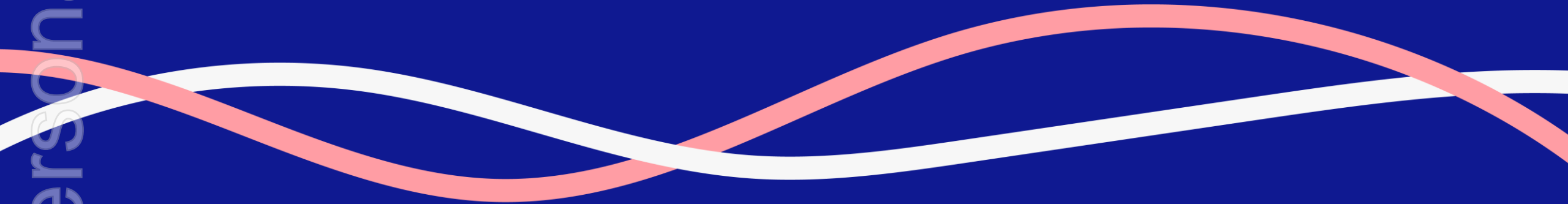


AFG

2021

Full year results presentation

ersonal use only

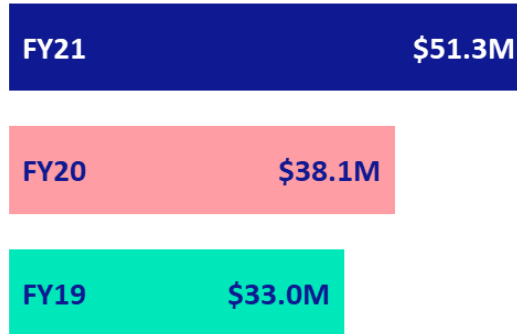


HIGHLIGHTS

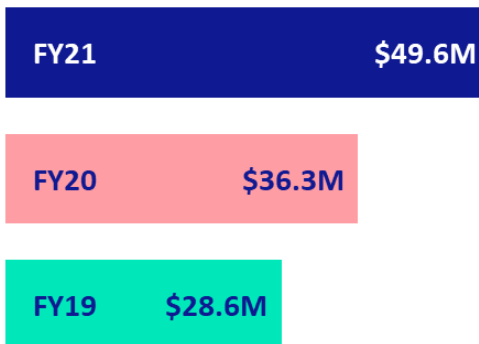
FY21 results

Continuing to build a robust and diversified financial services company generating excellent returns for shareholders

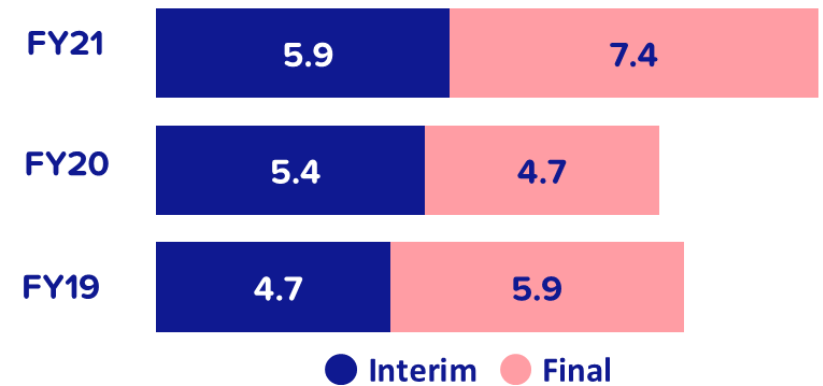
Reported NPAT up **35%** to **\$51.3M**



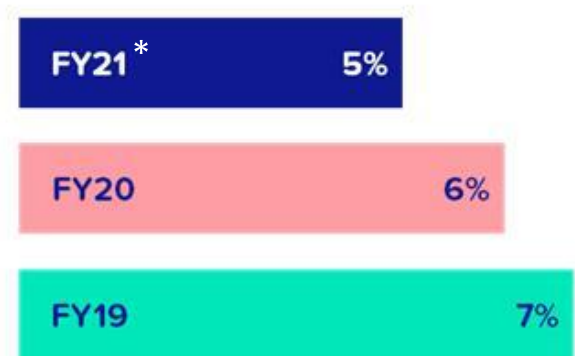
Underlying NPAT up **37%** to **\$49.6M**



Final dividend up **57%** to **7.4** cents per share



Dividend yield history



* Based on share price of \$2.85

HIGHLIGHTS

FY21 results



FY21 Residential settlements up **28%** to
\$43.6B

Trail book up **8%** to
\$166.6B



AFG Home Loans settlements up **10%** to
\$3.45B

Trail book up **7%** to
\$11.2B



AFG Securities H2 lodgements and settlements up **80%** and **35%** respectively on H2 FY20

Closing book up **17%** to
\$3.39B



Operating cash flow up
45%



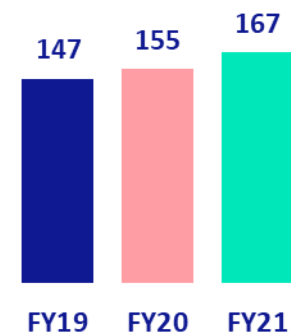
AFG Broker numbers up to
3,050+

Settlements & Loan Book

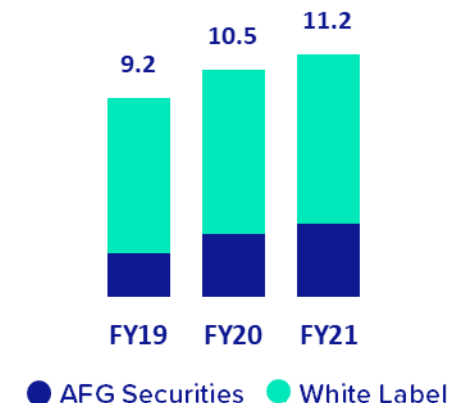
Settlements	FY2021 \$000's	FY2020 \$000's	
Residential	43,632,251	34,065,322	28%
AFGHL	3,450,481	3,141,246	10%
White Label	2,104,947	1,786,747	18%
AFG Securities ¹	1,345,534	1,354,499	(1%)
Commercial	2,321,763	2,289,548	1%
AFG Business	199,589	346,479	(42%)
Thinktank	130,031	160,197	(19%)
Loan Book	FY2021	FY2020	
Residential	166,583,135	154,570,685	8%
AFGHL	11,245,256	10,490,564	7%
White Label	7,851,794	7,578,490	4%
AFG Securities ¹	3,393,462	2,912,075	17%
Commercial	9,126,241	8,472,268	8%

¹ is a subset of AFGHL

Residential Portfolio (\$B)



AFGHL Portfolio (\$B)



- Residential settlements up 28% to \$43.6 billion. Growth supported by Government stimulus, low interest rate and improved economic outlook. First Home Buyers and Upgraders were the main drivers
- AFG Securities closing book \$3.39 billion at June 2021 up 17%
- Strong second half of the financial year reflecting increased activity across the market
 - AFG Securities settlements in H2 FY21 are up 35% compared to H2 FY20
 - AFG Securities lodgements are 80% up in H2 driving a strong settlement pipeline rolling into FY22
 - Commercial settlements for H2 FY21 were 23% higher than H2 FY20

Financial Results

	FY2021 \$000's	FY2020 \$000's	
Total Revenue	767,138	692,751	11%
Gross Profit	102,415	90,585	13%
NPAT reported	51,304	38,078	35%
NPAT underlying	49,586	36,266	37%
Net cash from operating activities	58,602	40,316	45%
Net Interest	43,722	32,350	35%
Net Interest Margin	178 bps	157 bps	13%
Financial metrics	FY2021	FY2020	
Reported EPS	18.9 cents	17.1 cents	11%
Number of shares (diluted)	271,713	222,825	22%
Dividends % of underlying profit excluding share of profit of associates	80%	80%	-
Reported ROE ¹	27%	27%	-
Reported P/E ratio ²	13.5 x	12.0 x	13%
Underlying P/E ratio ²	14.0 x	12.6 x	12%

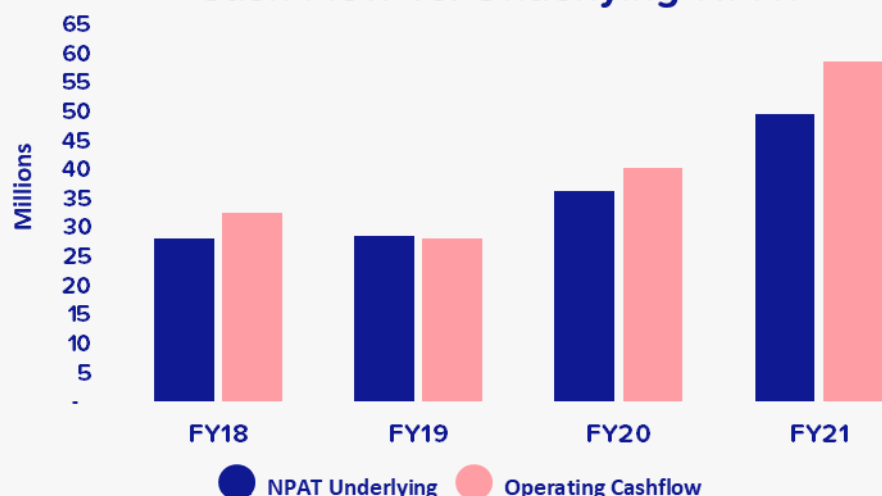
¹ Includes additional shares issued in 2020

² Based on share price at 30/7/2021 and 31/7/2020

- Revenue up 11% in FY21 on the back of settlement and loan book growth across the business
- Net interest is 35% higher in FY21
- 17% growth in the AFG Securities loan book
- Underlying profit up 37% in FY21
- Operating cash flow up 45% to \$58.6 million
- Total dividend maintained at 80% of underlying profit excluding share of profit of associates. This represents an increase of 32% on FY20

Financial Strength

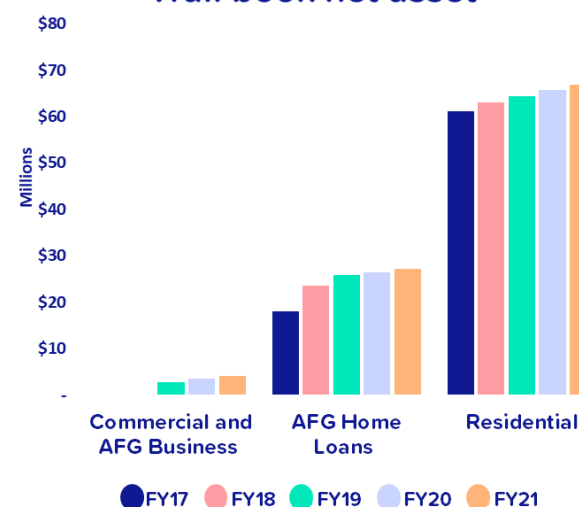
Cash Flow vs. Underlying NPAT



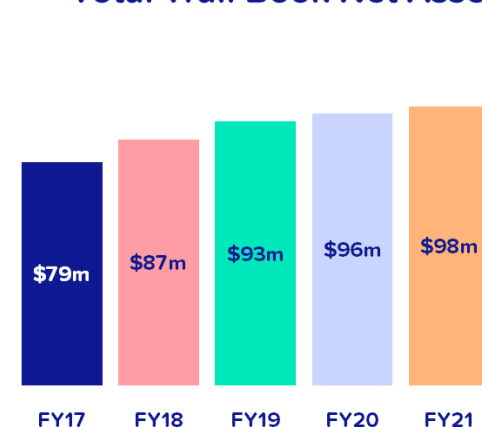
	Jun 2021 \$000's	Jun 2020 \$000's
Unrestricted cash	106,930	108,147
Trail book	97,957	95,503
Investments (Thinktank and MAB)	25,999	17,034
Other asset (Volt)	15,000	-
Subordinated notes	36,236	37,140
Unrestricted cash, net trail book and investments	282,122	257,824

- Well positioned to continue to grow through our earnings diversification strategy. **Cash and other financial assets of \$282 million provide core balance sheet strength**
- Net securitisation interest plus net cash flow from aggregation and white label trail books of \$82.9 million up 20%
- Strong cash flow generation supported by established trail books providing annuity style cash flows

Trail book net asset



Total Trail Book Net Asset



Strategic and Market Outlook

Market Outlook

Market continues to grow at record levels

- Residential settlement volumes were at record levels in FY21
- Initial increase in First Home Buyer volume is being replaced with Investors returning to the market and supported by ongoing Refinance and Upgrader activity. Volumes remain elevated
- The RMBS funding market is buoyant with cost of funds competitive and BBSW remaining inverted to the cash rate
- Opportunities for nimble and fast moving non-bank lenders continue to present in this market
- The commercial finance market has recovered in the second half

Well positioned to continue to deliver growth

- Continuing to diversify through investment into growth opportunities including higher margin AFG Securities products, our new broker platform, Thinktank manufacturing and investment
- Strong cash flow generation from annuity style trail and loan books together with debt free balance sheet will allow AFG to move quickly and take advantage of organic and inorganic opportunities
- Our Investment and strategic alliance with Volt Bank will begin to reap benefits in FY22 via the introduction of a new white label product together with integration of key parts of their technology into our AFG Securities programme

Strategic Outlook

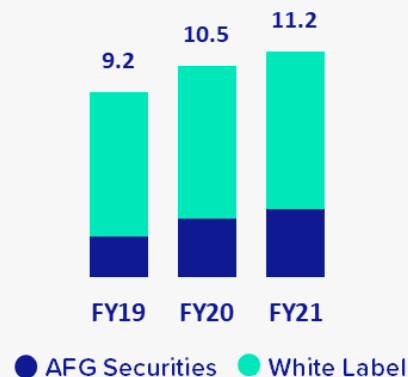
Brokers remain important

- Brokers market share of the mortgage industry continues to increase. The pandemic has played an accelerator role. Customers are continuing to choose broker as they provide choice and competition
- Ongoing restrictions and lockdowns together with varying lender turnaround times increases the value of brokers to borrowers
- Competition among aggregators for brokers is high
- Lenders, including neo and digital banks continue to look to brokers to distribute their products and grow volumes
- NIM has benefited from lower cost of funds, this is expected to continue in the short term

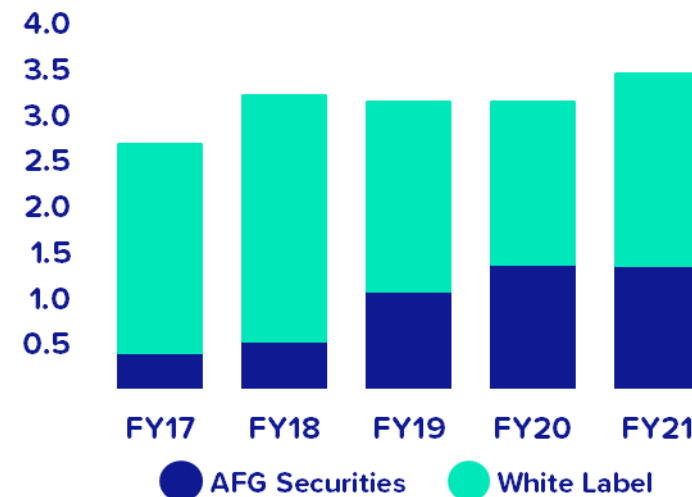
AFG Home Loans

- Settlements increased 10% to a record of \$3.45 billion.
- Loan book grew 7% to \$11.2 billion
- During H1 FY21, mix changed to white label funders as AFG Securities reduced credit appetite due to changes in market conditions
- Following stabilization in the funding market, AFG Securities volumes have returned
- The investment and strategic alliance with Volt will introduce a white label digital mortgage to the AFG Home Loans stable of products

AFGHL Portfolio (\$B)



AFGHL Settlements (\$B)



Funded directly by AFG

AFG
HOME LOANS
RETRO

AFG
HOME LOANS
LINK

AFG
HOME LOANS
EDGE™

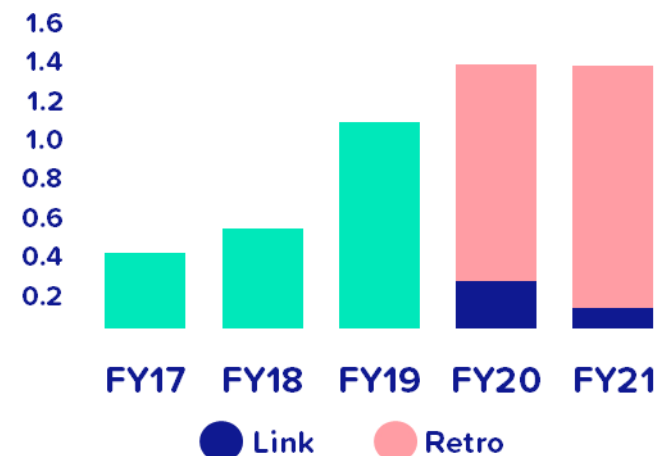
AFG
HOME LOANS
ALPHA

AFG
HOME LOANS
OPTIONS

AFG Securities

- Settlements of \$1.35 billion, in line with FY20. Volumes in H2 FY21 up 35% on H2 FY20
- Loan book grew 17% to \$3.39 billion compared to June 2020 and 15% higher than December 2020
- Higher margin near-prime products refreshed and an SMSF product launching in Q1 FY22 to broaden the product range
- AFG Securities provides a valued lending proposition to brokers and customers. Consistently in the top 5 lenders in terms of turnaround times whilst growing the loan book
- Increasing loan book as well as higher NIM delivers a significant contribution to AFG's record financial performance

Settlements (\$B)

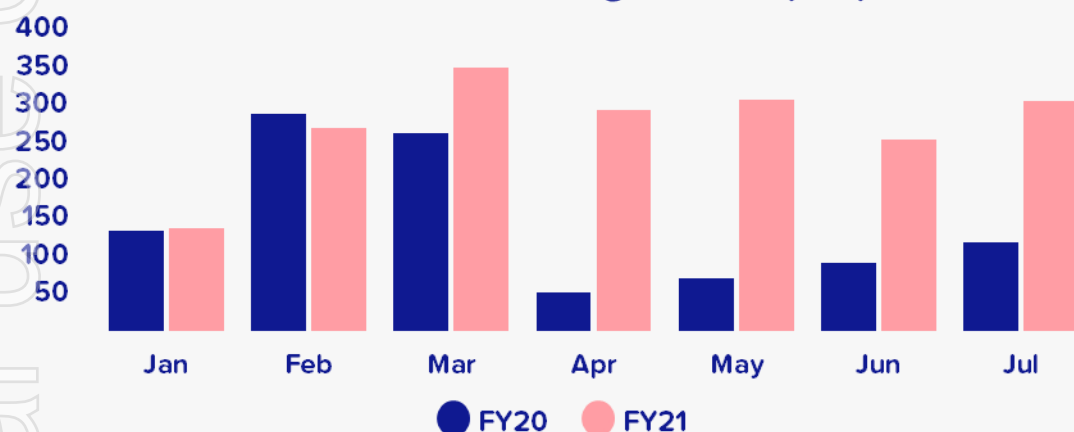


Loan Book (\$B)



AFG Securities

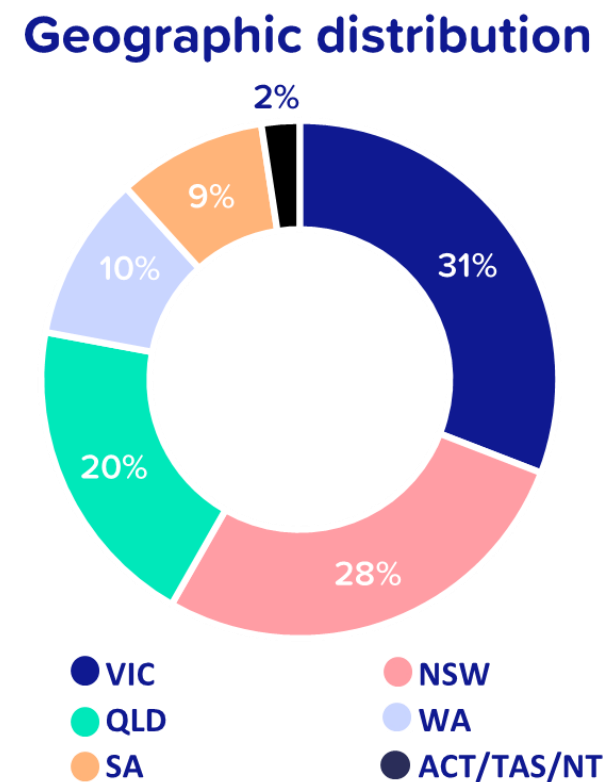
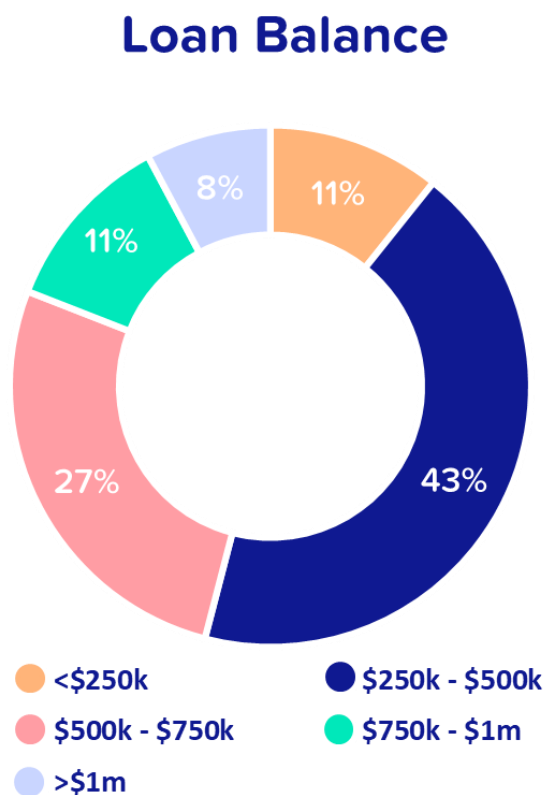
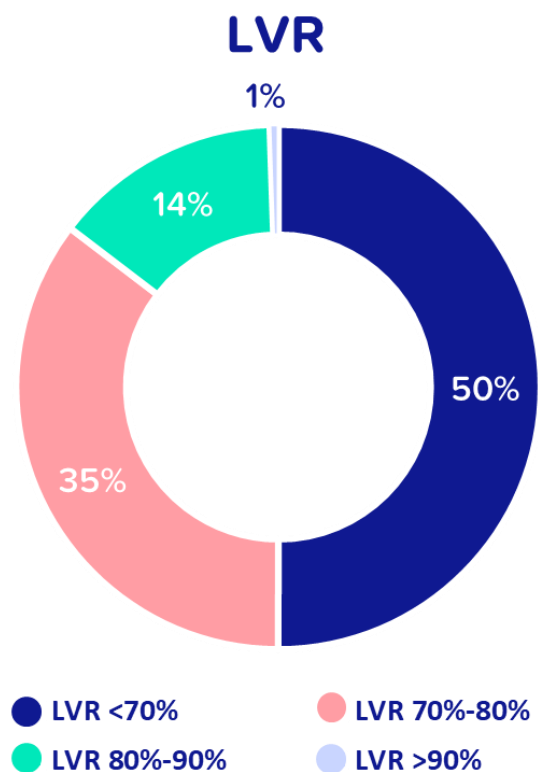
AFG Securities Lodgements (\$M)



- FY21 net interest margin includes the impact of ongoing inverted BBSW resulting in lower cost of funds compared to FY20
- AFG Securities lodgement volumes decreased in April 2020 following considered reduction in credit appetite with uncertain market conditions
- H2 FY21 lodgement volumes are 80% higher than H2 FY20 and supports a strong settlement pipeline into FY22
- Warehouse capacity as well as ongoing demand for further RMBS transactions remains strong
- Current cost of funds outlook expected to continue for at least the next six months

AFG Securities

Growth has been achieved without sacrificing credit quality

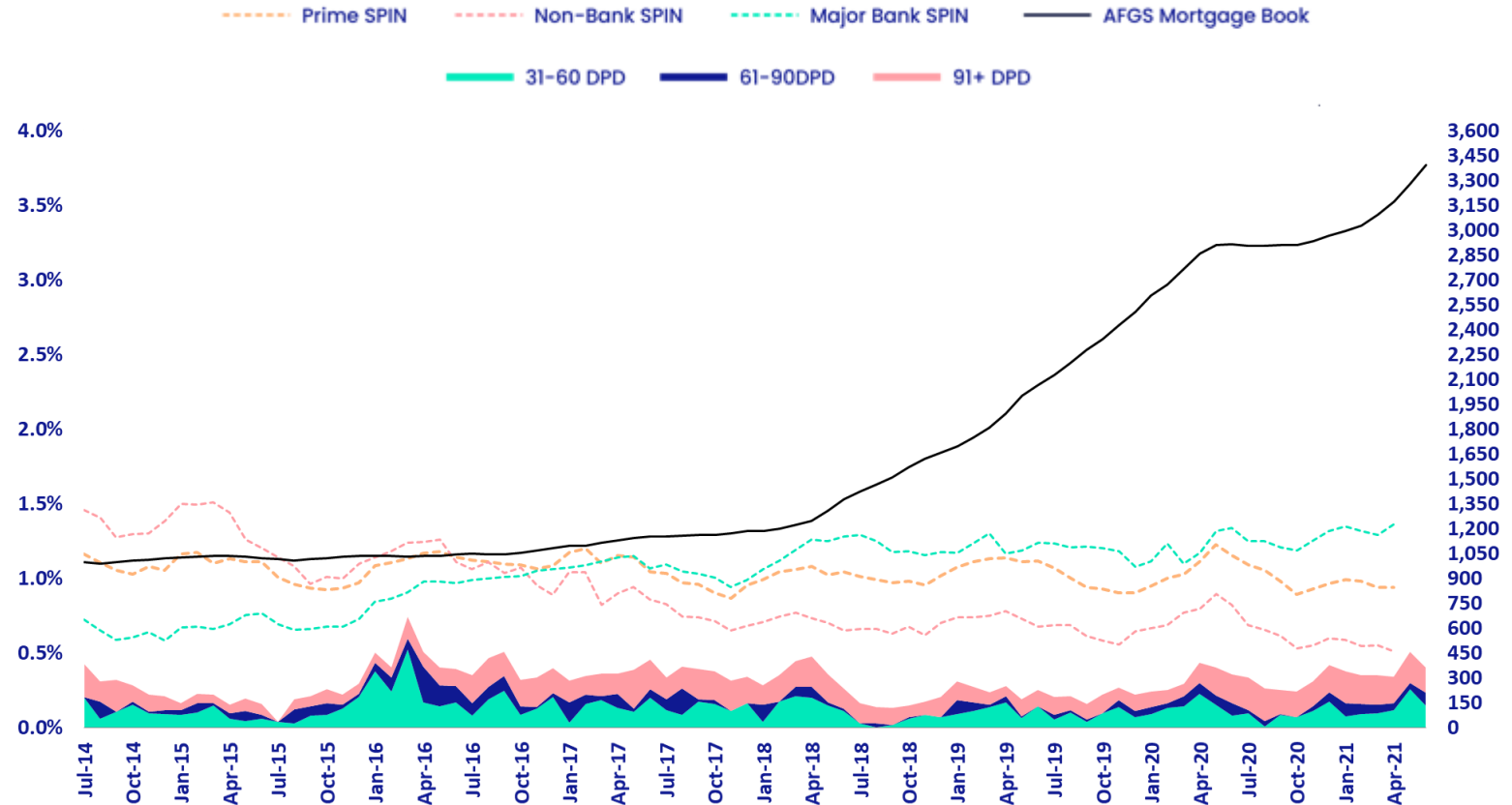


OPERATIONAL

AFG Securities

Arrears performance remains excellent

- At 30 June 2021 there were only 27 loans in arrears greater than 30 days out of 8,829 loans in the book. Strong position demonstrates the quality of the book and underlying credit assessment
- No losses incurred on non-LMI insured loans
- Loans in hardship on the back of the rise of the COVID-19 Delta variant sits at 0.93% (or 61 loans) at 10 August 2021



Thinktank



White label - AFG Commercial powered by Thinktank

- Settlements decreased 19% to \$130 million in FY21 with commercial market credit appetite impacted by the pandemic
- The overall commercial market in H2 FY21 is improving and as such beginning to flow through to AFG Commercial volumes

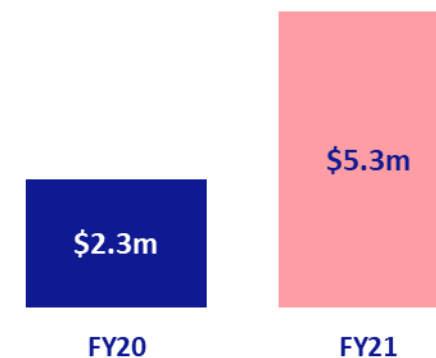
Equity investment in Thinktank (32%)

- Profit contribution from the investment up 130% to \$5.3 million in FY21
- Growth in loan book, as well as favourable BBSW in the half supporting the strong performance

Settlements



Equity Investment Contribution to Earnings



- CRM is a key pillar of AFG's wider technology tool kit for brokers built on an enterprise grade technology platform that will enhance AFG's broker and customer proposition
- The migration of each broker to the CRM platform will be managed by AFG support staff, including the historical data transfer and seamless linkage with other key systems
- A significant number of our brokers have been with AFG for many years so it is a significant task but we are both excited and committed in every sense to a smooth transition and a great outcome
- Ongoing enhancement of our analytics platform to drive insights for brokers and our own lending decisions
- Our brokers will also benefit from an investment by AFG Securities in a new loan processing platform enabling a quicker time to 'yes' and will also drive efficiencies within the business
- Strategic alliance with Volt will provide access to a digital banking platform and an AFG branded Personal Finance Manager app as well as opportunities to enhance confidence in credit decisions at time of lodgement



AFG Business

AFG BUSINESS

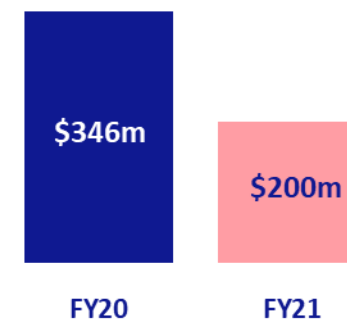
- Settlements across the platform down 42% to \$200 million in FY21
- Overall commercial market impacted during the pandemic, H2 FY21 has shown growth beginning to resume with settlements 17% higher than H1 FY21
- AFG Business targets brokers who are predominately residential mortgage brokers. With the continued growth in the residential market these brokers currently have less scope to broaden their offering



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**lenders on the panel.
Mortgages, short term,
trade receivable and
asset finance products**

Settlements



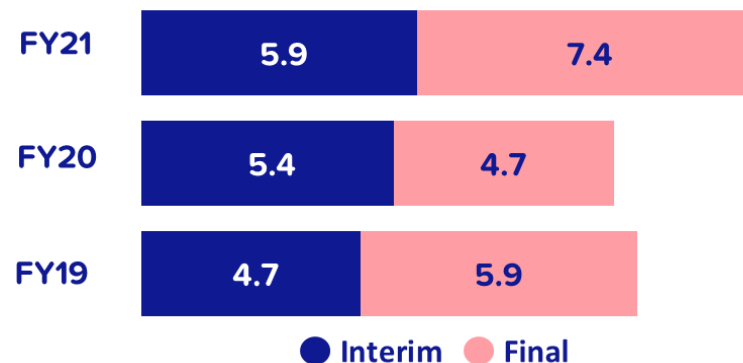
Summary Cash Flow

	FY2021 \$000's	FY2020 \$000's
Cash flows from Operating activities		
Cash receipts from customers	597,068	521,491
Cash paid to suppliers and employees	(558,825)	(499,226)
Interest received	90,242	85,666
Interest paid	(46,520)	(53,317)
Income taxes paid	(23,363)	(14,298)
Net cash from operating activities	58,602	40,316
Investment in MAB	(3,700)	-
Investment in Volt	(15,000)	-
Investment in intangible assets	(6,522)	(2,645)
Other cash flows from investing activities	(480,724)	(845,282)
Proceeds from issue of ordinary shares	(40)	58,614
Other cash flows from financing activities	511,904	813,707
Net increase in cash and cash equivalents	64,520	64,710
Cash and cash equivalents at the beginning of period	161,528	96,818
Cash and cash equivalents at the end of the period	226,048	161,528
Cash reconciliation	Jun-21	Jun-20
Un-restricted net cash	106,930	108,147
Restricted cash (Securities)	119,118	53,381
Total cash	226,048	161,528

A capital light business model with strong cash flow generation
Well positioned for organic or inorganic strategic opportunities

- Net cash flows from operating activities are up 45% on FY20 including annuity style cash flows from trail books and positively impacted by timing of working capital
- Cash flow from net interest on the AFG Securities book up 36% to \$53.6 million. This includes book growth and lower cost of funds in the market, and an inverted BBSW
- FY21 includes investment in technology, Mortgage Advice Bureau and Volt Bank
- FY21 investment in intangibles, primarily CRM
- FY20 includes share capital raise

Ordinary Dividends (cents per share)



Summary Balance Sheet

		Jun 2021 \$000's	Jun 2020 \$000's
Assets	Note		
Unrestricted Cash		106,930	108,147
Restricted Cash		119,118	53,381
Receivables		5,645	5,446
Other Assets	1	15,000	-
Contract Assets	2	1,050,613	974,599
Loans and advances	3	3,403,102	2,920,773
Right of use Asset		4,979	6,323
Investment in associates	4	25,999	17,034
Property, plant and equipment		693	506
Intangible assets	5	9,506	3,318
Total assets		4,741,585	4,089,527
Liabilities			
Trade and Other payables	6	1,048,216	962,399
Interest bearing liabilities	3	3,457,712	2,914,562
Employee benefits		6,283	5,194
Lease liability		5,362	6,559
Provisions		3,327	2,787
Deferred tax liability		17,704	19,813
Total liabilities		4,538,604	3,911,314
Net assets		202,981	178,213
Equity			
Share capital		102,125	102,157
Reserves		4,543	2,590
Retained earnings		96,313	73,466
Total equity		202,981	178,213

AFG maintains a well capitalised, debt-free balance sheet with unrestricted cash, trail book assets, financial assets and sub-ordinated capital totaling \$282 million

Notes:

1. Investment in Volt Bank at 30 June 2021
2. Trail book accounting including Residential, AFG Home Loans and Commercial trail books. Total net asset is now \$98 million
3. AFG Securities programme including \$36.2 million of subordinated notes
4. Investment in Thinktank and Mortgage Advice Bureau
5. Investment in technology
6. Includes trail book accounting liability and general trade creditors and accruals

Impact of Trail Book Accounting

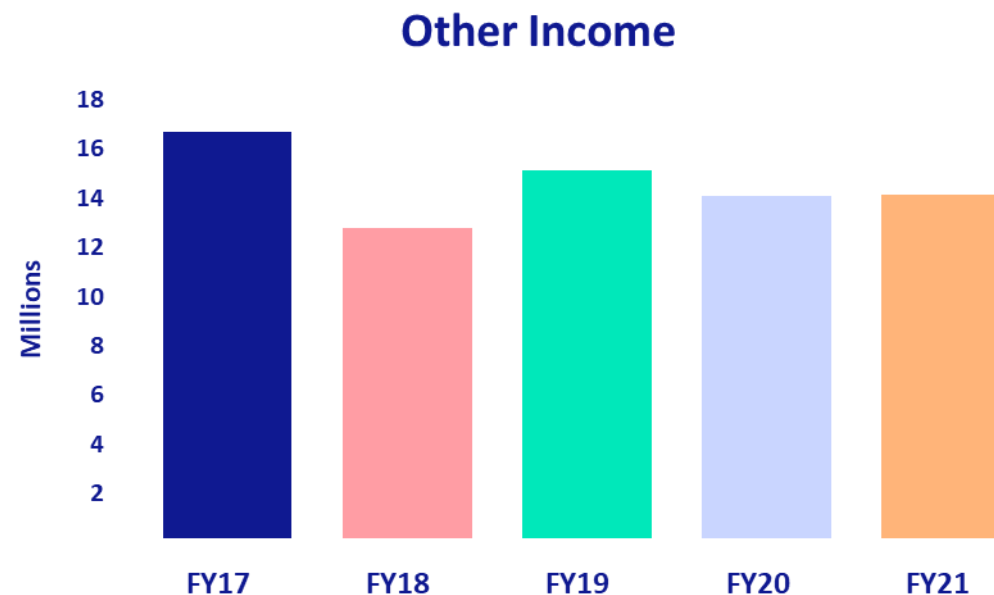
	FY2021 \$000's		FY2020 \$000's	
Statutory	Operating Income	Profit After Tax	Operating Income	Profit After Tax
Underlying results from continuing operations	671,029	49,586	600,137	36,266
Change in the carrying value of trailing commissions contract asset and payable	76,014	1,718	74,872	1,812
Total results from operating activities	747,043	51,304	675,009	38,078
Key assumptions	Jun 2021 \$000's		Jun 2020 \$000's	
Average loan life	Between 3.1 and 5.0 years		Between 3.2 and 5.1 years	
Discount rate per annum ¹	Between 4% and 13.5%		Between 4% and 13.5%	
Percentage paid to members ²	Between 85% and 94.3%		Between 85% and 94%	

Underlying profit 37% above FY20 excluding change in value of future trailing commissions

1. Discount rates once set are not adjusted during the life of the loan. The spread in discount rate captures loans settled in previous financial years as well as the current financial year
2. The percentage paid to brokers is fixed by the terms of their respective agreement with the Group. As a consequence, management does not expect changes to the percentage paid to brokers to be reasonably possible

Other Income

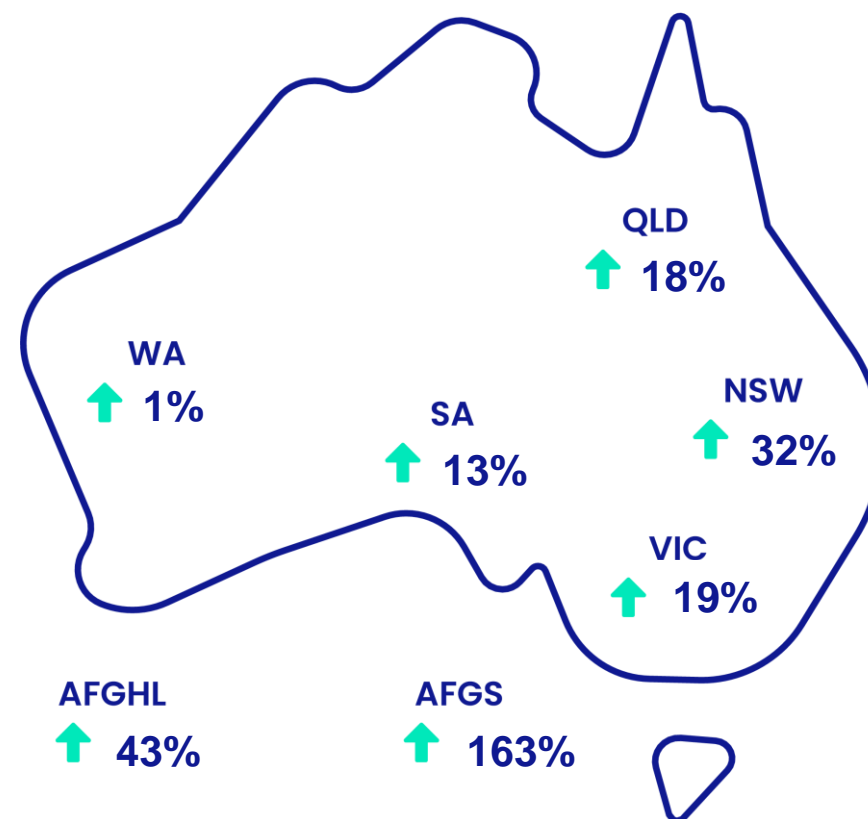
- Service fees are 13% higher in FY21 from growth in broker numbers as well as take-up of additional services. Service fees include compliance, PI and marketing services
- Sponsorship and conferencing activity was lower in FY21 as large scale conferences were unable to be held during the year
- FY17 included Volume Bonus Income of \$3 million which have since been removed from the industry



July 2021 Trading

- Residential lodgements up 21% to \$7.6 billion with record settlements in the month
- AFG Home Loans lodgements up 43%
- AFG Securities lodgements were 163% higher than July 2020 while settlements were 226% above July 2020
- Positive growth in Residential volumes in all states despite lockdowns across multiple states

Comparison of July Lodgements



July 2021 change on July 2020

In Conclusion



Record financial performance in FY21 with 35% growth in NPAT and 45% growth in operating cash flows. The success of AFG's ongoing earnings diversity strategy and cash flow generating ability is clear



The residential mortgage market has continued to grow in FY21. Early signs indicate this will continue into FY22 despite further lockdowns



Brokers are growing their share of the mortgage industry as customers enjoy the benefits of competition and choice that the channel provides. We expect brokers to continue to gain market share



AFG is rolling out new market leading technology platforms to enable brokers to efficiently service customers needs. We remain committed to further technology investment to support brokers and customers



AFG Securities is continuing its loan book growth with significant increase in the current pipeline and improvements to higher margin products proving effective. Funding markets remain conducive to growth



We are positive about the outlook of the mortgage market. We are well capitalised, have a strong balance sheet with a capital light business model and evidenced strong cash flow generation capability

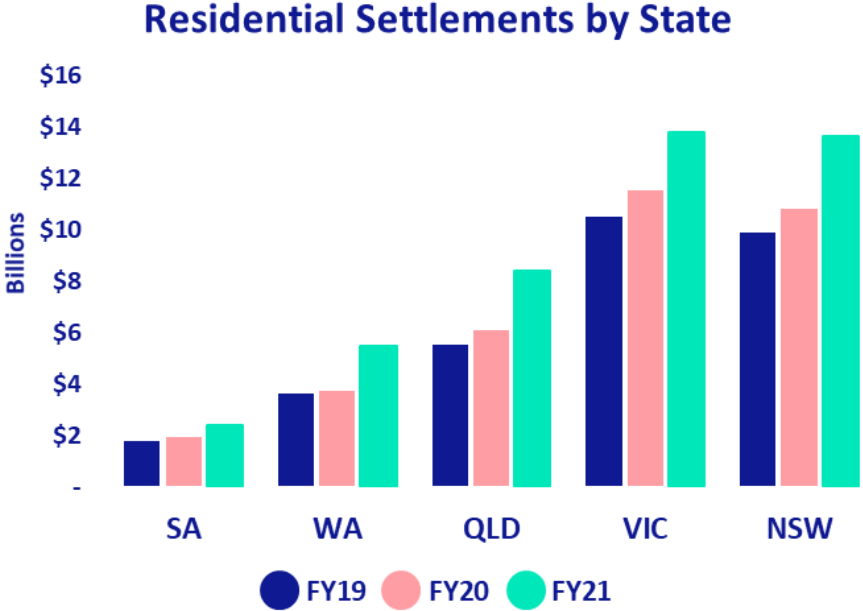
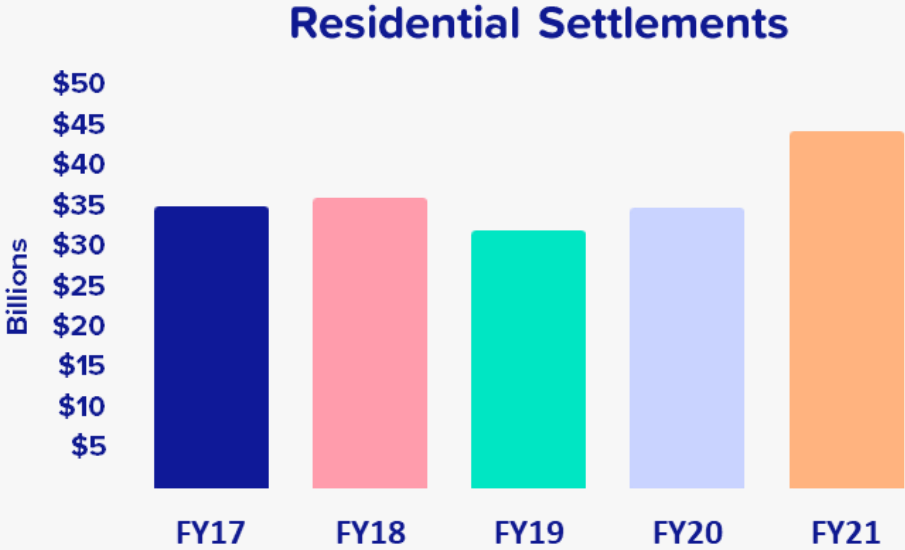
FULL YEAR RESULTS

Q&A
Thank you

FULL YEAR RESULTS

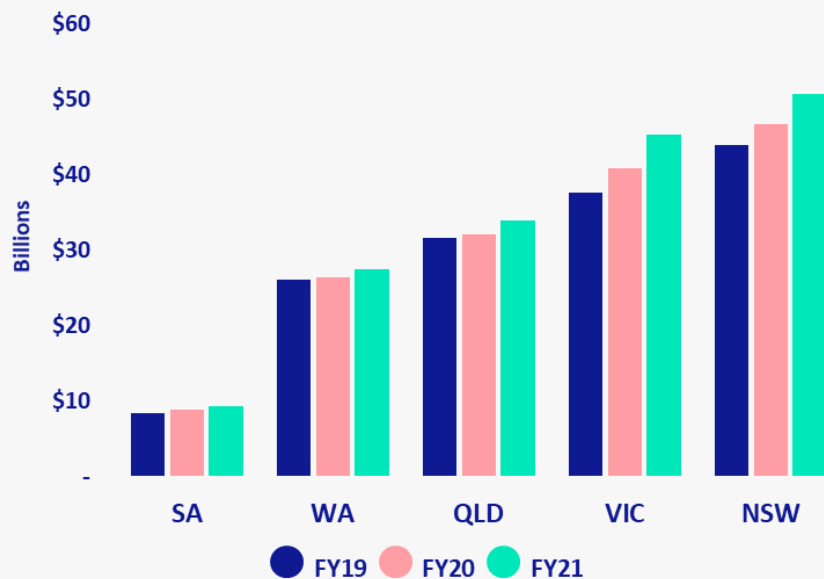
Appendices

Residential Settlements

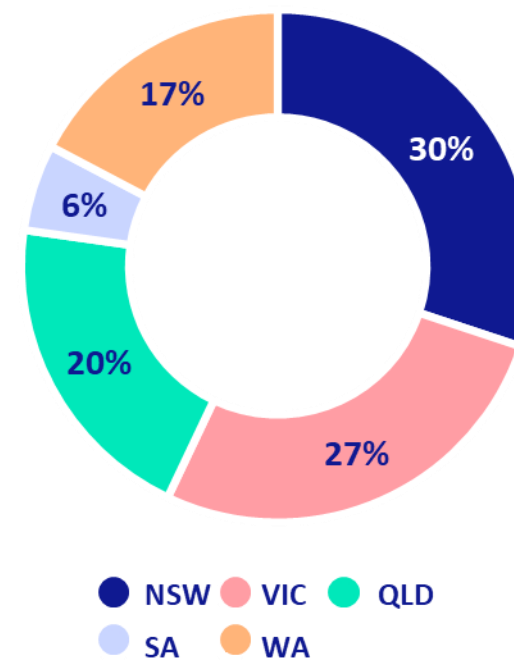


Residential Portfolio – June 2021

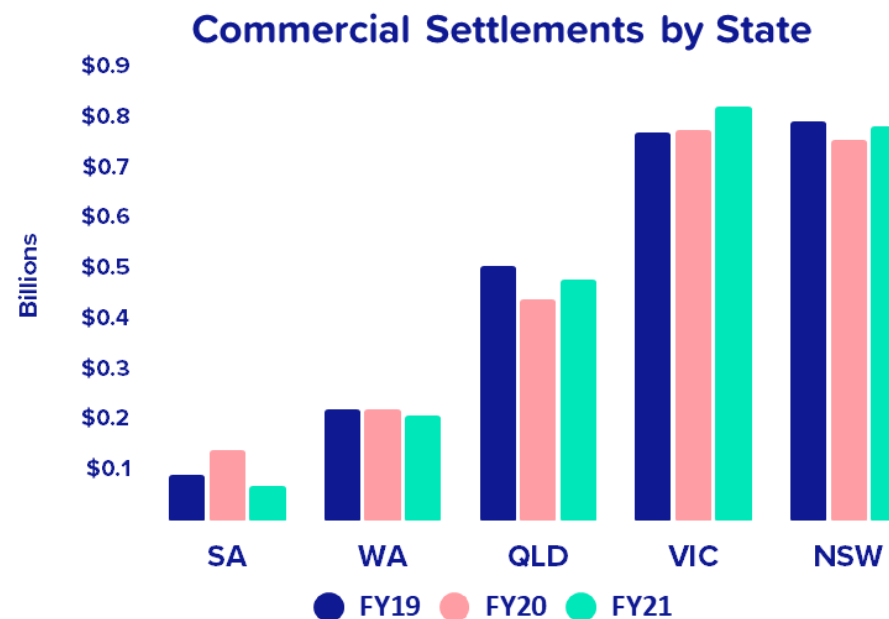
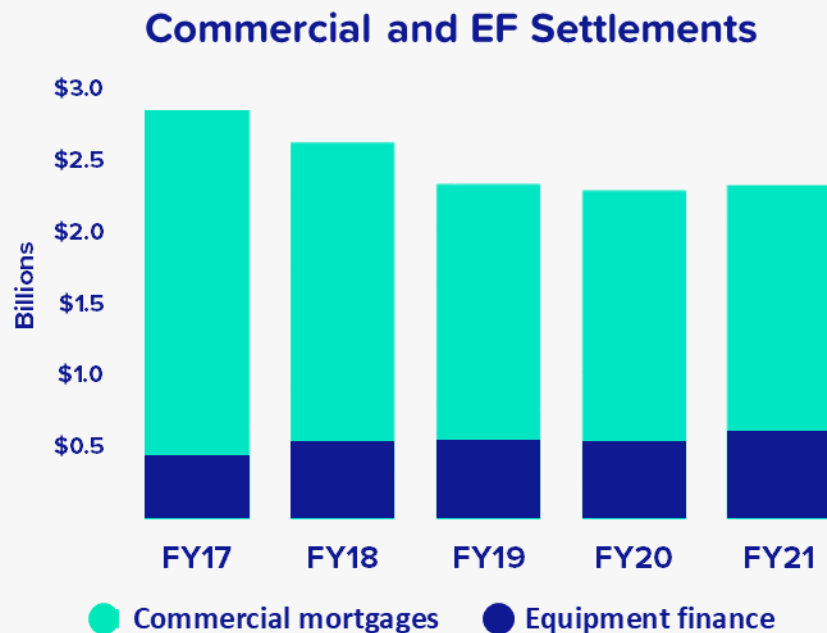
Residential Portfolio by State



Residential Loan Book Location

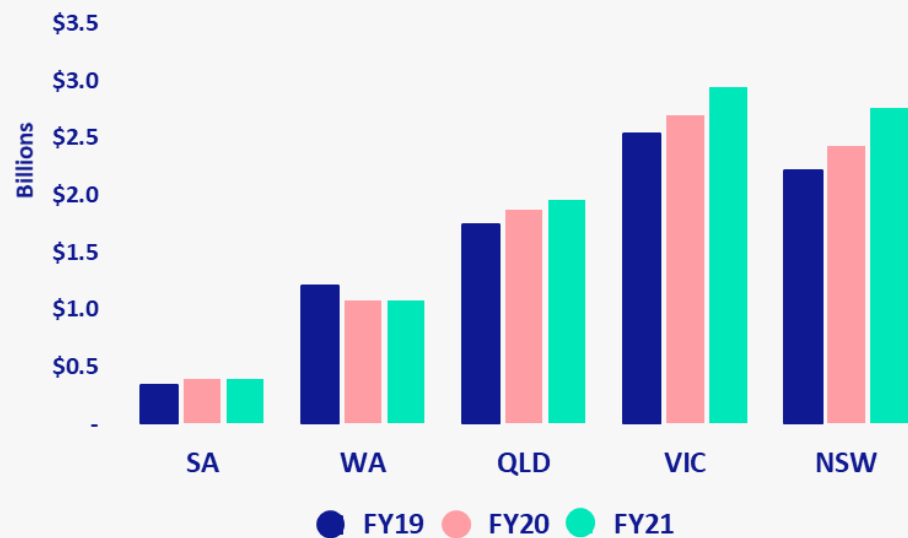


Commercial and Asset Finance Aggregation Settlements

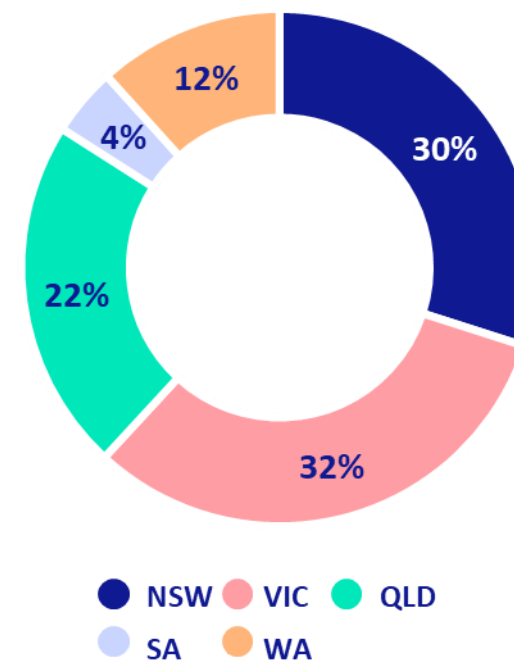


Commercial Portfolio – June 2021

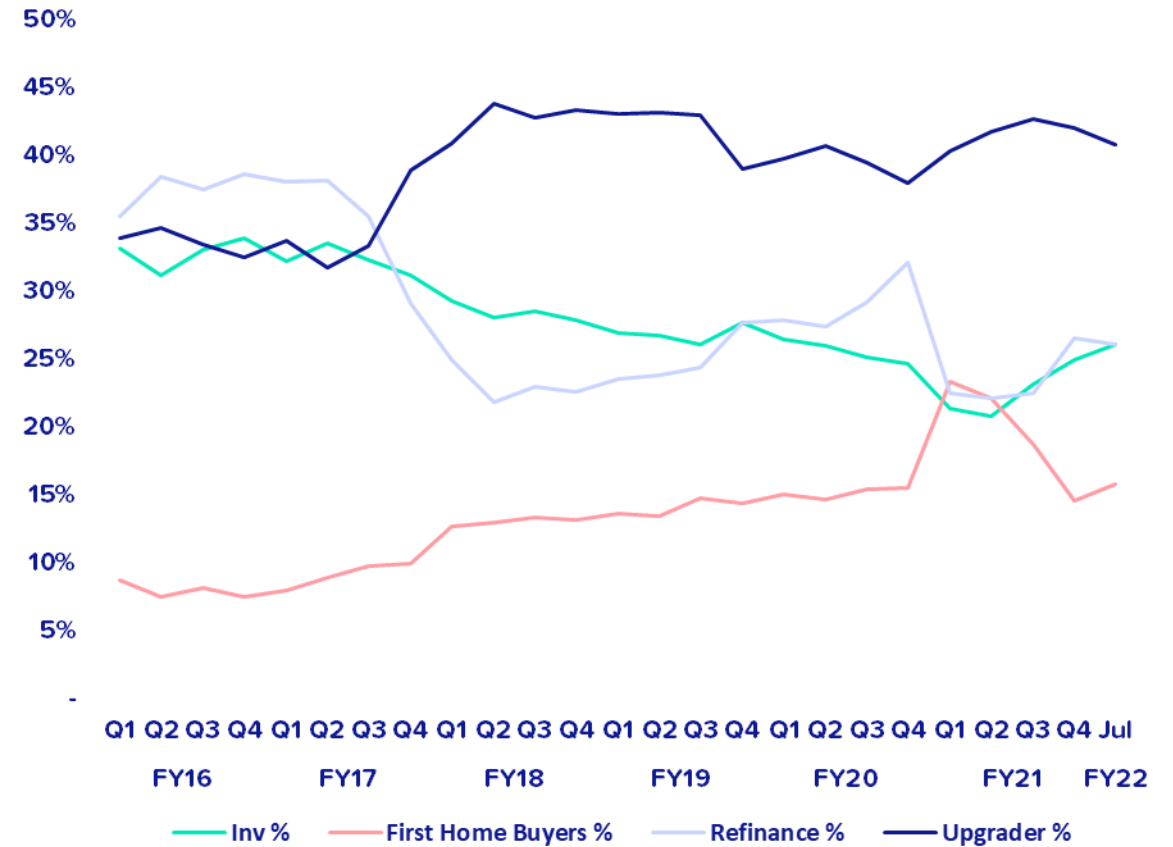
Commercial Portfolio by State



Commercial Loan Book Location

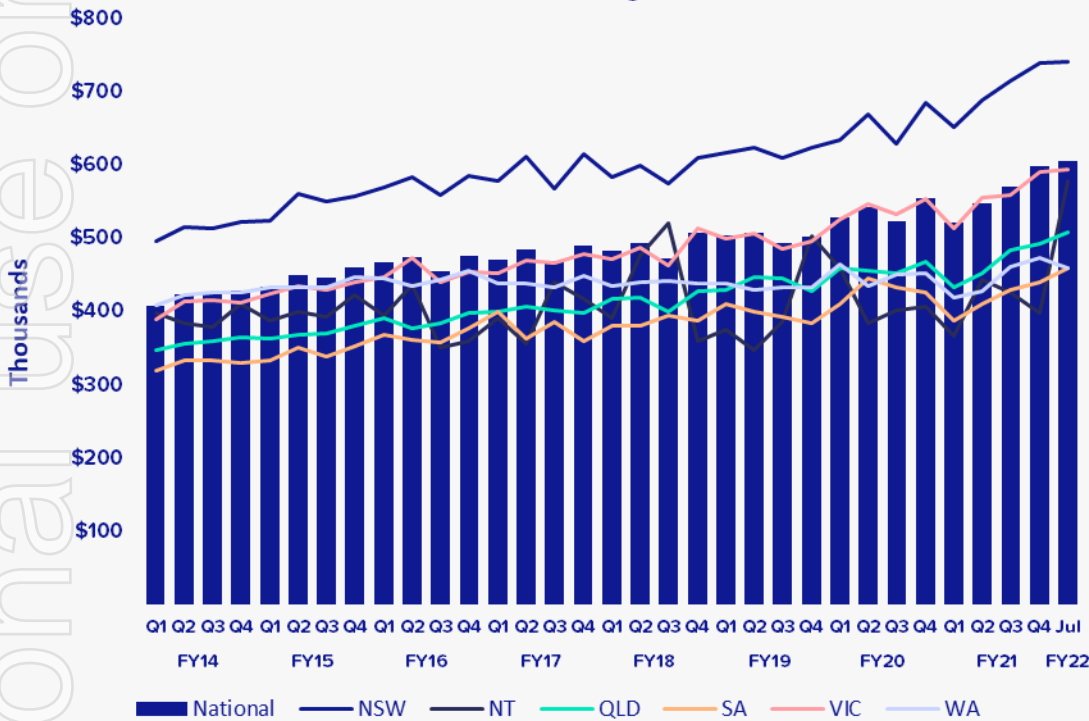


Types of Lodgements

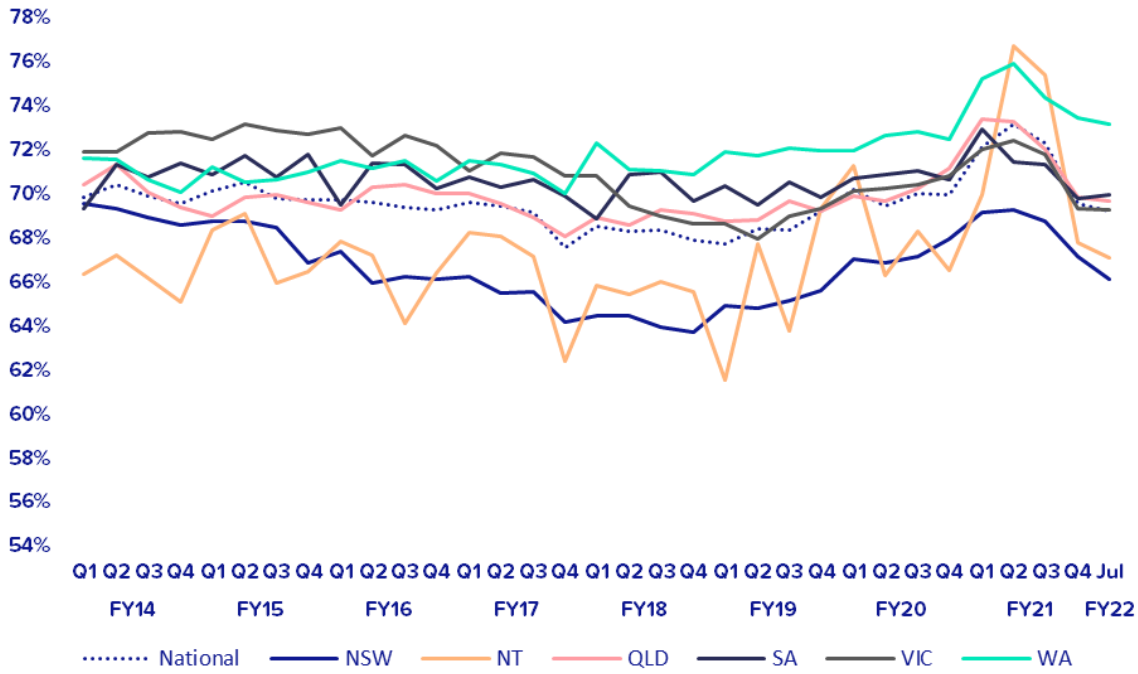


Lending Activity

National Average Loan Size

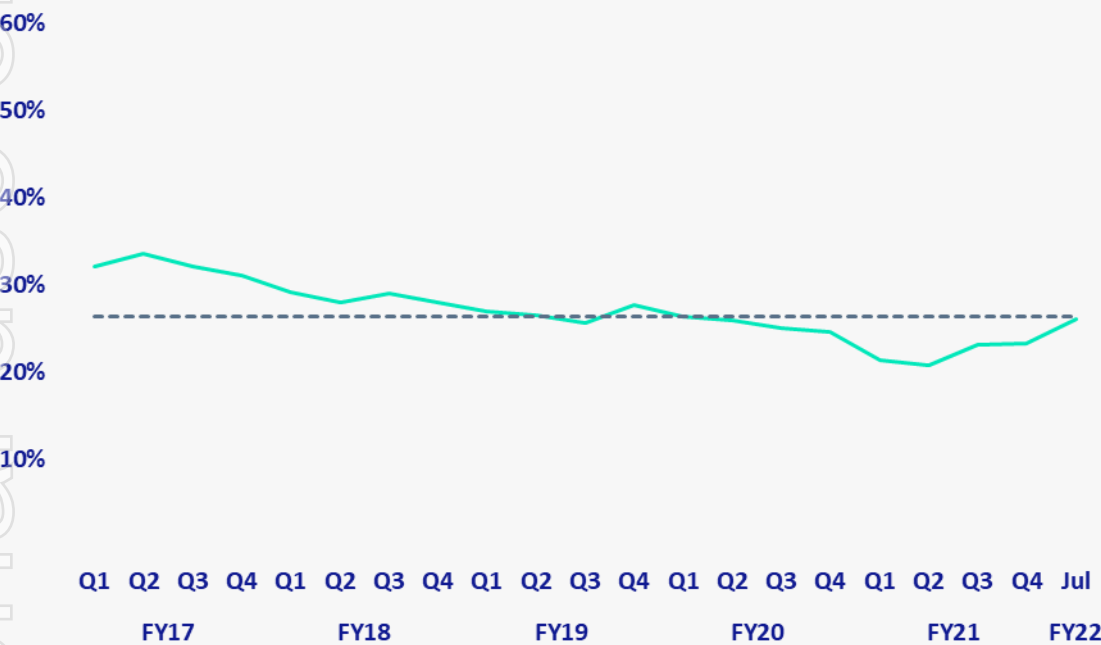


National Loan to Value Ratio

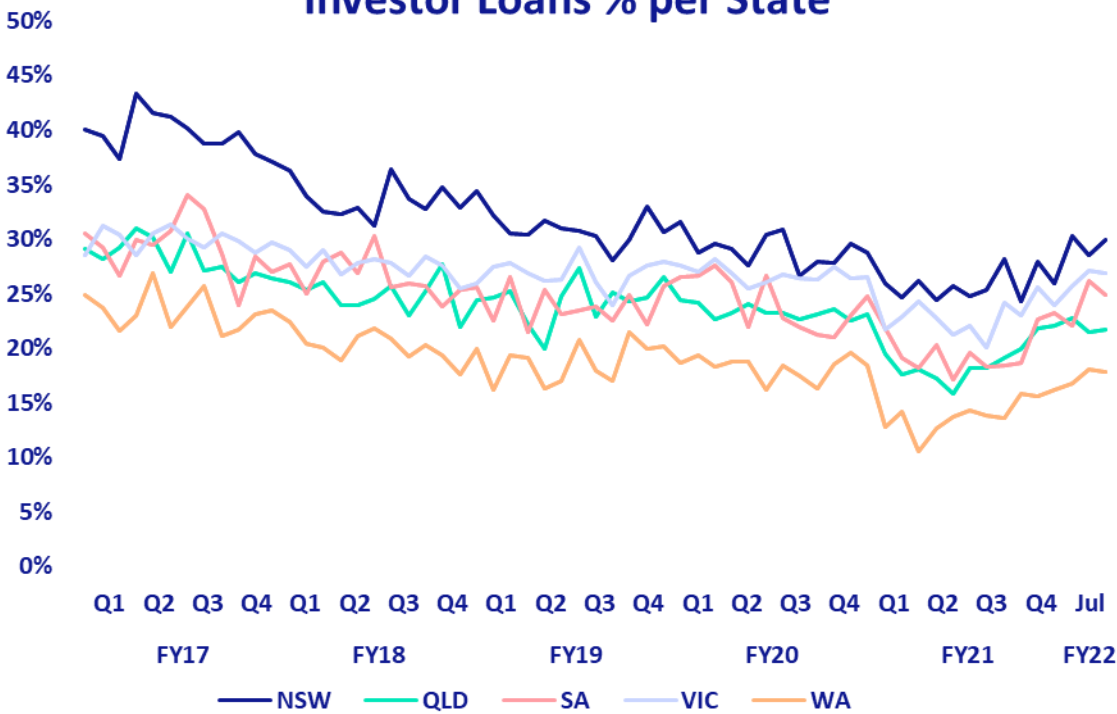


Investor Loans

Investor Loans %

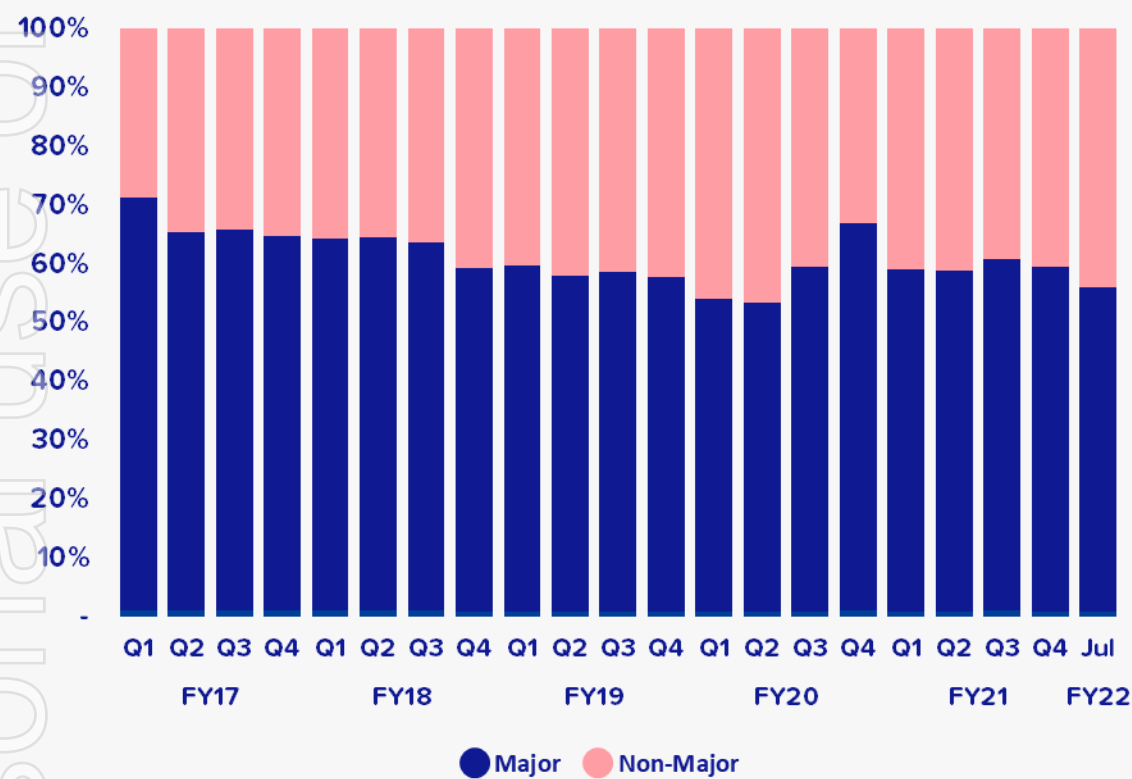


Investor Loans % per State

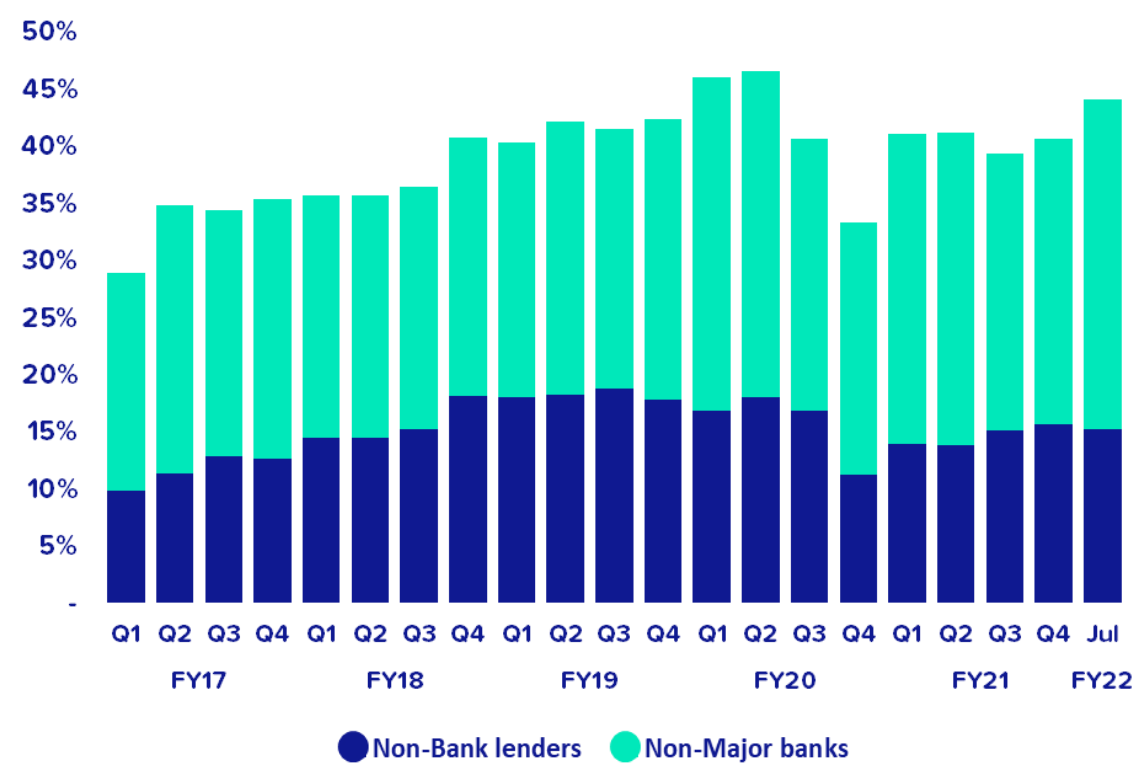


Lending Activity

Major vs Non-Major

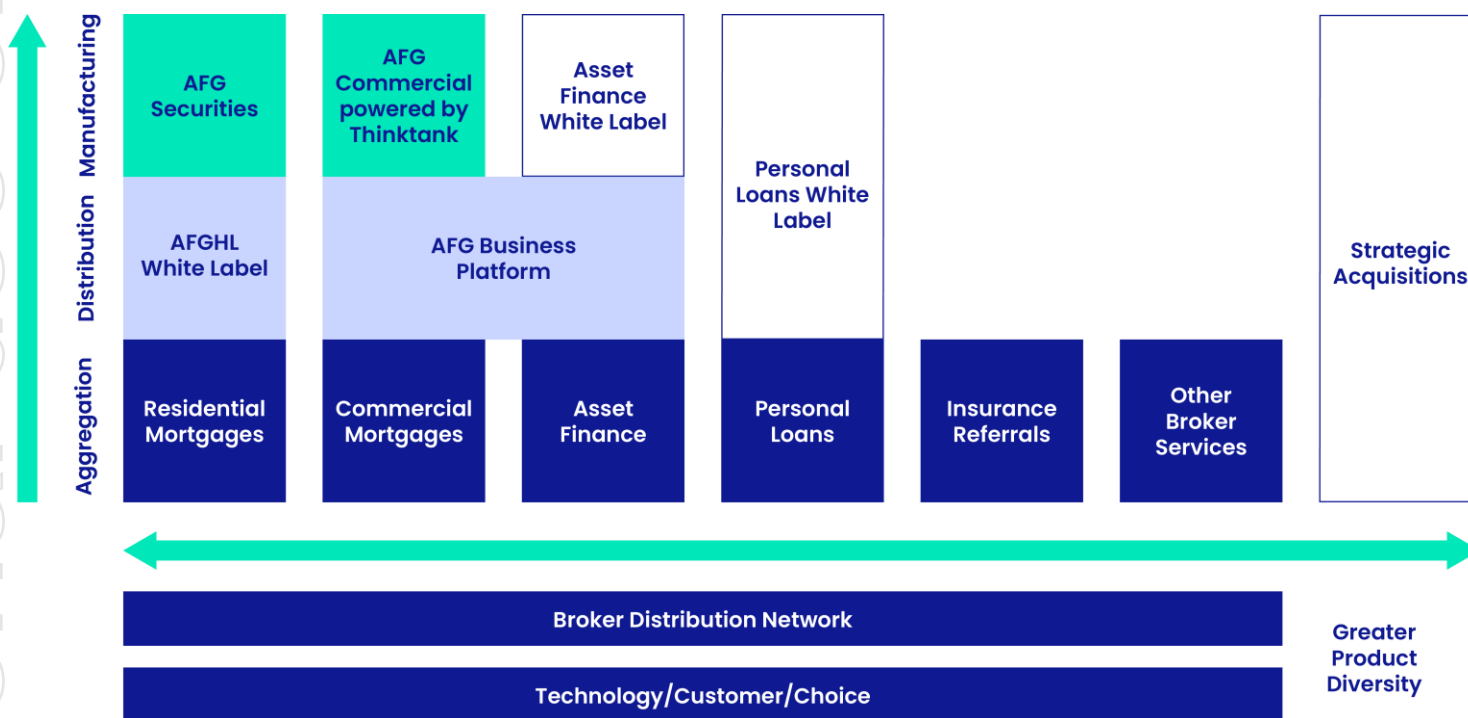


Non-Major market share



AFG's earnings diversification strategy delivering strong financial results

Majority of profit now generated from diversified products
Strong flexible platform for continued growth



Strengths of the business model

- Strong distribution network of 3,050+ brokers across Australia offering more than 5,500 products to customers
- Product diversity to allow flexibility and adaptability to varying market conditions
- Implementation of earnings diversification strategy reaches into Distribution and Manufacturing margins through AFG Home Loans, AFG Securities, AFG Business and investment in Thinktank
- Ongoing investment in technology to support brokers and customers with market leading offering
- Continued focus on further strategic organic or inorganic opportunities
- Well capitalized with strong balance sheet, capital light business model with no debt and strong cash flow generation

Summary P&L

	FY2021 \$000's	FY2020 \$000's
Commissions	585,758	530,654
Interest on trail commission income receivable	67,491	55,785
Mortgage management services	254	268
Customer transaction fees	3,298	2,635
Securitisation interest income	90,242	85,667
Total Revenue	747,043	675,009
Securitisation interest expense	(46,520)	(53,317)
Commission and other cost of sales	(598,108)	(531,107)
Gross Profit	102,415	90,585
Other income	14,423	14,488
Administration expenses	(7,383)	(5,770)
Other expenses	(42,110)	(43,750)
Depreciation and amortisation	(2,065)	(2,486)
Impairment loss on loans and advances	-	(2,612)
Result from operating activities	65,280	50,455
Net finance income	566	777
Share of profit of an associate	4,919	2,314
Profit before tax	70,765	53,546
Income tax expense	(19,461)	(15,468)
Net Profit after tax related to FY	51,304	38,078

Consolidated Income Statement

	FY2021 \$000's	FY2020 \$000's
Continuing Operations		
Commission and other income	656,801	589,342
Securitisation interest income	90,242	85,667
Operating income	747,043	675,009
Commission and other cost of sales	(598,108)	(531,107)
Securitisation interest expense	(46,520)	(53,317)
Gross profit	102,415	90,585
Other income	14,423	14,488
Administration expenses	(7,383)	(5,770)
Impairment loss on loans and advances	-	(2,612)
Other expenses	(44,175)	(46,236)
Results from operating activities	65,280	50,455
Finance income	753	940
Finance expenses	(187)	(163)
Share of profit from associate	4,919	2,314
Net finance and investing income	5,485	3,091
Profit before tax from continuing operations	70,765	53,546
Income tax expense	(19,461)	(15,468)
Profit for the period	51,304	38,078

	FY2021 \$000's	FY2020 \$000's
Profit attributable to:		
Owners of the Company	51,304	38,078
Other comprehensive profit for the year, net of income tax	(15)	-
Total comprehensive income for the period	51,289	38,078
Earnings per share		
Basic earnings per share (cents per share)	19.12	17.30
Diluted earnings per share (cents per share)	18.88	17.09

Cash Flows

Cash reconciliation	Jun-21	Jun-20
Un-restricted net cash	106,930	108,147
Restricted cash (Securities)	119,118	53,381
Total cash	226,048	161,528

	FY2021 \$000's	FY2020 \$000's
Cash flows from operating activities		
Cash receipts from customers	597,068	521,491
Cash paid to suppliers and employees	(558,825)	(499,226)
Interest received	90,242	85,666
Interest paid	(46,520)	(53,317)
Income taxes paid	(23,363)	(14,298)
Net cash from operating activities	58,602	40,316
Cash flows from investing activities		
Interest received	753	940
Purchase of property, plant and equipment	(455)	(330)
Purchase of intangible assets	(6,522)	(2,645)
Investment in Thinktank	(215)	(379)
Investment in MAB	(3,700)	-
Investment in Volt	(15,000)	-
Decrease in other loans and advances	581	1,977
Loans and advances	(481,388)	(847,490)
Cash flows from investing activities	(505,946)	(847,927)
Cash flows from financing activities		
Proceeds from/(Repayments to) warehouse facility	(729,500)	653,056
Proceeds from securitised funding facilities	1,271,595	186,803
Lease rental payment	(1,742)	(1,793)
Dividends Paid	(28,449)	(24,359)
Proceeds from issue of ordinary shares	(40)	58,614
Net cash from/(used in) financing activities	511,864	872,321
Net increase in cash and cash equivalents	64,520	64,710
Cash and cash equivalents at the beginning of the period	161,528	96,818
Cash and cash equivalents at the end of the period	226,048	161,528

Impact of Securitisation on SPVs on Balance Sheet

The proforma balance sheet shows the Group's balance sheet with the 'non-recourse' special purpose vehicles (SPVs) relating to the securitisation business and the balance sheet of the Group separately

Points to note:

1. The AFG business is debt free outside the non-recourse securitisation book within the special purpose vehicles
2. AFG's total subordinated notes subscribed of \$36.2 million reflects the total cash exposure to the securitisation business at 30 June 2021 (\$37.1 million at 30 June 2020). This includes growth in the loan book

	AFG SPV's	AFG ex SPV's	Re-classification	AFG Limited
Assets				
Cash	116,035	110,013	-	226,048
Receivables	-	5,645	-	5,645
Other asset	-	15,000	-	15,000
Contract assets	-	1,050,613	-	1,050,613
Loans and advances	3,389,739	13,363	-	3,403,102
Right of use Asset	-	4,979	-	4,979
Investment in associate	-	25,999	-	25,999
Investment in subordinated notes	-	36,236	(36,236)	-
Property, plant and equipment	-	693	-	693
Intangible assets	-	9,506	-	9,506
Total assets	3,505,773	1,272,047	(36,236)	4,741,585
Liabilities				
Interest bearing liabilities	3,497,480	(3,533)	(36,236)	3,457,712
Trade and Other payables	6,375	1,041,841	-	1,048,216
Employee benefits	-	6,283	-	6,283
Lease liability	-	5,362	-	5,362
Provisions	-	3,327	-	3,327
Deferred tax liability	-	17,704	-	17,704
Total liabilities	3,503,855	1,070,984	(36,236)	4,538,604
Net assets	1,918	201,063	-	202,981

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The information is intended to be a summary of Australian Finance Group Ltd (AFG) and its activities as at 30 June 2021, and does not purport to be complete in any respect.

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