

18 October 2024

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

Dear Sir/Madam

**2024 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.

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the joint Chair and CEO address and accompanying presentation.

The live feed of the AGM can be accessed at: <https://meetings.linkgroup.com/AFG24>.

Shareholders will need their SRN/HIN and registered postcode if they would like to vote and/or ask questions online. These details can be retrieved from the shareholders proxy form or their holding statement.

Authorised for disclosure by:



**Michelle Palethorpe**  
General Counsel and Company Secretary  
Australian Finance Group Ltd

**CONTACT DETAILS**

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

Mob 0402 781 367  
Tel (08) 9420 7888

# Annual General Meeting

18 October 2024

## Address to shareholders

### Chair

Good morning, everyone.

On behalf of the board and management, I would like to welcome you to the 2024 Australian Finance Group Ltd Annual General Meeting. My name is Greg Medcraft, and I am the Chair of AFG.

#### Acknowledgement of country

To begin, we would like to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk people of the Noongar nation, and acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

#### Housekeeping

Today's Annual General Meeting is a hybrid meeting. It is being held physically at the Perth offices of AFG and I extend a warm welcome to shareholders and visitors who have attended in person.

The meeting is also being conducted online via the Link Market Services Virtual Meeting Platform and I welcome shareholders, proxies and guests attending the meeting virtually.

As a hybrid meeting, shareholders and proxies attending online may ask questions and submit votes during the meeting. Instructions on participating in the online meeting can be found in the Notice of Meeting available on the ASX platform.

For those present, as a courtesy to others please turn off or silence your mobile phone.

#### FY24 highlights

Over the past 12 months AFG has made positive progress in executing its strategy and is well-positioned to enhance its market presence. Market conditions are driving the expansion of the mortgage broking channel, bringing renewed optimism for growth and opportunities in the year ahead.

We have further diversified our income sources and strengthened our network with the recruitment of some of the country's top mortgage broking groups. Our Distribution business saw increased profits, and our technology initiatives have kept us at the forefront of the market.

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## Financial Performance

Although NPAT for the year was \$29.0 million, down \$8.3 million from last year due to competitive mortgage conditions, our Manufacturing business rebounded in the second half.

AFG Securities settlements more than doubled, highlighting the crucial role non-banks play in providing competition. Our loan book remained steady at \$4.4 billion, with second-half NPAT stabilising.

We have had a pleasing return to growth through the first quarter of the new fiscal year, which David will provide more detail on in a moment.

## Distribution

Our distribution network is expanding, our network now exceeds 4,000 brokers. We remain the aggregator of choice and a distribution powerhouse.

With the closure of over 2,100 bank branches between 2017 and 2023, mortgage brokers, delivering value as a variable cost base for lenders, continue to provide a critical solution and service to banks and Australian borrowers. They have become essential community partners, now handling over 74% of new home loans in Australia.

We expect broker market share to surpass 80%, with one in ten home loans in this country currently arranged by an AFG broker, we expect this number to grow.

## Manufacturing

For our manufacturing business, demand for competitive alternatives to the major banks is becoming increasingly critical to provide Australian borrowers with choice and competition. AFG Securities has captured three times the market share of the nearest non-bank lender on our panel.

Structural changes are needed to ensure a sustainable and competitive lending market in Australia that will enhance access to affordable housing finance.

Following my appearance before the House of Representatives Standing Committee on Economics last year, the Committee has subsequently made a bipartisan recommendation for a government-backed Residential Mortgage-Backed Securities (RMBS) scheme.

The recommendation has subsequently been referred to the Council of Financial Regulators and ACCC for review and we have made a submission supporting the recommendation. This scheme could reshape competition in the residential lending market, and we look forward to seeing progress in this area.

## Strategic Investments

AFG continues to develop new income streams across our white label, asset finance, and AFG Securities products, aided by our investments. The integration of the Fintelligence Group is progressing well, and we increased our shareholding to 83%.

Our investment in the commercial lender Thinktank yielded a modest profit of \$2.1 million, despite a reduction in its Net Interest Margin (NIM) as it faced similar competitive challenges to those experienced by our Manufacturing business. The loan book expanded to \$5.8 billion for FY24, positioning the business favourably for a return to more normalised operating conditions.

The integration of the BrokerEngine platform has successfully launched and will enhance our technology suite and drive efficiency and appeal for our brokers. Subscriber numbers are up 140% since acquisition.

### Sustainability

AFG is committed to sound sustainability practices, addressing risks and responsibilities to create long-term value for our stakeholders. We prioritize compliance and regulatory discipline, and our dedicated staff play a crucial role in AFG's success, and that of our brokers. They are our biggest asset.

We want every individual to feel valued, safe and included. We therefore strive to provide a safe and diverse work environment and provide a culture of respect. Workplace diversity remains the top performing area of our employee survey for the fourth consecutive year.

We are also very proud of our community partner, Foyer Foundation, and their achievements in helping young people. We continue on our path to drive down carbon emissions where possible and have once again purchased carbon offsets to account for the impact of our unavoidable business travel.

### Outlook

AFG remains well-capitalized with \$190 million in liquid assets and high-performing investments. As our broker market share continues to rise, we are strategically positioned to expand further and enhance competition and choice within the Australian lending market. In closing, I again extend my thanks to those of you able to attend our meeting in person or online today, and for all shareholders who have taken the time to participate in today's meeting through the proxy voting process.

I would also like to personally extend my thanks to our brokers for the value they deliver to customers, and I look forward to the year ahead as we work to deliver on our core promise of creating a fairer financial future for all.

I would now like to hand over to our CEO, David Bailey.

## CEO

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Thank you, Greg.

Good morning. I would also like to extend my thanks to our shareholders, both here and online, for joining us here today.

### FY24 performance

The Australian housing market remained resilient in FY24, supported by key economic factors such as population growth, housing demand, and steady employment. This resilience has positively impacted the mortgage broking market, where AFG's broker network continues to grow, and our fundamentals remain strong.

### Strategic Pillars

Our strategy remains unchanged, focusing on three key pillars: growing our distribution network, delivering higher-margin products, and harnessing technology to be more agile, competitive, and profitable.

### Distribution

Our value proposition remains compelling. As Greg mentioned, we have successfully recruited more brokers, supporting their growth through efficient, compliant, and technology-enabled solutions, backed by a full-service support model.

Residential settlements grew 3%, and final quarter lodgements were the highest Q4 on record. Moving into the first quarter of the new financial year that momentum is continuing. We have just had our highest first quarter on record.

### Manufacturing

That uplift in activity is also being seen in our AFG Securities business, with our own products making up more than half of our AFG Home Loans' flows.

In the first half of FY24, our Manufacturing division was challenged by high funding costs and the uneven playing field for all non-major lenders.

AFG Securities maintained a disciplined approach to credit appetite and capital returns, which impacted both our volumes and margins for that period. As a result, earnings for the division fell by 53% to \$15 million, but our credit quality remains intact.

### AFG Securities

The second half of FY24 brought significant improvements in market dynamics, leading to strong inflows and a return to growth and in the first quarter of FY25 the AFG Securities loan book closed at \$4.8 billion, up 14% on just six months ago.

The steep rise in interest rates has been challenging for many, but our customers have shown resilience, supported by a strong employment market and our personalized credit approach. We continue to work with customers facing difficulties and have maintained a period of no losses for our AFG Securities book.

### Outlook

As we celebrate AFG's 30th year, our company remains focused on shared success with our broker network. Rising fixed costs are driving consolidation, and AFG is well-positioned to support our brokers through these changes.

Our solid financial foundation, conservative balance sheet management and reliable revenue streams enable us to expand and introduce innovative solutions and opportunities.

The outlook for the residential and commercial markets remains strong, with interest rates believed to be at or near their peak. AFG stands in an enviable position, ready to increase our market share and deliver on our strategy to diversify and grow our earnings profile.

I am optimistic about the year ahead; our distribution business has never been stronger. Our technology enhancements are set to improve overall broker productivity and importantly our manufacturing business is in growth mode once more, supported by strong credit policy and arrears performance.

I express my gratitude to our dedicated employees, brokers, customers, lending partners, and shareholders for their continued support.

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AUSTRALIAN FINANCE GROUP LTD

# Annual General Meeting 2024

**AFG**



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CHAIR

# Greg Medcraft



## ACKNOWLEDGEMENT OF COUNTRY

We would like to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk people of the Noongar nation, and acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

# Agenda

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

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# FY24

AFG is positioned to deliver earnings growth, benefiting from the continual building of demand for brokers in the growing Australian finance market – with positive progress in executing strategy

**Growing our network** through our leading broker proposition and continued investment in the channel

**74%**

Broker channel share of the Australian residential mortgage market - **Record high**

**4,000+**

AFG Group brokers – **Record high**

**Delivering new products and services** to increase average earnings per broker

**\$200 billion**

Residential loan book – **Record high**

**AFG Securities, well positioned** as the funding and competition cycle return

**\$4.4 billion**

AFG Securities loan book - **Up 8% on December 2023** and building into FY25

# Financial performance

Distribution earnings grew 20%. Manufacturing negatively affected by market cycle, which is turning. AFG's proven cash generation and market share positions it well to execute its growth strategy

Total revenue  
**\$1.1bn**  
+7%

Annuity style earnings  
**70%**

Operating expenses  
**\$86.0m**  
3% lower

Reported NPAT  
**\$29.0m**  
(22)%

Underlying NPATA  
**\$36.1m**  
(25)%

Profit before tax  
**\$44.0m**  
(18)%



**Diversified income streams – notable growth in Distribution**

Distribution  
**\$54.1m**  
+20%

+13% Broker subscriptions  
+7% Fintelligence gross profit  
\$3m cost reduction

Manufacturing  
**\$15.5m**  
(53)%

\$(10)m NIM<sup>1</sup> impact  
\$(4)m Thinktank contribution

Central services  
**\$(25.6)m**  
(6)%

\$2m cost increase  
predominately related to new technology projects

# Distribution

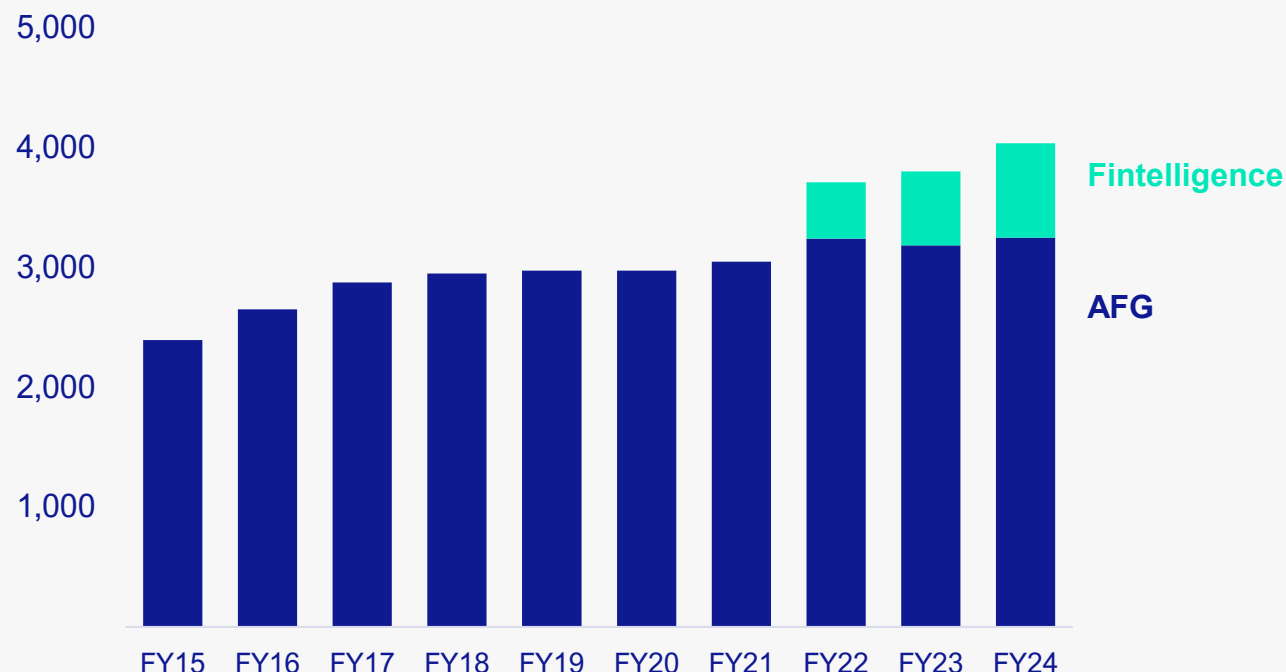
## Brokers are the preferred distribution channel in the residential market

- Channel of choice for customers and lenders. 2,100 bank branches have closed over the past 6 years<sup>1</sup>
- Mortgage brokers now handle over 74%<sup>2</sup> of home loans – expected to surpass 80%

## AFG Group broker network increased to over 4,000 brokers

- Aggregator of choice
- BrokerEngine 'Direct Lodgement' to further improve proposition and drive market share growth

AFG total broker number reaches record high

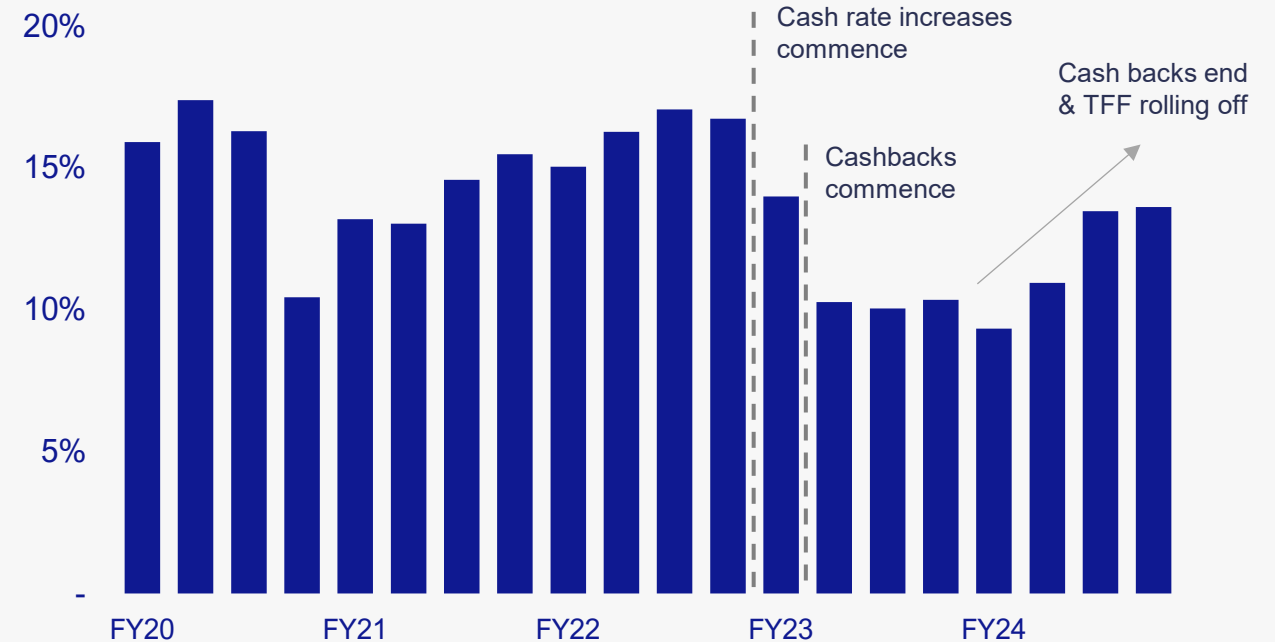


# Manufacturing

## Non-bank lender share of market is back to 2 year high

- Demand is returning for competitive alternatives to major bank lending offering
- AFG Securities' market share has maintained strong momentum into FY25
- Structural changes for a sustainable lending market
- Government-backed RMBS scheme recommendation – would benefit competition and choice

## Non-Banks Market Share



Source: AFG Index

# Strategic investments

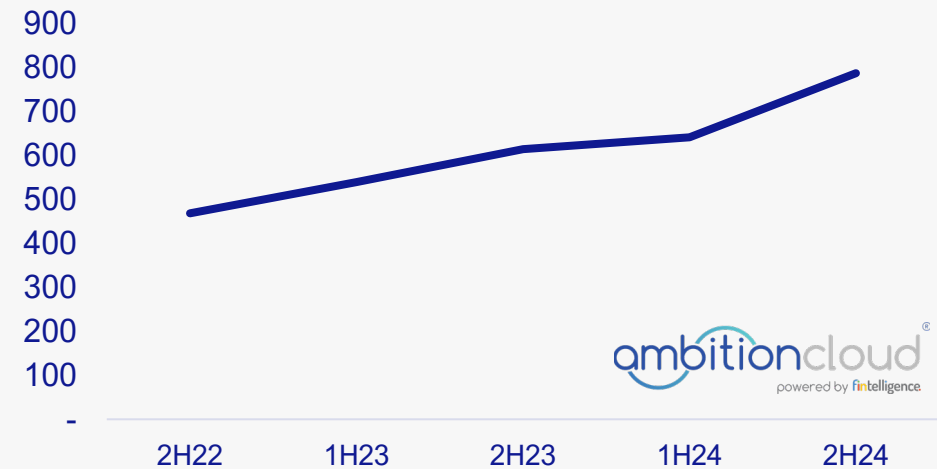
## Investments delivering new income streams – driving 13% increase in broker fee revenue

- Integration of Fintelligence and their market leading asset finance broker technology 'Ambition cloud'
- Integration of BrokerEngine platform – growing to over 3,000 subscribers (1,000 non-AFG brokers)

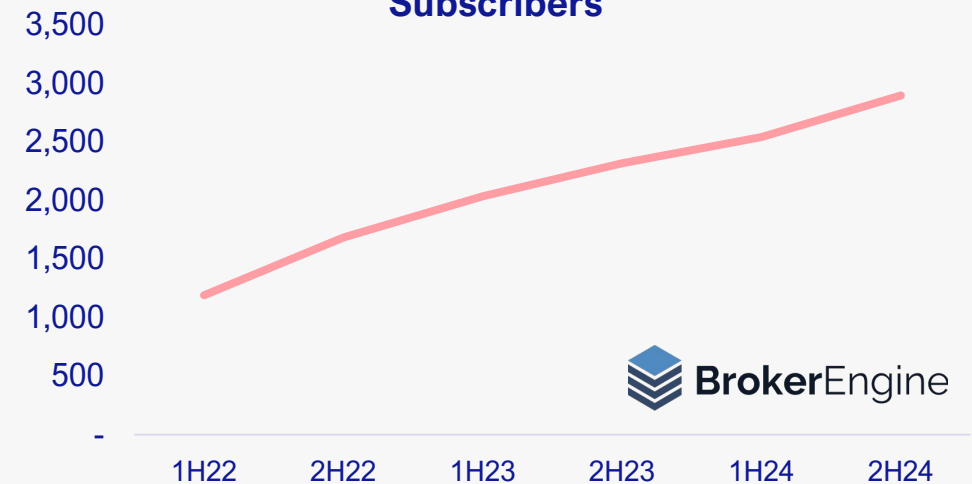
## Investment in Thinktank (32%)

- Expansion of loan book to \$5.8 billion from \$5.3b at June 2023 and \$0.8b at time of AFG's original investment in 2018
- Contribution from Thinktank was \$2.1m, 65% below FY23

Fintelligence Ambition Cloud users



Continued growth in BrokerEngine Subscribers



# Sustainability

## Social



### FY24 Highlights

Third year as Principal Partner of Foyer Foundation

Award-winning Women on the Move Program continues to gain momentum.

Positive scores in employee engagement survey for workplace diversity and cultural diversity

Introduced and met all measurable work, health and safety objectives, incorporating training and development, physical workplace safety inspections and capturing any incidents relating to WHS on the corporate risk register

Supported homeless crisis centre Tranby Engagement Hub through supplying meals for up to 300 people on four occasions in FY24, continuing into FY25

Refreshed values - Integrity, Accountability, Customer Centric and Team Player (IACT)

## Governance



### FY24 Highlights

Continued investment in cyber security

Continue to operate with a strong framework of policies and procedures to ensure all regulatory obligations and legal requirements are met

## Environment



### FY24 Highlights

Purchased voluntary carbon offsets for the second year (388t Co2-e) to cover unavoidable travel emissions.

Continued plant-a-tree program for AFG Securities

Measurement of our carbon emissions into our fourth year.

Volunteer tree planting days for staff at head office

## FY25 Focus

Continue to drive down emissions, including reductions on business travel and printing efficiencies.

Continue to advocate and promote sustainable merchandise at events

Prepare for new **Australian Sustainability Reporting Standards (ASRS)**.



# Outlook

- Well-capitalised with strong balance sheet
- High-performing investments
- Strategic positioning for further expansion with a portfolio of growth options
- Enhancing competition and choice in the Australian lending market

**\$190 million**

Investments and liquid assets

**107%**

Cash realisation

**\$67 million**

Unrestricted cash

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CHIEF EXECUTIVE OFFICER

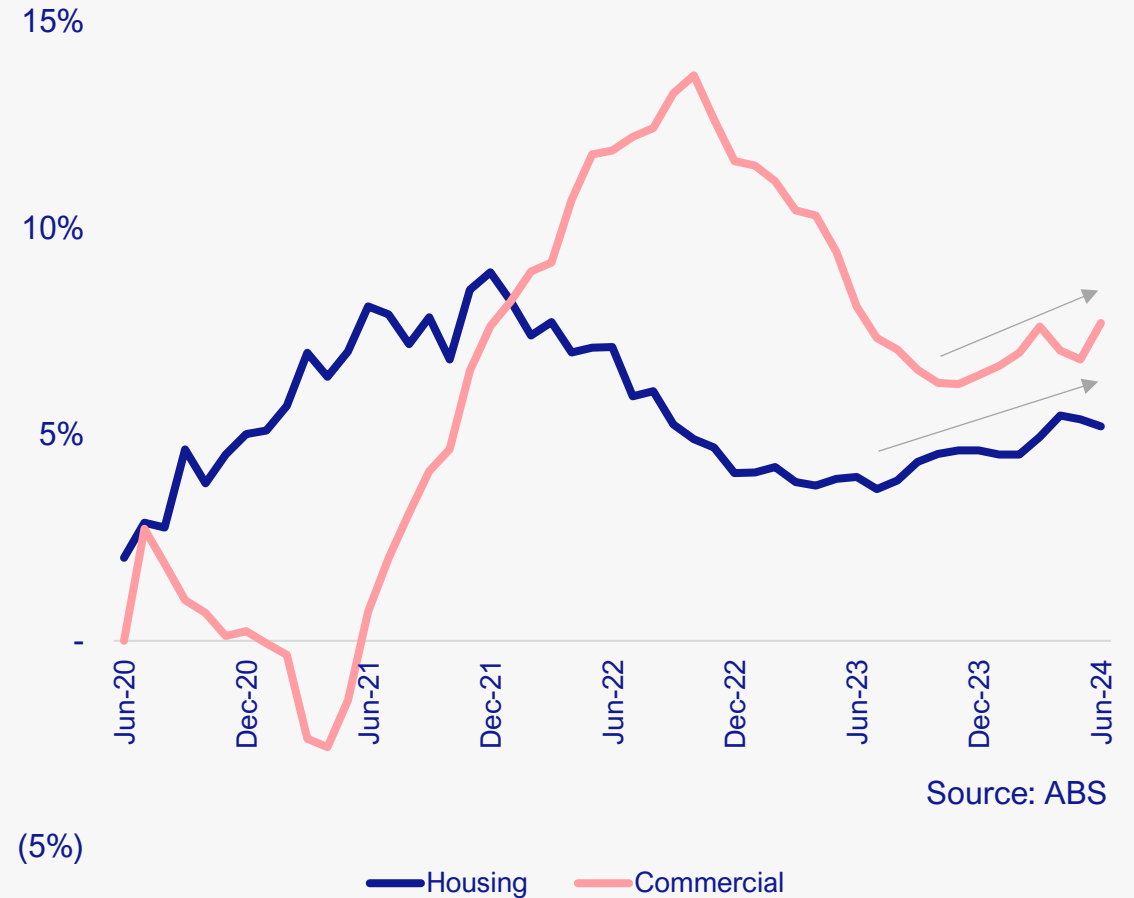
**David Bailey**

# FY24 performance

## Resilience and growth in the Australian residential and commercial finance market

- Inflation trending down supporting cash rate reductions being forecast in FY25
- Unemployment increasing, however well below the long-term average
- Residential house prices returned to growth in FY24, supporting growth in total Residential and Commercial credit
- Q1 FY25 has demonstrated the confidence in the market – with AFG brokers lodging than \$24 billion in home loans

Annual Credit Growth



Source: ABS

(5%)

— Housing — Commercial

# Strategic pillars

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**Grow our  
broker network**



Delivering a growing broker network for AFG to provide financial products

**Provide market leading  
technology broker  
proposition**



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

**Deliver higher  
margin through our  
distribution network**



Delivering additional products and further earnings growth & diversification

# Distribution

## Business partner of choice

- AFG's full-service value proposition delivers value to growth focused broker groups
- Support through efficient, compliant, and technology-enabled solutions
- Recruiting more brokers – 7+ Large broker groups recruited in FY24
- Investing in technology to further uplift the broker proposition

## Driving higher Residential volumes

- FY24 Residential settlements growth (3%)
- Highest Q1 lodgement volume on record and highest since Q2 FY22

## AFG Residential Lodgements

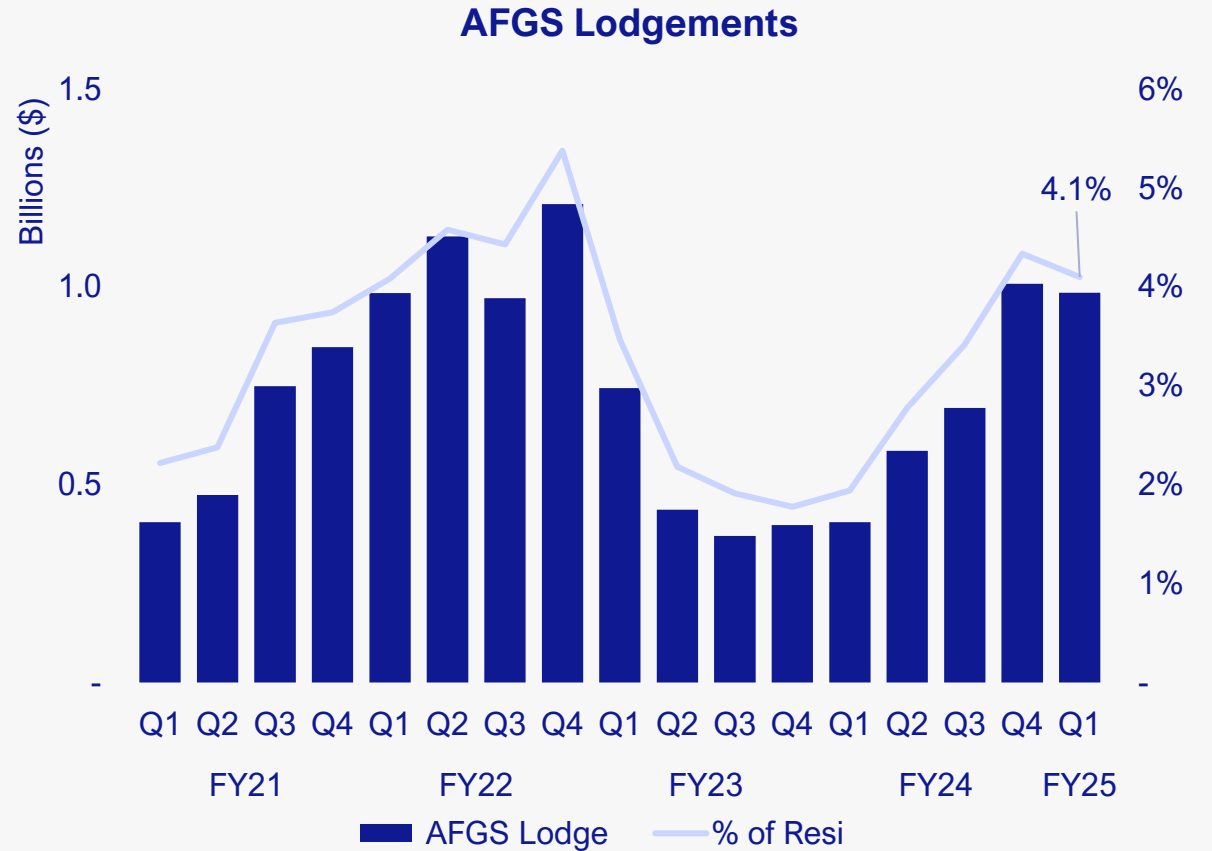


# Manufacturing – AFG Securities

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## Book returned to growth H2

- Challenging H1 in FY24 resulting from heightened level of price competition from bank lenders
- As the banks funding advantage rolled off in H2, non-banks and AFG Securities improved
- AFG Securities loan book up 14% in the past 6 months with settlements up 56%
- NIM remains below long-term average, affected by competition and multi-year high price warehouse



# AFG Securities – quality loan book performance

## Portfolio characteristics are strong and support book performance

- 75% prime mortgages
- 40% of balances are below \$500k and 85% have an LVR1 below 80%
- All prime loans originated above 80% LVR require individual LMI, all underwritten on a per loan basis
- 50% of AFG Securities' home loans have an offset balance

## Well positioned – with sound lending quality

- Impact of rising interest rates – arrears increased during FY24, to 0.8% (90+ days arrears) at December but reducing to 0.7% by June 2024
- Established, personalized credit assessment process and insights from 30 years experience
- Strong employment market
- No losses in FY24, with cumulative losses over 15 years just \$260k. Total loss provision prudently maintained at \$3.3m

# Outlook

- Business model of shared success
- Supporting brokers through rising fixed costs and consolidation
- Strong balance sheet and reliable revenue streams
- Positive growth outlook for residential and commercial markets
- Strategy well progressed to diversify and grow earnings profile

**AFG**

**30**  
*years*



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# Thank you

**AFG**



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CHAIR

**Greg Medcraft**

**AFG**

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# Voting by poll

# Q&A

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# Formal business

# Notice of meeting

# Items of business

## Item 1

### **Financial Reports – financial year ended 30 June 2024**

The financial report, directors' report and auditor's report for the financial year ended 30 June 2024 is tabled for discussion.

# Items of business

## Item 2

### Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass the following as a non-binding resolution in accordance with section 250R(2) of the Corporations Act 2001 (Cth):

*“That the Remuneration Report for the Company for the year ended 30 June 2024 be adopted.”*

#### Summary of proxies received

	<b>FOR</b>	<b>AGAINST</b>	<b>OPEN</b>	<b>ABSTAIN</b>	<b>TOTAL ELIGIBLE</b>
<b>NO. OF SHARES</b>	98,219,324	624,594	516,211	83,152	99,360,129
<b>% OF ELIGIBLE VOTES</b>	98.85%	0.63%	0.52%		
<b>NO. OF PROXY FORMS</b>	93	41	36	10	



# Items of business

## Item 3

### Resolution 2: Re-election of Malcolm Watkins as a Director

In accordance with the Notice of Meeting the resolution 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	98,674,206	239,424	511,601	18,050	99,425,231
% OF ELIGIBLE VOTES	99.24%	0.24%	0.51%		
NO. OF PROXY FORMS	126	16	34	4	

# Items of business

## Item 4

### Resolution 3: Re-election of Craig Carter as a Director

In accordance with the Notice of Meeting the resolution 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	98,595,298	318,332	511,601	18,050	99,425,231
% OF ELIGIBLE VOTES	99.17%	0.32%	0.51%		
NO. OF PROXY FORMS	128	15	34	4	

# Items of business

## Item 5

### Resolution 4: Re-election of Greg Medcraft as a Director

In accordance with the Notice of Meeting the resolution is:

*“That Greg Medcraft, 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	98,712,219	142,011	511,601	77,450	99,365,831
% OF ELIGIBLE VOTES	99.34%	0.14%	0.51%		
NO. OF PROXY FORMS	126	15	34	4	

# Items of business

## Item 6

### Resolution 5: Proportional Takeover Approval Provisions

In accordance with the Notice of Meeting the resolution is:

*“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	98,674,929	72,166	571,173	125,013	99,318,268
% OF ELIGIBLE VOTES	99.35%	0.07%	0.58%		
NO. OF PROXY FORMS	115	12	41	11	

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# Poll

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# Thank you

**AFG**



# Disclaimer

This presentation contains general information which is current as at 18 October 2024.

The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 18 October 2024 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.

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