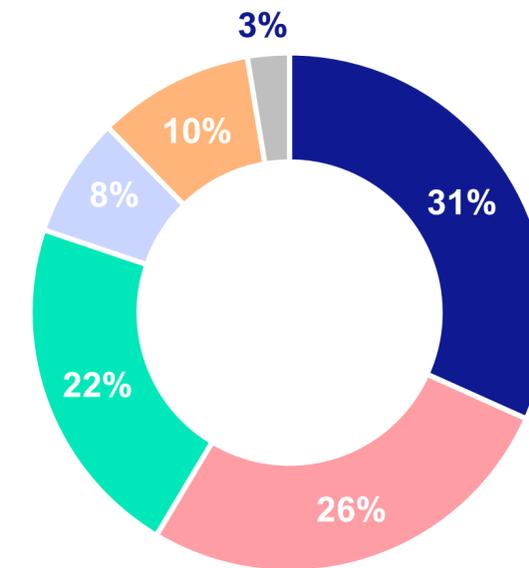
- LVR <70%
- LVR 70%-80%
- LVR 80%-90%
- LVR >90%

Loan Balance



- <\$250k
- \$250k - \$500k
- \$500k - \$750k
- \$750k - \$1m
- >\$1m

Geographic distribution



- VIC
- NSW
- QLD
- SA
- WA
- ACT/TAS/NT

Important Disclaimer

This presentation contains general information which is current as at 28 February 2024.

The information is intended to be a summary of Australian Finance Group Ltd (AFG) and its activities as at 31 December 2023, and does not purport to be complete in any respect.

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