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AUSTRALIAN FINANCE GROUP HALF YEAR RESULTS 2018

Australian Finance Group (ASX: AFG) has today released half yearly results for 2018. AFG Chief Executive Officer David Bailey said the results show AFG is continuing to deliver strong returns through core growth and earnings diversification.

Highlights include:

- Underlying NPAT in H1 FY2018 of \$14.4m, up 11% on H1 FY2017
- Reported NPAT in H1 FY2018 of \$16.7m
- Residential settlements up 6% to \$18.6b
- Combined residential and commercial loan book of \$140.8 billion, growth of 11% over H1 FY2017
- AFG Home Loans settlements up 31% to \$1.6b
- ROE of 33%
- Interim dividend of 4.7c per share fully franked
- Special dividend of 12c per share fully franked

“AFG is today reporting an underlying NPAT of \$14.4m. This represents an 11% increase on the same period last financial year,” said Mr Bailey.

“Our core residential business reported settlement growth of 6% from H1 FY17 with this loan book now sitting at \$133.6 billion.

AFG Home Loans (AFGHL) continued to deliver positive financial growth and settlements grew 31% to \$1.62 billion. The AFGHL loan book has reached \$6.5 billion, an increase of 40% on the same period last year.

Strong organic growth and cash flow generation of the business has allowed AFG to pay a Special Dividend of 12 cents per share.

The strength of AFG’s cash flows and balance sheet provides the company with significant financial resilience. AFG’s lack of debt continues to allow the company to take advantage of merger and acquisition opportunities without significant strain on its balance sheet. Alternatively, it provides for a flexible dividend policy to be maintained, while AFG continues to evaluate financially material strategic opportunities.

AFG Securities completed a successful \$350m Residential Mortgage Backed Securities (RMBS) issue in October 2017, which underlined the performance of the AFG Securities business.

“The securitisation program is an important contributor to the company’s overall growth strategy. We are delighted to see the success of this issue further validating the AFG Securities business model. It represents another vital alternative for AFG brokers to access competitively priced mortgage products for all Australian borrowers. The constant regulator enforced changes, together with our deep understanding of the market means AFG Securities is well placed to identify opportunities in this sector.

AFG’s commercial business experienced loan book growth in all states despite softer settlements. The overall commercial loan book grew by 14% to \$7.2 billion. This growth has been driven by a 6% increase in sub-\$5m commercial mortgage settlements and a 26% increase in asset finance.

“Our commercial broking platform, AFG Business, launched towards the end of Q2 FY18 to a select group of AFG brokers with commercial mortgage products,” said Mr Bailey.

“AFG Business has a current panel of five core lenders aimed at the small to medium enterprise (SME) market. Pleasingly we achieved our first flow of settlements during January 2018,” he added. Further business lending lines will be added as the platform is rolled out to more brokers looking to diversify their offering.

Market conditions

“Australian brokers continue to win market share by providing value, choice and competitive lending alternatives. The latest Mortgage & Finance Association of Australia (MFAA) statistics show mortgage broker market share is now sitting at 55% of the lending market.

The delivery of choice by mortgage brokers to Australian borrowers is highlighted by the rise in market share of non-major lenders during a time of much public and regulatory scrutiny of both the major banks and the residential market. “Whilst the contribution of all financial institutions in the channel remains important, non-major market share is now more than 37% of AFG’s flows,” said Mr Bailey.

“Without the distribution network provided by mortgage brokers, non-major lenders would simply not be able to compete, and the competitive nature of mortgage pricing would not exist. Australian consumers would be paying more for their mortgages.

Company outlook

“The industry will continue to evolve and that presents an opportunity for AFG,” said Mr Bailey. “AFG will continue to be the partner of choice for lenders and broking groups as we deliver the platform to support their businesses and maintain high standards of compliance and governance,” said Mr Bailey.

“There has been a number of enquiries into the industry, some of them are ongoing. AFG have actively participated in these and we will continue to do so, to ensure the positive contribution brokers make is recognised. Significant regulatory activity has meant the lending market remains complex. Products are split between lending profiles, rules and pricing bands. Changes are more frequent, and the assistance required to navigate these changes and ensure a fit for individual circumstances, means the role of a mortgage broker becomes even more vital.

“As an agile, independently Australian owned business in the sector with access to distribution and funding we look forward to continued strong financial performance whilst maintaining capital for further growth initiatives,” he concluded.

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