

26 November 2021

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

Dear Sir/Madam

2021 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://webcast.openbriefing.com/8049/>.

Authorised for disclosure by:



Lisa Bevan
Company Secretary

CONTACT DETAILS

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

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Annual General Meeting

26 November 2021



Chair

Good morning, everyone.

On behalf of the board and management of AFG I would like to welcome you to the 2021 Australian Finance Group Limited Annual General Meeting.

My name is Tony Gill, and I am the Chair of AFG.

Once again, due to COVID-19 travel restrictions, I am unfortunately unable to attend in person today and am joining via teleconference.

I will keep my address brief and extend my thanks to AFG Non-Executive Director Jane Muirsmith, who will take responsibility for the formal business of today's meeting following the Chair and CEO address.

As a courtesy to all shareholders and guests present, please turn off or silence your mobile phone.

The 2021 financial year saw another outstanding result for AFG. Our story is one of growth. For the full year AFG reported a net profit after tax of \$51.3 million, an increase of 35% on FY20.

Driven by record demand for the services of our network of brokers, our combined residential and commercial loan book has grown 8% over the year and is now sitting at \$175.7 billion.

As the country learns to 'live with COVID' and continues to gradually open up, there will no doubt be challenges but the broader economy should return to a more normal footing, and we expect the momentum in our business to continue. As we move into the new year volumes remain strong.

AFG is a capital light business, with a strong and liquid \$282 million balance sheet.

Combined with the cash flow capabilities of our trail book, the company is delivering positive returns for our shareholders and delivered full year dividends up 32% to 13.3 cents per share. This represented a 5% fully franked yield.

In 2021 AFG made a strategic investment in neobank Volt. After only 4 months, a white label product and personal finance manager app were developed and released to a pilot group of AFG brokers. I look forward to the successes that will come from this collaboration. It will further position AFG at the technological forefront of the mortgage market to serve our brokers and customers.

Today I would like to formally introduce you to our newest board member, Greg Medcraft.

Having spent seven years as Chairman of our industry regulator, ASIC, and many years stewarding the Australian Securitisation Forum, Greg is a highly respected professional. His extensive experience across the financial sector will be invaluable to AFG.

Greg joined the AFG board as a non-executive director in September, and I look forward to his appointment being ratified at today's meeting.

And finally, I would like to extend my appreciation 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 AFG staff, our brokers, and my fellow board members for their support during what has been another extraordinary year.

I will now hand over to our CEO, David Bailey.

Annual General Meeting

26 November 2021



CEO

Thank you, Tony.

I would also like to extend my thanks to you all for your participation in today's meeting.

Once again, I am very pleased to be reporting another highly successful year for AFG. Our brokers have experienced record demand for their services, and they have risen to the challenge.

With more than 3,050 brokers in our network, our full year results demonstrated strong growth across the board.

Residential settlements were \$43.6 billion, an increase of 28% on the prior year. AFG Home Loans settled \$3.4 billion, an increase of 10% and AFG Securities settlements in the second half were up 80% on the same period last year. Commercial settlements were \$2.3 billion and our asset finance business settlements were up 14% for the year to \$611 million.

For our commercial division, FY2021 has been a tale of two halves. The commercial lending market was the hardest hit by COVID restrictions in the first half of the year, however activity has since increased, and commercial settlements were up 23% in the second half. Our investment in ThinkTank continues to deliver value, with white label settlements of \$130 million. The return of activity in the commercial market will also benefit our investment in ThinkTank.

We issued three RMBS transactions for the year and have made strategic investments to grow our business.

Turning to our current trading, I will start with our residential broking division.

More than \$24 billion in home loan finance was lodged for the first three months of the new financial year. That is almost \$6 billion more than the same period last year, a 33% increase.

Residential lodgements in October were up 36% on the same time last year to a record \$9.2 billion. AFG Home Loans lodgements were up 57% and AFG Securities lodgements were 148% higher than October 2020.

Positive growth in residential volumes were recorded in all states, despite various lockdowns and restrictions.

Our purposeful slowing of AFG Securities activity in response to COVID-19 uncertainty are well documented. We did reactivate lending in the second half, and as a result our Securities' lending was up strongly on the corresponding period last year.

Maintaining that trend of growth, AFG Securities lodgements increased to a record \$388 million in October 2021.

Fuelled by a once in a generation funding free kick in the form of the Term Funding Facility, ADIs aggressively sought market share with highly competitive fixed rate offers. Like other non-bank financial institutions AFG Securities felt the impact. The addressable market for AFG Securities is now expected to increase as fixed rate products ultimately become less attractive to borrowers.

As indicated at the time of our FY21 results, we commenced looking to increase the focus on our higher margin AFG Securities products this financial year. This has seen lodgements of AFG Securities' higher margin products increase to \$103 million for the month of October, which compares exceptionally well to the \$10 million in October 2020.

The increase has been achieved by considered credit expansion as well as expanding the product offering and importantly will support the long-term net interest margin of AFG Securities as these loans begin to settle.

We see our AFG Securities loan book as being at the commencement of its growth phase. Notwithstanding higher run-off rates industry wide, our growth is well above system.

We have recently executed a 3rd warehouse with a 2-year tenure and our largest warehouse has been extended to December 2022, providing certainty of funding.

We are very pleased with the momentum in this part of our business.

Whilst continuing to invest in and grow our core, our diversification strategy has been further expanded. As Tony mentioned, in May AFG invested in neobank Volt to provide AFG with further white label funding opportunities and access to market-leading Banking as a Service tools. With the product already underway, the BaaS tools will form an important part of ensuring our brokers and their customers have the best opportunity to participate in the benefits of Open Banking as it builds across the market.

Annual General Meeting

26 November 2021



The 2021 financial year also saw AFG begin the reporting of ESG metrics.

Recognising the important role, we as a company play in our community, with our brokers, customers, and our staff, I am very proud this year to be able to demonstrate the progress we have made around ESG.

This year we undertook the first measure of the company's carbon footprint. From this starting point our challenge is now to develop consistent, accountable, and transparent internal practices to reduce avoidable greenhouse gas emissions where possible, and to examine opportunities to offset unavoidable greenhouse gas emissions to address our impact on the environment.

Our initiatives around furthering the support of women in broking are gaining momentum and we remain focused on ensuring our lending panel provides access to finance for those whose needs may not be met by the traditional banking sector.

As one of the country's largest networks of mortgage brokers we see firsthand the importance of a place to call home. In June this year we were delighted to announce a landmark sponsorship agreement. AFG is now Principal Partner of Foyer Foundation. Foyers operate nationally and are integrated learning and accommodation settings that provide young Australians experiencing disadvantage with a pathway to education, training and employment, founded on access to stable and secure housing.

One aspect of our support is a quarterly grant program called the AFG Independence Fund. Having often overcome family, housing and financial challenges, young people living at Foyers are not always able to afford the tools and resources required to enter the workforce or complete their studies. The AFG Independence Fund provides direct financial support for their education, employment, and wellbeing.

Our commitment to ESG remains strong and I look forward to providing the market with important updates as to our progress.

Looking ahead, most are predicting interest rates will begin to rise from their historic lows. A rising interest rate environment drives broker inquiry and mortgage brokers are the dominant channel for home loans in this country. 59% of Australian mortgages are written through a broker.

With access to government-supported funding having ceased, the major lenders are once again raising interest rates, leveling the playing field for competition from the non-major lenders, including AFG Securities. The role of a mortgage broker will only become more important to consumers as they look to navigate the changing lending environment.

In addition, with borders reopening, expats, working tourists and overseas students are expected to return to the country and there will likely be a lift in immigration. These factors will support the strength of the residential mortgage market.


AFG's business model has demonstrated resilience through the cycle, and we will look to continue to expand opportunities for distribution and high margin securitisation lending through investments.

Finally, AFG remains well positioned to continue to support our customers, our broker network and our lending partners. Our diversified income streams will continue to drive shareholder value.

I extend my thanks to AFG staff and our brokers and thank you for your continued support of the company. I look forward to another successful year for AFG.

I would now like to hand over to Jane Muirsmith to conduct the formal business of the meeting.

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2021

Annual General Meeting

AFG

Agenda

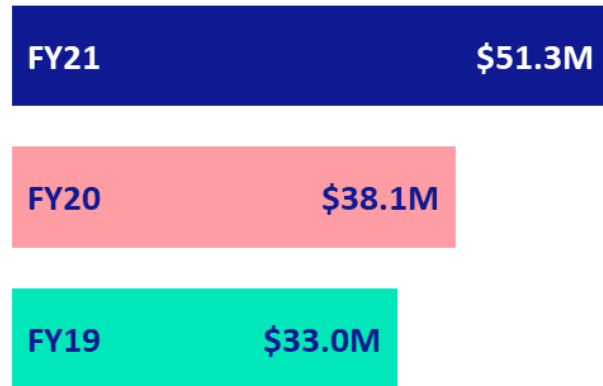
1. Introductions and housekeeping
2. Address by the Chair
3. CEO's address
4. Formal business
5. Close

Tony Gill

Chair

FY21 Results highlights

Reported NPAT up 35% to
\$51.3 million



\$43.6 billion

FY21 Residential settlements up 28%



\$175.7 billion

Residential and Commercial trail book up 8%

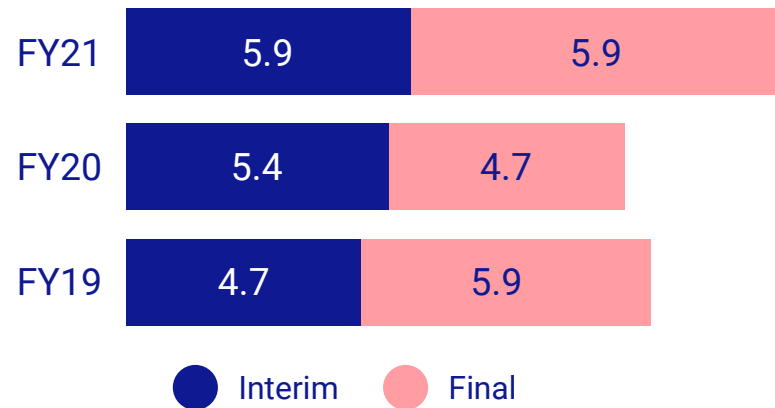


45%

Operating cash flow up 45% in FY21

Well positioned for continued growth

FY21 dividend up **32%** to
13.3 cents per share



AFG is a capital light business

Cash and other financial assets of
\$282 million provide core balance sheet
strength

Investment in neobank Volt

Greg Medcraft appointed to AFG Board



Anthony Gill
Chair



Brett McKeon
Non-Executive Director



Malcolm Watkins
Executive Director



Jane Muirsmith
Non-Executive Director



Craig Carter
Non-Executive Director



Melanie Kiely
Non-Executive Director



Greg Medcraft
Non-Executive Director

Thank you

David Bailey

Chief Executive Officer

FY21 Highlights



3,050+ Brokers



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



Asset finance settlements up **14%** to **\$611M**



Three RMBS transactions **\$1.95B**



AFG Home Loans settlements up 10% to **\$3.4B**



Commercial settlements **\$2.3B**



Thinktank white label settlements **\$130M**

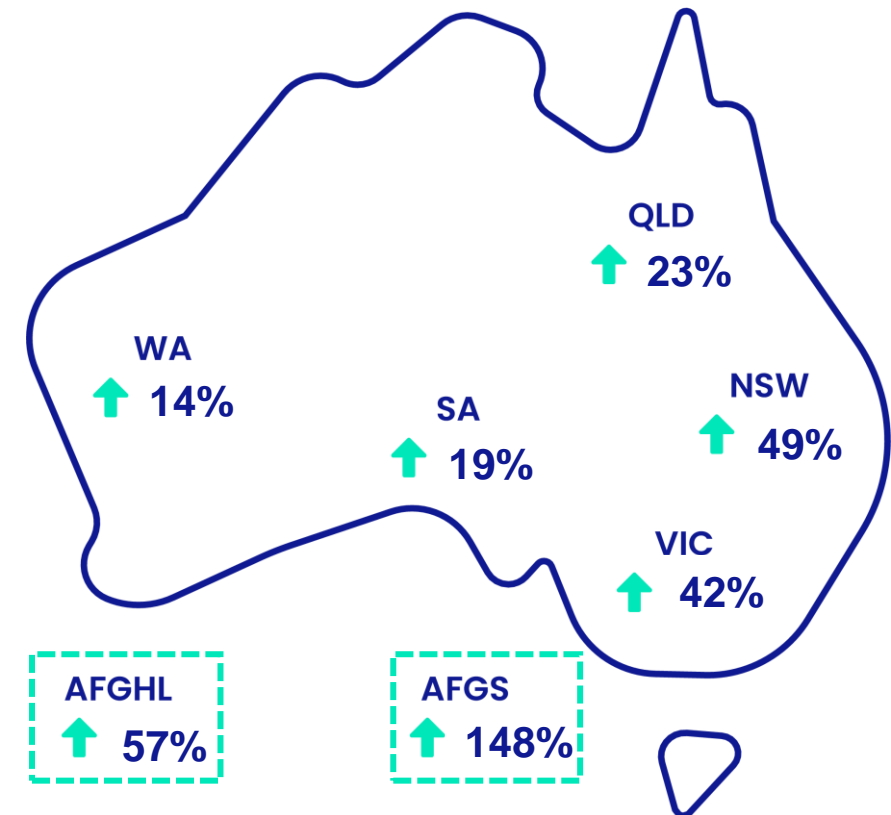


Residential settlements up **28%** to **\$43.6B**

Trading Update

- \$24 billion in home loans lodged in the first three months of FY22, a 33% increase
- October up 36% to a record \$9.2 billion
- AFG Home Loans lodgements up 57%
- AFG Securities lodgements were 148% higher than October 2020
- Positive growth in residential volumes recorded in all states despite lockdowns and restrictions

Comparison of October Lodgements

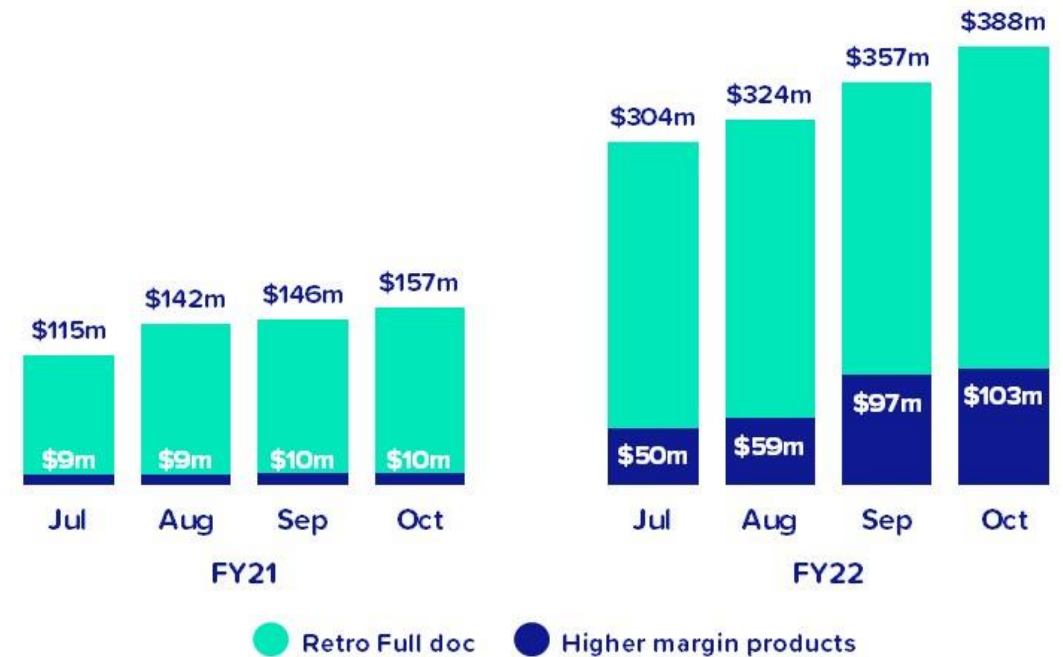


October 2021 change on October 2020

AFG Securities Update

- Overall lodgements increased to a record \$388 million October 2021
- Increased focus on product mix and higher margin products (Link, Retro Lite and SMSF)
 - Products have a gross margin approximately 40bps higher than a prime Retro full doc loan
 - Lodgements increased to \$103 million in October, compared to \$10 million in October 2020
- The change in mix will assist in supporting long term NIM of AFG Securities
- Notwithstanding higher run-off rates industry wide, growth in AFG Securities well above system
- Recently executed third warehouse with 2-year tenure
- Largest warehouse extended to December 2022, providing certainty of funding
- Growth phase with pleasing momentum

AFG Securities Lodgements



Volt investment

White label product

AFG
HOME LOANS
SPARC

Personal Finance Manager

Handl.
By AFG



Sustainability



AFG carbon footprint

880.69

tonnes of carbon dioxide equivalent



Program established to measure
annual carbon footprint



Principal partner



Women in AFG Mentorship
Program established



AFG Winning Women Broker
Scholarship established

AFG

Independence Fund



“

I don't have a laptop, my school lends them out but you can't take them home to do homework. Having my own laptop will support me to complete school and further education.
Thanks AFG for my new laptop.

- Candice

AFG

Principal Partner of Foyer Foundation

Outlook



We expect that as interest rates start to climb back up from historic lows, the role of a mortgage broker will only become more important to consumers as they look to navigate the changing lending environment



Residential mortgage volumes have historically performed well in a rising interest rate environment, which will also support growth in AFG Securities



Access to government-supported funding has ceased. Major lenders are once again raising interest rates, levelling the playing field for competition from the non-major lenders, including AFG Securities



Mortgage brokers are the dominant channel for home loans in this country. 59% of Australian mortgages are written through a broker²

² Mortgage and Finance Association of Australia (MFAA)



With borders reopening, overseas students, working tourists and expats are expected to return and there will likely be a lift in immigration. These factors will support the strength of the residential mortgage market



A change in product mix together with recent warehouse changes will provide NIM protection



AFG's business model has demonstrated resilience through the cycle. The company remains well positioned to continue to support our customers, our broker network and our lending partners

Thank you

Jane Muirsmith

Independent Non-Executive Director

Voting by Poll

Q&A

Thank you

Formal Business

Notice of Meeting

Items of Business

Item 1:

Financial Reports – financial year ended 30 June 2021

The financial report, director's report and auditor's report for the financial year ended 30 June 2021 is tabled for discussion.

Items of Business

Item 2:

Re-election of Malcolm Watkins as a Director

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

“That Malcolm Watkins, 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	115,817,990	61,357	334,395	418,997	116,213,742
% OF ELIGIBLE VOTES	99.66%	.05%	.29%		
NO. OF PROXY FORMS	161	9	41	7	

Items of Business

Item 3:

Re-election of Craig Carter as a Director

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

“That Craig Carter, 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	115,707,877	163,197	334,395	427,270	116,205,469
% OF ELIGIBLE VOTES	99.57%	.14%	.29%		
NO. OF PROXY FORMS	161	8	41	8	

Items of Business

Item 4:

Election of Greg Medcraft as a Director

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

“That Greg Medcraft, 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	115,779,136	70,310	354,296	428,997	116,203,742
% OF ELIGIBLE VOTES	99.63%	.06%	.30%		
NO. OF PROXY FORMS	156	10	42	8	

Items of Business

Item 5:

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 2021 be adopted.”

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	115,115,465	629,913	357,395	443,147	116,102,773
% OF ELIGIBLE VOTES	99.15%	.54%	.31%		
NO. OF PROXY FORMS	116	46	42	13	

Items of Business

Item 6:

Grant of 2022 LTI Award to Executive Director - Malcolm Watkins

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given, for the purposes of ASX Listing Rule 10.14 and sections 200B and 200E of the Corporations Act 2001 (Cth) and for all other purposes, to grant 11,017 Performance Rights to Executive Director, Malcolm Watkins, under the Company’s Long Term Incentive Plan as set out in the Explanatory Notes accompanying this Notice of Meeting.”

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	114,833,728	950,965	321,968	526,078	116,106,661
% OF ELIGIBLE VOTES	98.90%	.82%	.28%		
NO. OF PROXY FORMS	102	58	40	17	

Items of Business

Item 7:

Increase in the Non-Executive Director Fee Pool

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.17 and rule 8.3(a) of the Company’s constitution, the maximum aggregate amount of Directors’ fees that may be paid to the Company’s Non-Executive Directors per annum is increased by \$250,000, from \$1,000,000 per annum to \$1,250,000 per annum.”

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	114,758,966	923,915	312,968	550,071	115,995,849
% OF ELIGIBLE VOTES	98.93%	.80%	.27%		
NO. OF PROXY FORMS	83	79	38	15	

Items of Business

Item 8:

Proportional Takeover Approval Provisions

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the proportional takeover approval provisions contained in rule 6 of the constitution of the Company (as last approved by shareholders) be reinserted for a further period of three (3) years from the date of the Meeting convened by this Notice of Meeting.”

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	112,294,458	3,302,125	358,971	677,185	115,955,554
% OF ELIGIBLE VOTES	96.84%	2.85%	.31%		
NO. OF PROXY FORMS	131	21	44	22	

Poll

Q&A

Thank you

Thank you

Close

Disclaimer

This presentation contains general information which is current as at 25 November 2021.

The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 31 October 2021, 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.

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