

22 November 2019

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Dear Sir/Madam

2019 AGM ADDRESSES 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 Chairman's address, CEO's address and accompanying presentation.

The live feed of the AGM can be accessed at: <http://www.openbriefing.com/OB/3537.aspx>

Yours faithfully



LISA BEVAN

Company Secretary

Annual General Meeting

22 November 2019

AFG

Chairman

Good morning ladies and gentlemen.

It gives me great pleasure to welcome you here today for the AFG 2019 Annual General Meeting. I am pleased to report that AFG has made significant progress this financial year and we are generating real momentum for the 2020 financial year.

We are now ideally positioned to grow shareholder returns over the next year and into the longer term.

Australia's financial services sector has endured a difficult 12 months but AFG has emerged as a stronger and more sustainable business that continues to generate solid returns to shareholders, and positive outcomes for Australian borrowers.

The volatile lending landscape has in fact strengthened AFG's value proposition, created potential growth options and locked in mortgage brokers as the dominant channel for home loans. In Australia's \$1.8 trillion home loan market, mortgage brokers are now responsible for almost six in every 10 mortgages.

AFG has remained focused, delivering a strong financial performance and profit result as our diversification strategy gains traction. We finished the financial year in great shape and remain optimistic about the future of our industry and AFG.

Complementing the core residential and commercial aggregation businesses, our diversified earning streams - are gaining traction and now making significant contributions and driving cash flow. Our balance sheet is in great shape and provides management with the flexibility to pursue value-creative options as they arise.

Illustrating the Board's ambition in this area is AFG's proposed merger with mortgage aggregator Connective that was announced in August 2019.

Aligning our business with the cultural fit and shared customer-focused philosophy of Connective represents a compelling opportunity for AFG shareholders.

The transaction remains subject to a number of conditions, including court, regulatory and shareholder approvals and management remain focused on closure of this once these conditions are cleared.

The AFG Board continues to advocate positive customer outcomes as key to enhancing long-term shareholders returns. Total dividends for AFG shareholders in FY19 were a healthy 10.6 cents per share fully franked, representing a dividend yield of 6.8 per cent, and an overall return on equity of some 33%.

Shareholders would be aware that the Banking Royal Commission played a central role in shaping the 2019 financial year.

A year ago at the 2018 AGM, we promised AFG would continue to advocate loudly and proudly about the benefits mortgage brokers bring to the home loan market in Australia in the form of enhanced competition.

We have kept to our word. Over the past 12 months we have been relentless in championing the benefits of competition and choice with stakeholders across Australia, through public forums, politicians and bureaucrats in Canberra, via the media and direct to consumers. It is clear our messages were heard.

As we look forward to 2020 AFG is remarkably well positioned.

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The AFG logo is displayed in a bold, white, sans-serif font against a dark background.

AFG has a deserved reputation as an industry leader and is viewed as a respected and constructive voice among policymakers. The mortgage broking sector can play a significant role in shaping our policy destiny, underlining the importance of active industry and regulatory engagement to ensure borrowers and brokers benefit from a competitive home loan market.

In wrapping up, I would like to thank David, the AFG management and staff and each and every one of our brokers.

As a business, we would not have enjoyed the success we have experienced over the past year without their expertise, dedication and commitment to customers. We continue to work hard to ensure AFG remains the partner of choice for lenders and broking groups for the benefit of all Australian borrowers.

I would also like to acknowledge the contribution of AFG co-founder Kevin Matthews, who last month retired from his position as a Non-Executive Director after more than 25 years with the business.

Kevin, who founded the business with Brett McKeon, Malcolm Watkins and the late Brad M'Gougan, has been integral to the company's success through both his management and board roles. He's been part of AFG's journey from its beginnings in Perth through its national expansion and successful transition to a public company in 2015.

On behalf of the board, I would like to thank Kevin for his commitment to the company and wish him well in his retirement. As one of AFG's top 10 shareholders I am sure he will continue to follow us closely.

I would also like to take this opportunity to thank my fellow directors for their significant contributions over the past 12 months. The increased regulatory emphasis on governance and compliance in recent times underlines the value of this work and the importance of getting it right.

I can assure shareholders the board's processes in meeting its corporate governance responsibilities are rigorous and absolutely stand up to scrutiny.

The board remains focused on assisting David and the team in delivering great customer outcomes, market leadership, growth and continued shareholder returns in the years ahead.

I will now hand you over to the Company's CEO, David Bailey.

Annual General Meeting

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CEO

Thank you, Tony.

Welcome everyone to today's meeting.

It's always a great opportunity to share our story with shareholders after a successful financial year. As Tony has mentioned in the face of regulatory uncertainty and intervention, AFG has demonstrated real resilience in 2018-19 and continued to deliver sustainable quality earnings.

Actions we have been undertaking since 2016 to strengthen our business and diversify our earnings streams have AFG positioned to meet the challenges facing the sector and capitalise on emerging opportunities.

Despite a slowing property market and the regulatory uncertainty impacting the sector, to report an annual underlying profit of \$28.6 million, up 1.8 per cent for the 12 months to 30 June 2019 is very pleasing. Total revenue increased 7% to \$660 million driven by growth in AFG Securities and longer loan lives.

Importantly through this time, our cash earnings - supported by our combined residential and commercial trail book of in excess of \$155.4 billion, increased by 2%, a reflection of our capital light business model. Strong cash flow generation supported a continued dividend payout ratio of 80% for FY19.

The 2019 financial year, which marks my third year as CEO, represents a defining moment in the development of AFG where for the first time, more than half of AFG's gross margin was generated from outside our mortgage broking aggregation business.

The broker channel entrenched the importance of the role it plays in delivering competition to Australia's home loan market. Mortgage brokers continue to carve out market share by providing value, choice and competition to consumers. Brokers are filling customer service opportunities vacated by the major banks and brokers are introducing their customers to alternate, credible lenders. Borrowers with complex borrowing needs, including vulnerable customers, consumers in regional and remote areas and first home buyers are relying on brokers for their help.

Non-major lenders increased market share to a record 46 per cent in Q1 FY20 as AFG's national distribution network of almost 3,000 active brokers extended its reach.

Our strategic investment in the small to medium enterprise market - through AFG Business and Thinktank - is gaining momentum and contributed some \$1.5m in earnings for the full year to AFG's overall trading result. The combination of Thinktank's product set and our distribution capabilities have worked favourably for both companies

In its first full year of operation, AFG Business increased settlements, driven by product improvements and a prudent approach to our expanding product range. Settlements across the platform increased from \$12 million in FY18 to \$130 million in FY19.

Another area of significant growth was the AFG Residential Mortgage-Backed Securities (RMBS) program. We exceeded the \$2 billion under management milestone which represents a 50 per cent increase on the previous year. The growth trajectory did not cease as at 30 June 2019, with this book today standing at more than \$2.3 billion.

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During the 2019 financial year we successfully priced our \$500 million AFG 2019-1 Trust RMBS issue. It was our largest RMBS transaction. Notably it was the first time the deal was upsized, reflecting a wider participation by investors.

Last month we successfully priced another \$500m RMBS issue. This transaction took total issuance in the 2019 calendar year to \$1.0 billion and represents a new high-water mark for our AFG Securities business. Institutional investors, both in Australia and offshore, increasingly recognise AFG's unique value proposition as an issuer in the Australian RMBS market.

Despite the achievements in FY19, we are all continuing to work hard to implement fundamental changes, making the necessary investments to improve AFG for the inevitable challenges facing the sector as we strive to deliver on our commitment to shareholders, customers, brokers, partners and employees.

While we have made great progress in recent years, much work remains as we position ourselves to enhance our value proposition, optimise our operations and build our market share.

AFG continues to explore ways to enhance customer experiences and improve the efficiency of our brokers. We plan further investment in our technology platform over the next two years to help advance how AFG works with its brokers. It represents a real step-change in the way AFG and our brokers do business and has a single objective: improved outcomes for customers.

Whilst FY19 incorporated a number of defining moments for our business, the next 12 months holds similar promise.

We are working hard to finalise the merger with Connective Group.

Whilst we remain confident about the value AFG stands to generate from our existing ongoing growth plans, we felt successfully participating in the sale process undertaken by Connective absolutely aligned to our strategy.

The proposed transaction offers exposure to an alternative mortgage broker aggregation model with strong ongoing brand recognition whilst also providing access to a broader distribution channel.

Under the plan, Connective brokers will also have access to AFG's securitisation program and we have the opportunity to grow scale in both asset finance and commercial lending through the combined network.

As you are aware, the transaction is subject to court approval (a non-customary condition) and ACCC approval. Both of these processes have begun and are continuing. ACCC has indicated it expects to make a determination on this transaction in late January 2020. The court proceeding is progressing at a slower pace than originally anticipated and a final decision is not currently anticipated until after the second half of FY20. We will keep shareholders informed as we progress the approval processes in accordance with our ASX continuous disclosure requirements.

In his message, our Chairman has referenced the Banking Royal Commission and its impact on AFG, the mortgage broking sector and Australia's finance industry more generally. However, given its significance, it is appropriate for me to reflect on our approach over the past year.

The Australian Government has set out a policy pathway with its Royal Commission Implementation Roadmap and is working with industry constructively to prioritise customers and hopefully avoid any unintended policy consequences. Mortgage brokers are well placed because many of the proposed changes are already in place after a comprehensive industry-led process that began a few years ago.

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The draft legislation requires mortgage brokers to act in the best interests of consumers when providing credit assistance. Proposed changes reflect commitments already introduced across the industry earlier this year.

The mortgage broking sector has effectively moved on 'customer first' duty. The formalisation of a 'best interests' duty through legislative changes are ultimately an extension of the work we have already undertaken.

You have heard me say before that it is in a broker's best interests to ensure the customer's needs are placed first and foremost, without that focus a broker would not have a sustainable business. We have already made changes to our systems to ensure our brokers meet and exceed this new regulatory requirement.

Looking ahead, AFG's customer-first approach and agile operating model presents enormous opportunities for our business and early signs indicate 2020 is on track for another successful year.

The most recent AFG Index reflected a healthy rebound in overall sentiment in the market. Home loan activity rebounded strongly in the first quarter of 2020, with interest rate cuts and an active property market driving record mortgage volume.

Our trading results up to 31 October shows growth in residential lodgments across all states, with total residential lodgments \$21.6 billion, up 13% on the prior year. The change in momentum identified in our AFG Index released at the end of the first quarter has pleasingly been maintained in October with residential lodgment figures for October 2019 up 21% on October last year.

With strong cash flow generation, AFG continues to be positioned for sustained growth.

I would like to use today's AGM to thank the brokers across our national distribution network and acknowledge the contribution of all AFG employees over the past year.

We have built up an engaged team with a strong culture that prioritises the customer and our long-term strategy. We are well positioned to deliver in the coming year.

And on that note, I will hand back to Tony.

AFG

2019

ANNUAL GENERAL MEETING

Agenda

1. Introductions and housekeeping
2. Chairman's address
3. CEO's address
4. Formal business
5. Close

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**Chairman
Tony Gill**

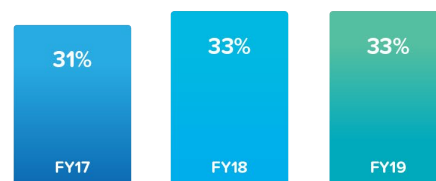
AFG positioned for growth

- Volatile lending landscape has strengthened AFG's value proposition, created potential growth options and locked in mortgage brokers as the dominant channel for home loans
- In Australia's \$1.8 trillion home loan market, mortgage brokers are now responsible for almost six in every 10 mortgages
- Strong financial performance and profit result
- Complementing our core residential and commercial aggregation businesses, diversified earning streams are now making significant contributions and driving cash flow

FY19 results highlights



Underlying NPAT up to **\$28.6M**



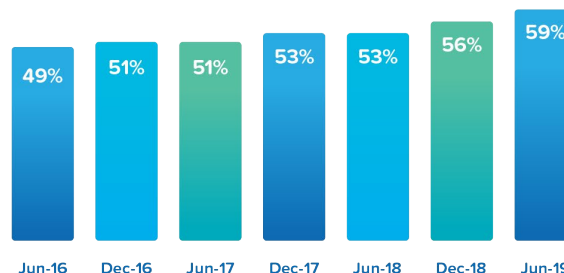
Reported Return on equity has remained constant at **33%**



Ordinary Dividends (cents per share)

● Interim ● Final

% of Aus Mortgages written through a broker



AFG Securities settlements up **108%** to **\$1.06B** with loan book up **50%** to **\$2.06B**



Broker & consumer advocacy

Responsible, strong and active voice for consumers. Participating in industry and regulatory debates and developments.



Total dividends - **10.6c** per share fully franked



Dividend yield - **6.8%**



ROE **33%**



FY19 Residential Settlements of **\$31.3B**



with Residential trail book up **7%** to **\$147.4B**



AFG Home Loans now services over **23,000** retail customers



Asset Finance up **3%** to **\$553M**

4,000+ individual products

50+ lenders

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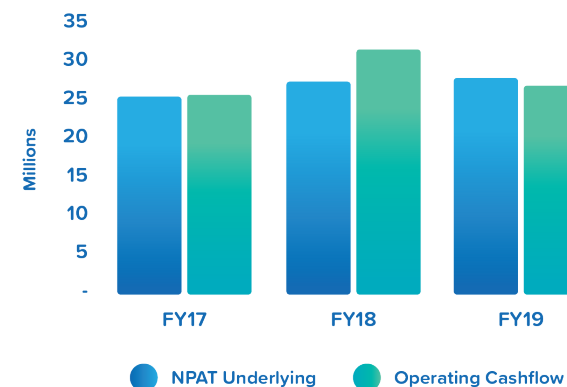
**Chief Executive Officer
David Bailey**

Financial results

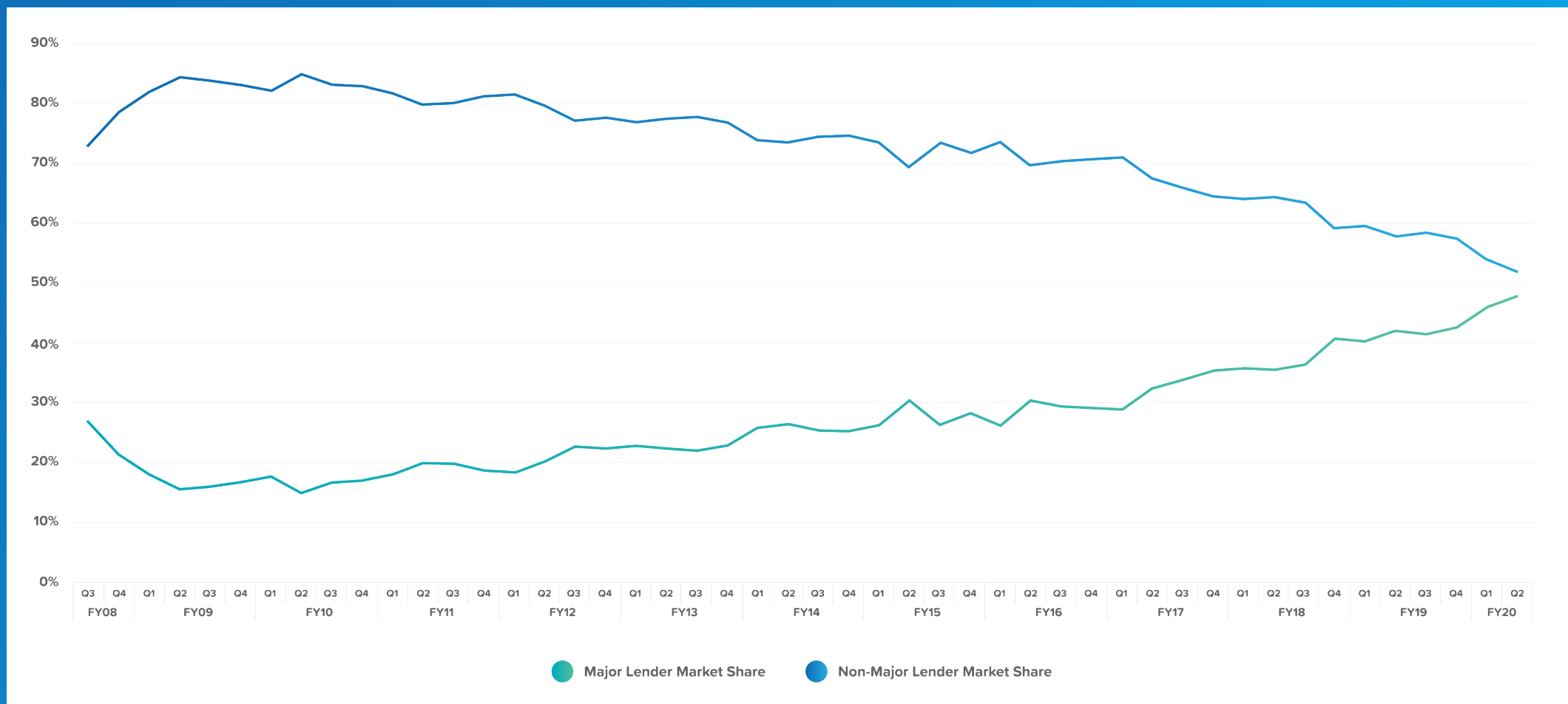
	FY19 \$000's	FY18 \$000's	
Total Revenue	659,999	619,217	7%
Gross Profit	75,235	72,583	4%
NPAT reported	33,029	33,309	(1%)
NPAT underlying	28,565	28,052	2%
Net cash from operating activities	27,831	32,486	(14%)
Net Interest	19,624	15,483	27%
Net Interest Margin	117 bps	129 bps	(9%)
Financial metrics			
Reported EPS	15.2 cents	15.4 cents	
Number of shares diluted	216,769	216,102	
Dividends % of underlying profit	80%	80%	
Reported ROE	33%	33%	
Reported P/E ratio ¹	14.3 x	10.1 x	
Underlying P/E ratio ¹	16.5 x	11.9 x	

¹ Based on share price at 16/08/2019 and 3/08/2018

- Annual underlying profit of \$28.6 million, up 1.8 per cent for the 12 months to 30 June 2019
- Total Revenue increased 7% to \$660 million driven by growth in AFG Securities and longer loan lives
- Cash earnings - supported by our combined residential and commercial trail book of in excess of \$155.4 billion, increased by 2%, a strong result in a challenging market
- Strong cash flow generation supporting continued dividend payout ratio of 80% for FY19



Driving competition

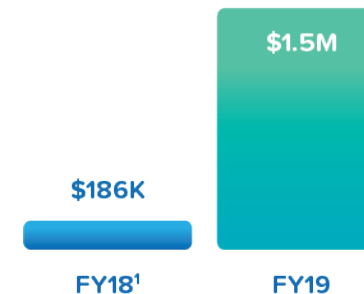


- Customers benefitting from the enhanced competition in Australia's home loan market
- Non-major banks accounted for 46% of lodgments in Q1 FY20

AFG Commercial powered by Thinktank

- Our strategic investment in the SME market - through AFG Business and Thinktank - is gaining momentum and contributed \$1.5m in earnings for the full year
- Thinktank is delivering competition to an SME marketplace that is demanding choice and flexibility
- The combination of Thinktank's product set and our distribution capabilities have worked favourably for both companies

Contribution to Earnings



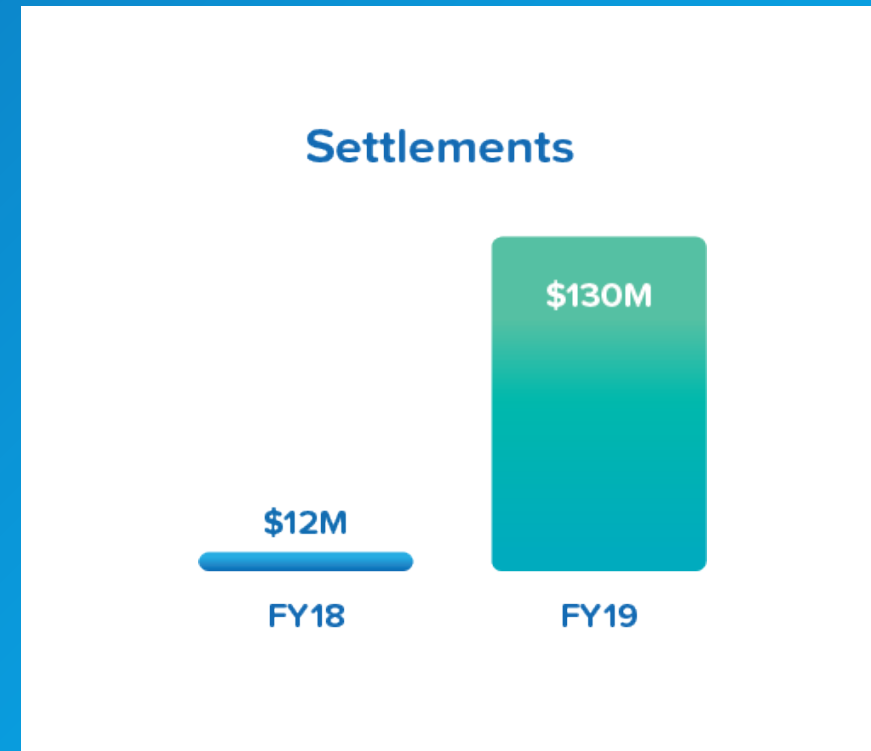
¹ Thinktank investment effective 1 May 2018

Settlements



AFG Business

- In its first full year of operation AFG Business increased settlements, driven by product improvements and a prudent approach to our expanding product range
- Settlements across the platform increased from \$12 million in FY18 to \$130 million in FY19



AFG RMBS program

- **\$1 billion** issued in 2019 calendar year
 - FY19** AFG 2019-1 Trust RMBS - \$500m
 - FY20** AFG 2019-2 Trust RMBS - \$500m
- Q1 FY20 – AFG Securities loan book now more than **\$2.3bn**

Proposed merger

- Conditional agreement to acquire the Connective business entered into on 11 August 2019
- The transaction is subject to court approval (a non-customary condition) and ACCC approval (amongst other conditions)
- Both of these processes have begun and are continuing, with ACCC indicating it expects to make a determination on this transaction in late January 2020
- The court proceeding is progressing at a slower pace than originally anticipated and a final decision is not currently anticipated until after the second half of FY20

The AFG logo is displayed in a bold, blue, sans-serif font.The Connective logo features the word "connective" in a dark blue, lowercase, sans-serif font, followed by an orange icon consisting of three interconnected circles.

October YTD Trading

- Home loan activity has rebounded strongly year to date
- Interest rate cuts and an increasingly active property market driving record mortgage volume
- Total residential lodgments are \$21.6 billion year to date, up 13% on prior year
- Residential lodgment growth evident across all states

Change on Oct 2018 YTD

NSW		19%
QLD		10%
SA		9%
VIC		12%
WA		6%
AFGHL		-2%
AFGS		54%

In conclusion



Overall activity in the industry has shown increase in Q1 FY20 post election, regulatory changes and interest rate cuts



Non-major split continues to increase demonstrating increased competition and choice in the market



AFG remains committed to improved customer outcomes and to provide robust regulatory and compliance frameworks for brokers to ensure great customer outcomes and a long term sustainable business



The cash flow generation abilities of the business will continue to underpin growth initiatives



Significant scale, financially robust and well positioned to take advantage of opportunities

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Q&A
Thank you

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Formal Business

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Notice of Meeting

Items of Business

Item 1:

Financial Reports – financial year ended 30 June 2019

The financial report, director's report and auditor's report for the financial year ended 30 June 2019 is tabled for discussion.

Items of Business

Item 2:

Election of Directors

Items of Business

Item 2(a):

Re-election of Anthony (Tony) Gill as a director of the Company

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

“That Anthony (Tony) Gill, 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	103,082,044	311,847	690,829	1,142,319	104,084,720
% OF ELIGIBLE VOTES	99.04%	0.30%	0.66%		
NO. OF PROXY FORMS	110	3	20	5	133

Items of Business

Item 2(b):

Re-election of Melanie Kiely as a director of the Company

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

“That Melanie Kiely, 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	104,345,549	72,025	737,146	72,319	105,154,720
% OF ELIGIBLE VOTES	99.23%	0.07%	0.70%		
NO. OF PROXY FORMS	104	5	21	5	130

Items of Business

Item 2(c):

Re-election of Jane Muirsmith as a director of the Company

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

“That Jane Muirsmith, 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	104,345,199	129,041	737,146	15,653	105,211,386
% OF ELIGIBLE VOTES	99.18%	0.12%	0.70%		
NO. OF PROXY FORMS	103	8	21	3	132

Items of Business

Item 3:

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 2019 be adopted.”

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	83,270,705	330,352	787,146	20,838,836	84,388,203
% OF ELIGIBLE VOTES	98.68%	0.39%	0.93%		
NO. OF PROXY FORMS	77	31	22	6	130

Items of Business

Item 4:

Grant of 2020 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 and for all other purposes, to grant 17,108 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	84,253,037	420,921	754,995	19,798,086	85,428,953
% OF ELIGIBLE VOTES	98.62%	0.49%	0.88%		
NO. OF PROXY FORMS	64	42	23	8	129

Items of Business

Item 5:

Appointment of Auditor – Ernst & Young (EY)

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

“That, subject to receiving consent from the Australian Securities and Investments Commission, for the purposes of section 327B of the Corporations Act 2001 (Cth) and for all other purposes, Ernst & Young, having:

- (a) Been nominated by a member of the Company in accordance with section 328B(1) of the Corporations Act 2001 (Cth); and*
- (b) Consented in writing to act as auditor of the Company in accordance with section 328A(1) of the Corporations Act 2001 (Cth).*

Summary of proxies received

	FOR	AGAINST	OPEN	ABSTAIN	TOTAL ELIGIBLE
NO. OF SHARES	103,790,276	614,198	813,812	8,753	105,218,286
% OF ELIGIBLE VOTES	98.64%	0.58%	0.77%		
NO. OF PROXY FORMS	106	3	25	2	134

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Poll

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Q&A

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Close

Important disclaimer

This presentation contains general information which is current as at 22 November 2019.

The information is intended to be a summary of Australian Finance Group Limited (AFG) and its activities as at 31 October 2019, 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.

No representation or warranty is made in respect of the accuracy or completeness of any information in this presentation, or the likelihood of any of the forward looking statements in the presentation being fulfilled.

For further information visit: www.afgonline.com.au

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Thank you