



Liberty Financial Group FY22 Full Year Results

29 AUGUST 2022

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Presenting today...



James Boyle
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01

Highlights



Highlights

-  Record loan originations with portfolio and profit growth
-  Stable NIM against industry trend
-  Stable cost to income ratio
-  Stronger balance sheet with 20% ROE
-  Portfolio risk exposure managed effectively
-  Customer experience improvements through digitisation
-  Increased distribution to Securityholders

FY22 Financial Highlights



Underlying NPATA

\$231m (\$226m)

+2%



Net revenue

\$635m (\$600m)

+6%



NIM

3.08% (3.08%)

Stable



BDD

0bps (0bps)

Stable



Cost to income

23% (23%)

Stable



Distribution

49bps (46bps)

+7%

*Balances represent: FY22 (FY21) change between the periods

FY22 Operating Highlights



Average financial assets

\$12.7b (\$12.1b)
+5%



New assets originated

\$5.6b (\$4.1b)
+36%



Impaired loans

\$152m (\$243m)
-37%



FTE Staff

524 (500)
+5%



Broker NPS

81 (75)
+8%



Customer NPS

64 (54)
+19%

*Balances represent: FY22 (FY21) change between the periods

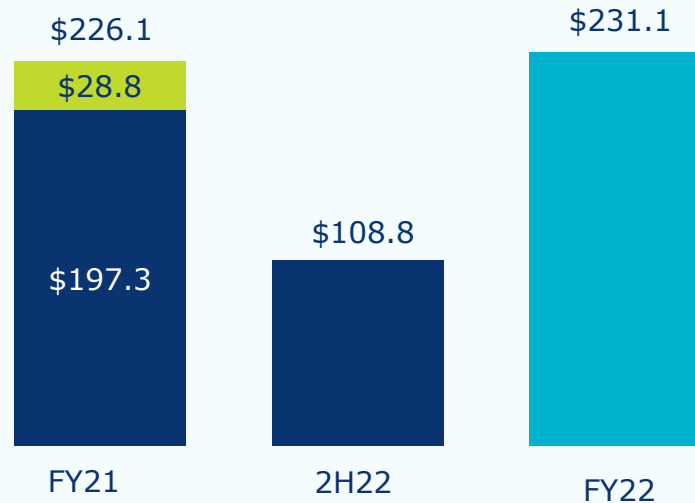
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Results Analysis



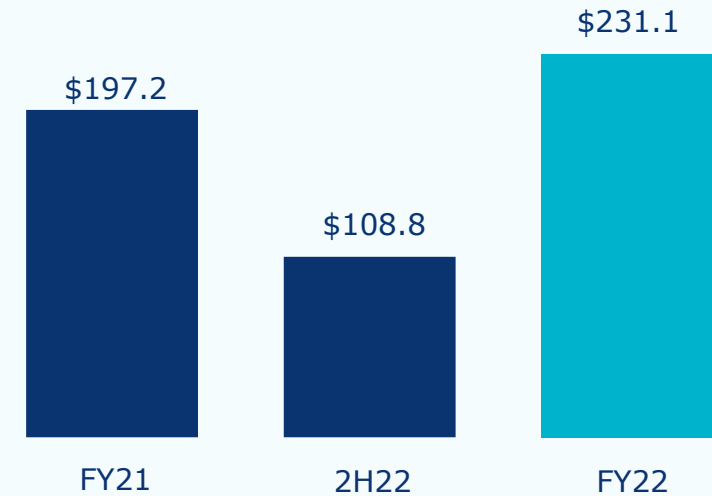
Profit Performance

Underlying NPATA (\$m)



- Growth in underlying NPATA
 - Underlying NPATA growth 2% in FY22 v FY21
 - 2H22 represents 47% of FY22 NPATA as increased cost of funding impacts results

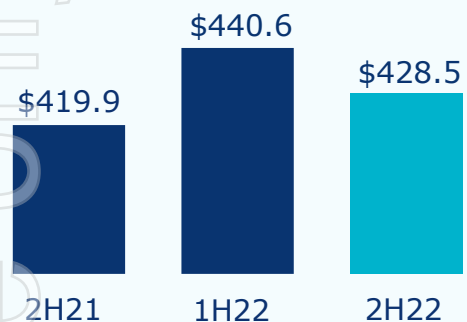
Statutory NPATA (\$m)



- One-time IPO costs explains difference between FY21 underlying NPATA (\$226.0m) and statutory NPATA (\$197.2m)
 - Personnel expenses (\$20.1m)
 - Costs of the IPO offer (\$12.4m)
 - One-time items consistent with IPO Prospectus

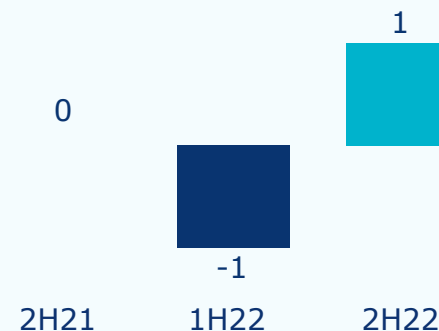
Profit Drivers

Total Revenue (\$'m)



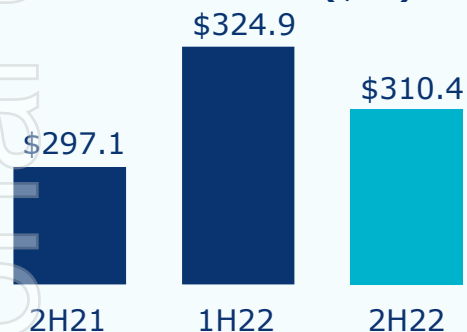
- Total revenue growth +2% (2H22 v 2H21) driven by increased new originations and average assets
- Total revenue growth -3% (2H22 v 1H22) as yield reduction offsets average asset growth

BDD (bps)



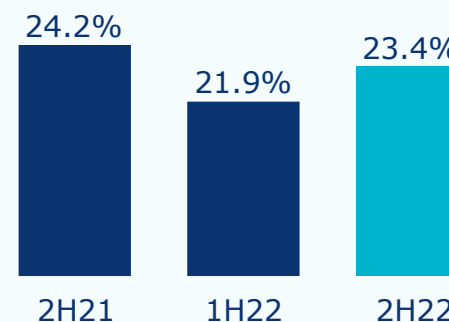
- Consistent low loss performance as impaired loans reduces and realised losses covered by specific provisions
- Collective provision unchanged as uncertainty remains

Net Revenue (\$'m)



- Net revenue growth +4% (2H22 v 2H21) as NIM remains relatively stable at 3.05% (v 3.07%)
- Net revenue growth -4% (2H22 v 1H22) as NIM reduces to 3.05% (v 3.14%)

Cost to Income (%)

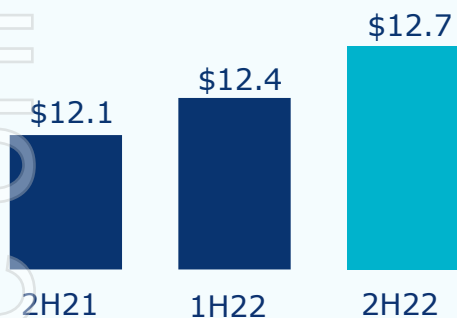


- Operating costs stable throughout the periods
- Increase in FTE staff to 524 (500 2H21) to support expected growth

*Net Revenue=Total Revenue less Interest Expense

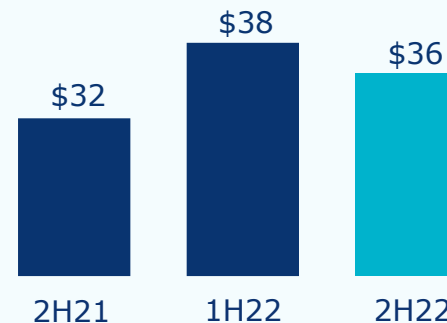
Revenue

Average Assets (\$'b)



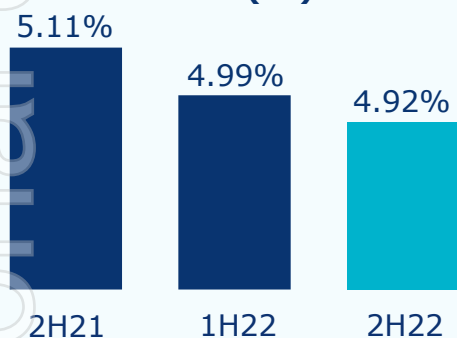
- ▲ Average asset growth +5% (2H22 v 2H21) and +3% (2H22 v 1H22)
- ▲ New financial asset origination \$2.7b (v\$2.8b 1H22 and \$2.1b 2H21)
- ▲ Loan discharges and prepayments influencing portfolio growth

Lending Income (\$'m)



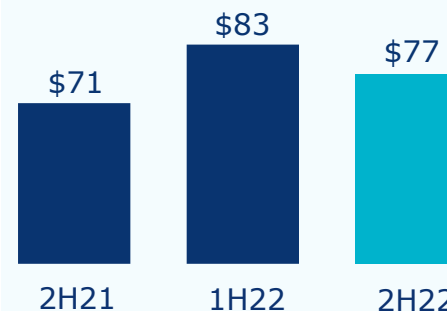
- ▲ Movement in lending income between periods consistent with movement in new loan origination

Yield (%)



- ▲ Reduction in 2H22 yield to 4.92% from 1H22 (4.99%) due to
 - Origination yield below portfolio yield (-10bps)
 - Discharge and amortisation yield above portfolio yield (-2bps)
 - Asset mix benefit towards higher yielding Secured and Financial Services segments (+5bps)

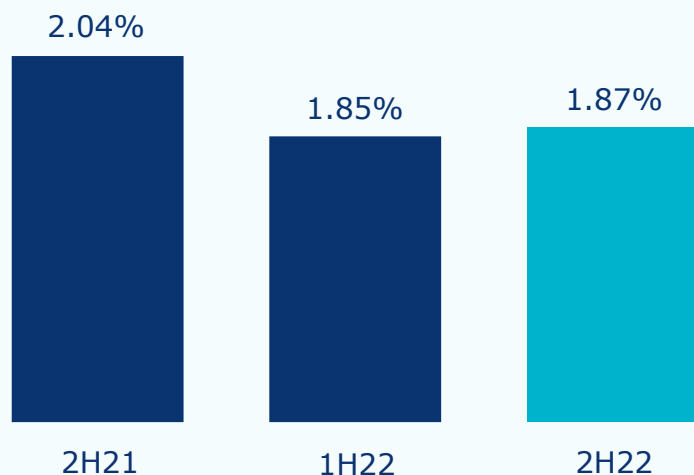
Commission Income (\$'m)



- ▲ Growth in 2H22 v 2H21 from higher network loan origination and growing aggregation networks
- ▲ Decline in 2H22 v 1H22 from slowdown in NZ transaction volume

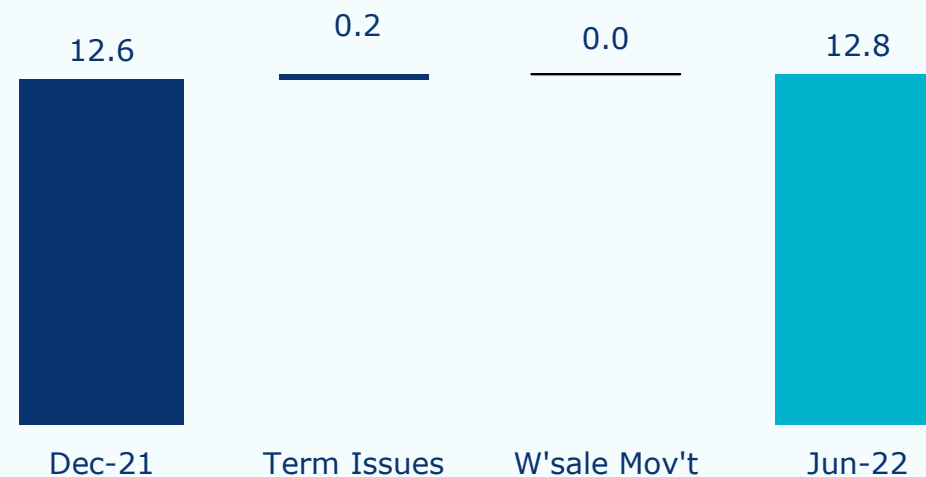
Funding

Cost of Funds



- RBA rate increase of 75bps (to 85bps at 30-Jun-22) and funding rate (1M BBSW) increase of 114bps (to 115bps at 30-Jun-22)
- Increase in average 1M BBSW (23bps) from 1bps in 1H22 to 24bps in 2H22
- Decrease in funding margin (21bps) to 163bps in 2H22 (from 184bps in 1H22) as cost of new funding lower than existing debt

Total Financing (\$'b)

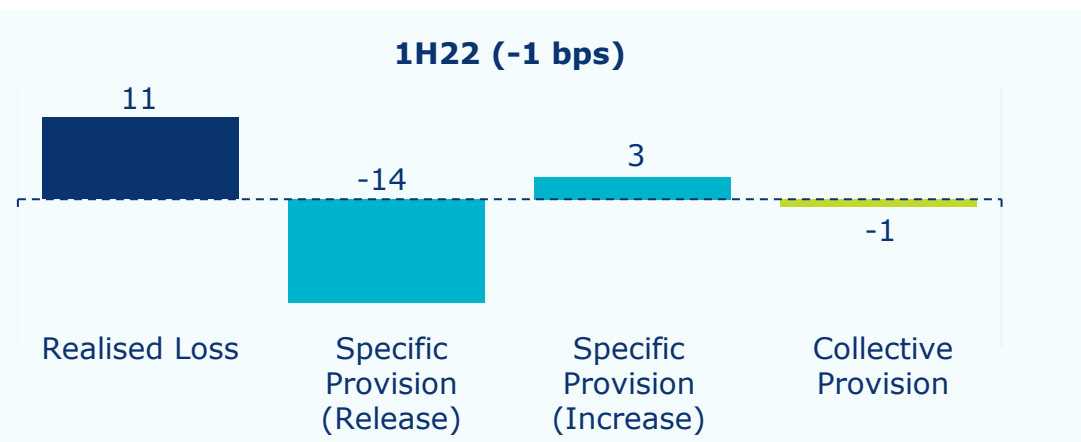
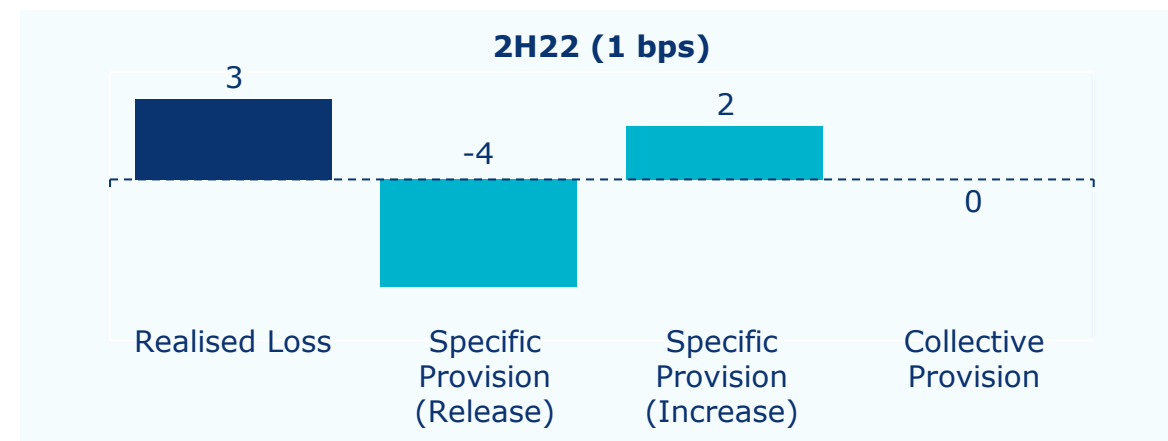
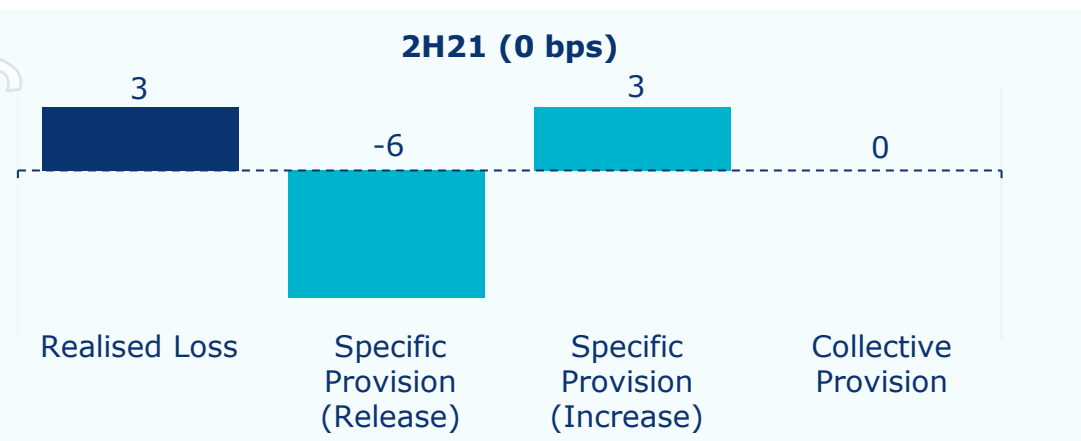


- Obtained \$4.6b in net new funding in FY22 and \$2.1b in 2H22
- Issued Auto ABS (\$350m), two RMBS (\$1.7b) and one MTN (\$250m) in 2H22
- Wholesale funding limit increased to \$6.6b (\$5.8b at 30-Jun-21) in excess of LTM loan originations (\$5.6b)

BDD



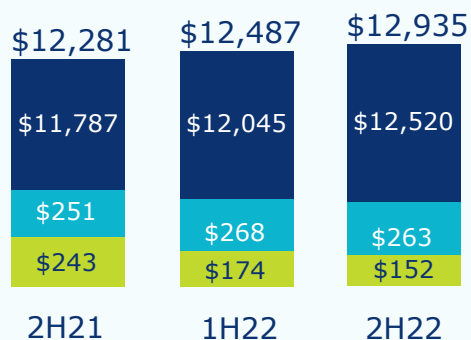
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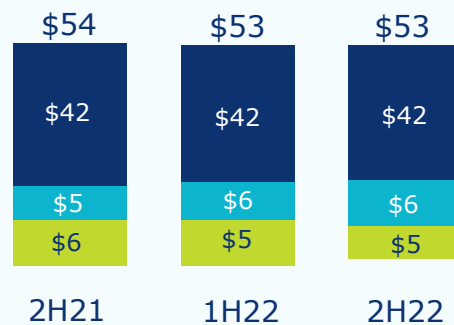
- Impairment expense 1bps in 2H22 driven by
 - Realised losses (3bps) offset by specific provision release relating to write-offs (4bps)
 - Stable increase in specific provisions (2bps)
 - Collective provision unchanged as economic uncertainty remains

Loss Provisions

Portfolio by Stage (\$m)



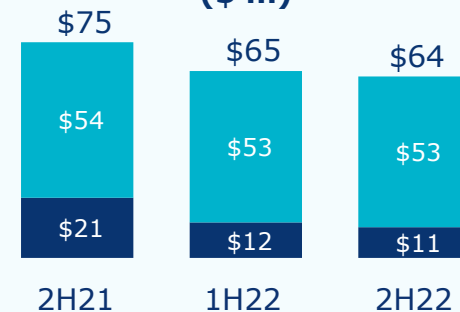
Collective Provision by Stage (\$m)



- Stable Stage 2 balances
- Reduced Stage 3 balances as economic risk from COVID ends
- 57% of customers in Stage 3 making active payments
- Stage 3 customers making repayments at 88% of contract

Stage 1 Stage 2 Stage 3

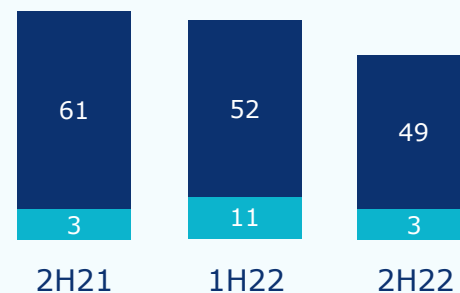
Provisions by Nature (\$'m)



- Specific provisions at 2H22 (\$11m) consistent with 1H22 and lower than 2H21 due to discharge of impaired loans
- Collective provisions at 2H22 (\$53m) retained consistent with prior period, reflecting current macro economic uncertainty

Collective Specific

Provision Coverage (bps)



- Total provisions at 2H22 (49bps) provide 8 times coverage against annualised 2H22 realised losses (3bps)
- Total provisions at 2H22 (\$64m) provide 42% coverage against Stage 3 balances (31% in 2H21)

Provisions Losses

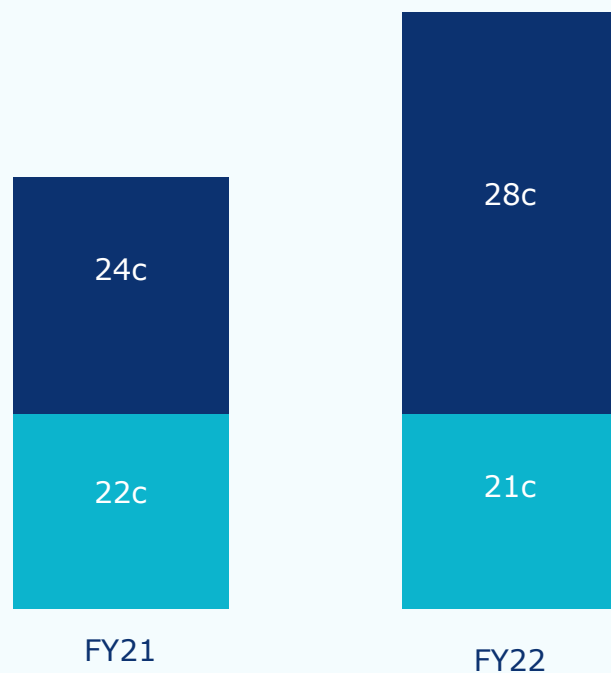
Cost to Income

\$m	2H21	1H22	2H22
Fees and commissions (gross)	100	116	113
Operating expenses			
Personnel	38	42	42
Other	34	29	31
Cash expenses	72	71	73
IP amortisation	6	6	6
Total expenses	78	77	79
Cost to income	24.2%	21.9%	23.4%

- Growth in 2H22 v 2H21 from higher network loan origination and growing aggregation networks
- Decline in 2H22 v 1H22 from slowdown in NZ transaction volume
- Personnel cost increase in 2H22 v 2H21 reflects increase in FTE to 524 (from 500) to support growth and innovation and wage inflation
- Other expenses in 2H22 stable v 1H22 and lower than 2H21 due to non-recurring M&A related costs

Cost to income = Underlying personnel & other expenses / Net Revenue

Distribution



- Final distribution for 7 month period to 30-Jun-22 (28c) to be paid 31-Aug-22.
- FY22 distribution (49 cents) providing approximately 10% yield based on recent security price
- FY22 payout ratio 68% NPAT
- Future distribution payout policy of 40-80% NPAT retained

Financial Position

\$m	Jun-21	Jun-22
Cash	604	654
Financial assets	12,239	12,916
Loans to related parties	157	140
Other assets	559	615
Financing	(12,236)	(12,802)
Other liabilities	(293)	(407)
Net assets	1,030	1,116
Leverage ratio	13.2	12.8

Leverage Ratio = Total Assets / Total Equity

- Stable balance sheet and leverage
- Investment grade rating BBB- (positive outlook)
- FY22 ROE 20% with conservative leverage

03

Business Performance

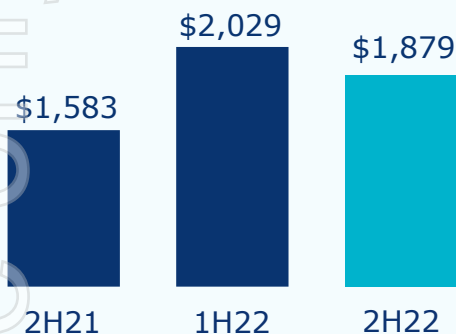


Business Performance

-  Record earnings, originations and portfolio growth
-  Group NIM stable counter to industry trend
-  Residential activity increase maintaining portfolio
-  Continued growth in SME and SMSF lending
-  Motor growth fuelled by new distribution partnerships
-  Fin Services fees benefiting from increased activity
-  Progressing ESG initiatives

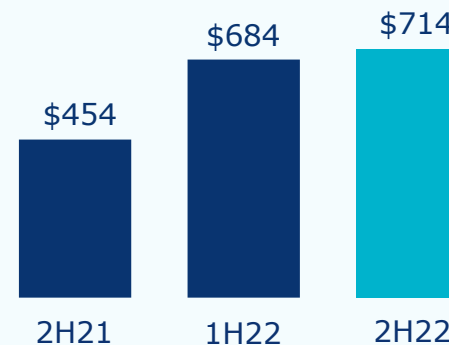
Segment Loan Origination

Residential (\$'m)



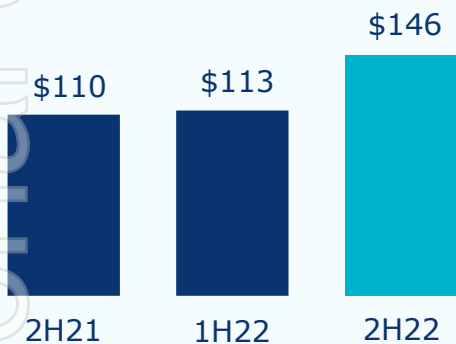
Record FY22 new loan origination (\$3.9b) with +28% growth on FY21

Secured (\$'m)



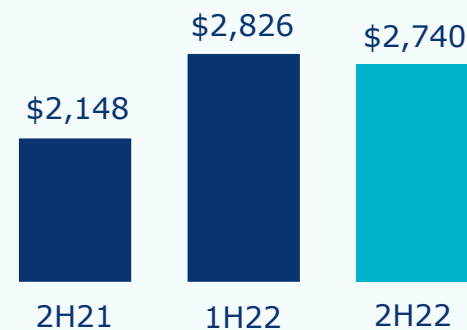
Record FY22 new loan origination (\$1.4b) with +66% growth on FY21

Fin Services (\$'m)



Revitalised personal loan offering gaining traction

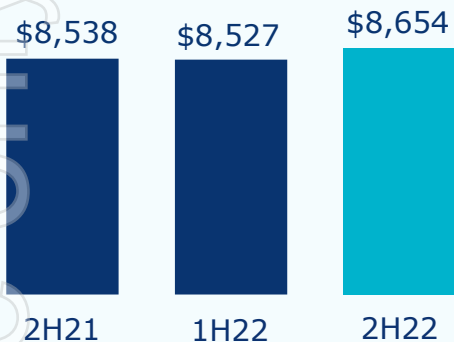
Group (\$'m)



Record FY22 new loan origination (\$5.6b) with +36% growth on FY21

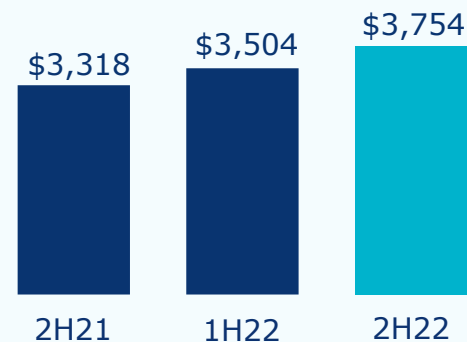
Segment Loan Portfolio

Residential (\$'m)



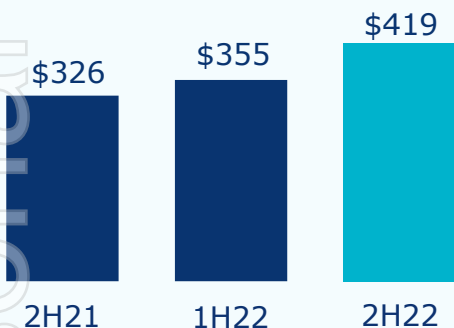
- Portfolio growth continues to be impacted by higher than trend discharges and amortisation

Secured (\$'m)



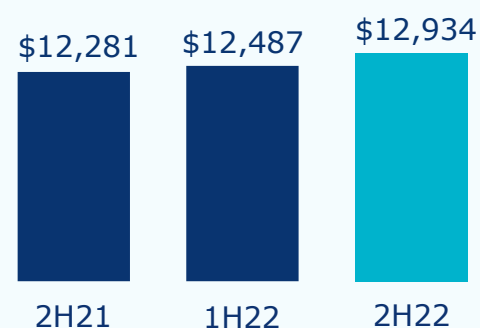
- Continued growth in Secured loan portfolio
- Steady discharges and amortisation

Fin Services (\$'m)



- Continued growth in personal loan portfolio

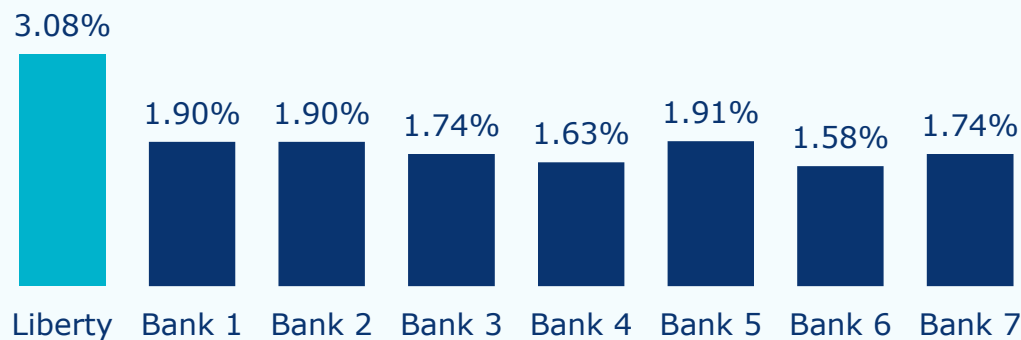
Group (\$'m)



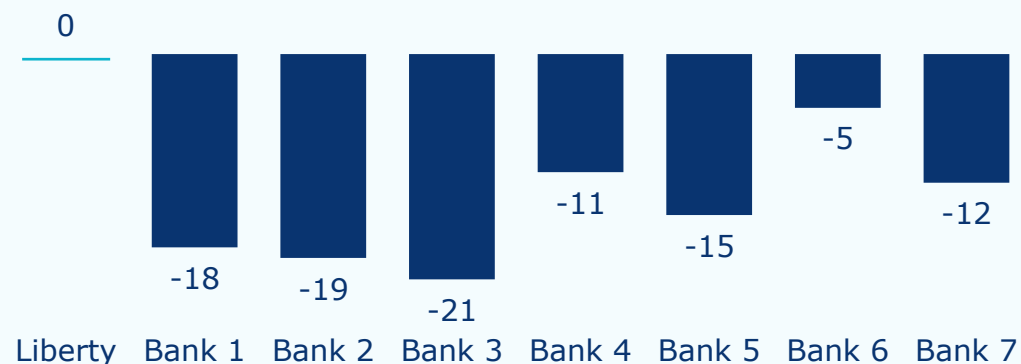
- FY22 portfolio 5% growth on FY21
- Portfolio mix continues to move toward higher yielding Secured and Fin Services assets

NIM Bank Comparison

NIM (%)



NIM Movement (bps)

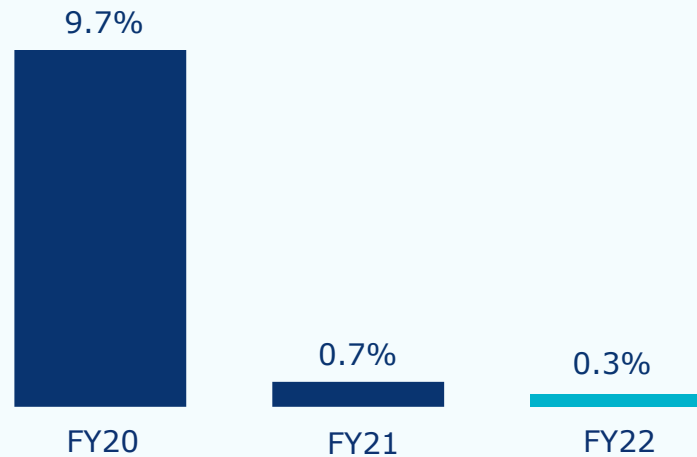


All data at most recent reporting period; annual movement

- Premium NIM despite absence of deposits
- Stable NIM despite market led price competition
- Asset mix diversification strategy supporting NIM
- Demonstrated focus on risk adjusted return and building durable business value

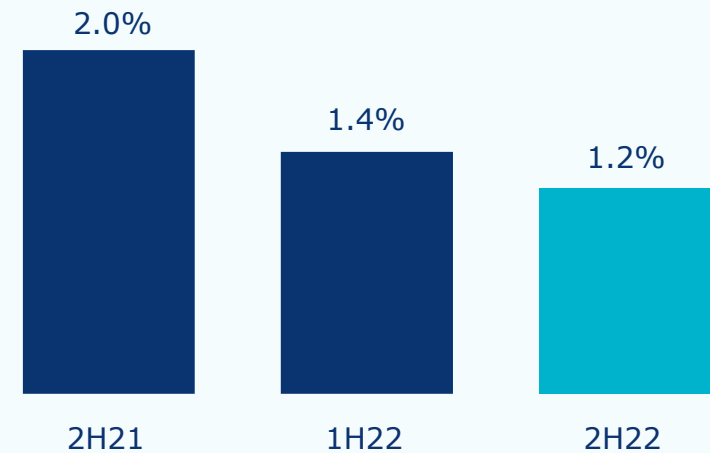
Portfolio Risk

COVID Impacted Customers



- Material reduction in customers impacted by COVID between FY20 and FY22
- Economic risk from COVID no longer impacting customers

+90 Day Delinquency



- Consistent reduction in impaired loans through the periods
- More customers will need hardship assistance in future periods as interest rates increase

ESG, People and Culture



Certified B Corporation



Committed to Carbon Neutral by 2030



Published Reflect Reconciliation Action Plan



Improved gender diversity metrics



Women in Finance Employer of the Year



Expanded leave policies supporting diversity



Finalising Financial Inclusion Action Plan

04

Outlook



Outlook



Economic indicators suggest slower credit growth



Refinance activity to continue as fixed rate loans expire



Greater customer support needed as rates increase



NIM reduction as funding costs normalise



Accelerating auto finance growth



Continue investment in improving customer experience

05

Conclusion



Conclusion



Measured growth in financial asset portfolio



Strong liquidity and capital position to support growth



Focus on optimising earnings through the cycles



Distributions providing healthy Securityholder return



Diverse customer solutions balancing margin pressure



Ongoing investment in digital customer solutions

06

Questions



Appendix



Who is LFG?

Liberty Financial

- Started 1997 and only investment grade non-bank (BBB-/positive/A-3)
- Pioneered specialty finance industry in Australia and New Zealand
- Over 500 professionals, Melbourne head office
- Operates through three key segments: Residential Finance, Secured Finance and Financial Services

Durable Business Model

- Advanced risk-management capabilities
- Proprietary technology supports operations
- STRONG S&P Servicer rating across all asset classes
- Diversified products, services, revenues and profits
- Unblemished capital markets track record

Diversified Portfolio



- Residential - 68%
- Secured - 29%
- Financial Services - 3%

Products and Services

Residential Finance

Australian mortgages

- Prime and custom lending for residential owner occupier and investment properties



New Zealand mortgages

- Prime and custom lending for residential owner occupier and investment properties

Secured Finance

Motor finance

- Secured prime and custom lending for vehicles purchased privately and through dealerships in Australia



Commercial finance

- Secured commercial property mortgages to SMEs and SMSFs for working capital, owner occupier loans and investment loans in Australia

Financial Services

Personal loans

- Personal loans in Australia

MONEYPLACE

SME loans

- SME loans in Australia



General insurance underwriting and distribution

- Underwriter and distribution of LPI and VEI, distributor of home and contents and car insurance in Australia



Life insurance distribution

- Designer and distributor of life insurance in Australia



Broker network and aggregators

- Mortgage broker distributing loans and insurance products in Australia and New Zealand



Investments

- A range of investment products for short and long-term investing in Australia and New Zealand



Real estate

- Real estate services in New Zealand



Lending activities

Insurance underwriting

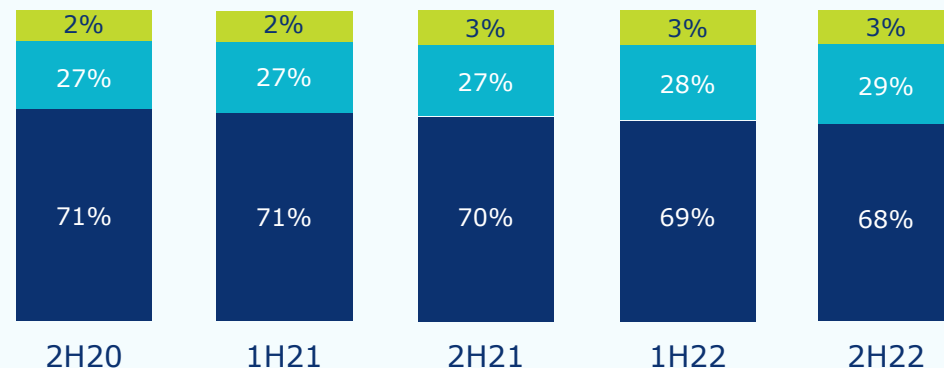
Loan and insurance distribution

Investments

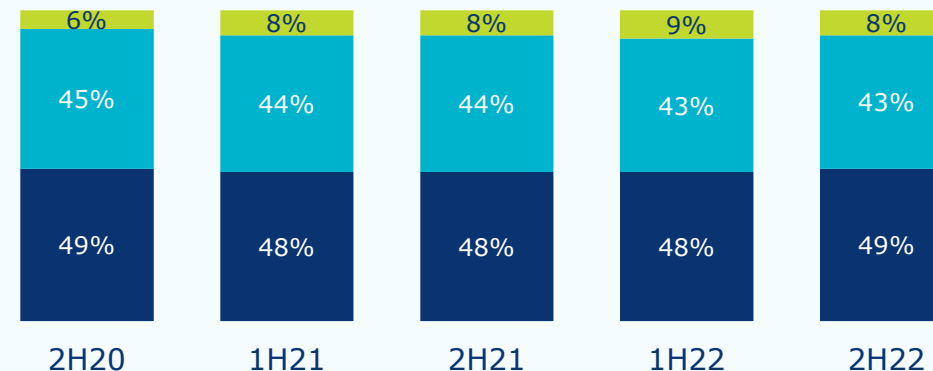
Real estate

Segment Performance

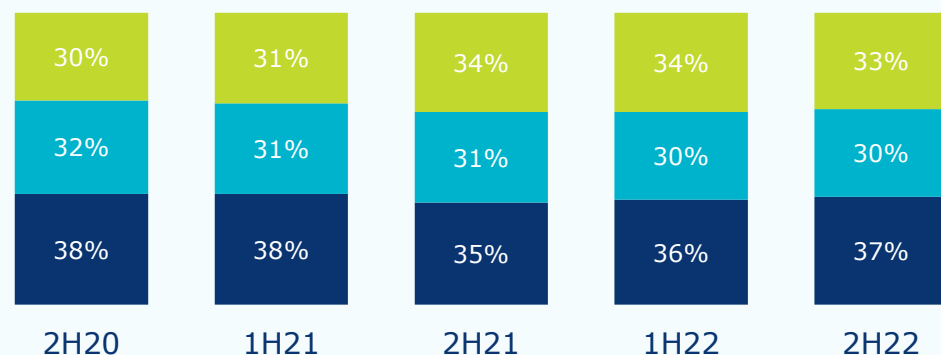
Portfolio



Net Contribution



Net Revenue



Residential Secured Fin Service

- Relative segment portfolio mix continues its trajectory toward Secured and Financial Services
- Higher yielding Secured and Financial Services assets generate materially higher relative contribution to group net revenue and contribution
- These trends are expected to continue into future periods supporting efficient earnings growth

Reconciliation Statutory to Pro-Forma

\$m	FY21	FY22
Statutory NPAT	185	219
IP amortisation	12	12
Statutory NPATA	197	231
Non-recurring personnel costs	20	-
IPO offer costs	12	-
Tax effect of adjustments	(4)	-
Adjustments	29	-
Underlying NPATA	226	231

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The information in this Presentation is current as at 29 August 2022. It is in summary form and is not necessarily complete. It should be read together with the Liberty Group results for the full year 30 June 2022.

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