ASX ANNOUNCEMENT

Liberty

9 November 2022

Markets Announcement Office
ASX Limited

LIBERTY GROUP 2022 AGM – CHAIRMAN'S ADDRESS AND CEO'S ADDRESS

In accordance with ASX listing rule 3.13.3, Liberty Group (ASX: LFG) attaches the Chairman's address and the Chief Executive Officer's address and accompanying presentation slides to be delivered at the Liberty Group's 2022 Annual General Meeting.

Authorised for disclosure by the Board.

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About the Liberty Group

Liberty Group is a leading diversified finance company in Australia and New Zealand. Its businesses include residential and commercial mortgages, motor vehicle finance, personal loans, business loans, broking services, general insurance and investments. Liberty has raised more than $38 billion in domestic and international capital markets. Since 1997, Liberty has helped more than 700,000 customers get financial.

Chair Address

The year ended 30 June 2022 for the Liberty Group has been one of solid results in the face of emerging macro-economic headwinds reinforcing the Group's position as a leading financial services provider.

Liberty Group achieved record statutory net profit after tax for the year ended 30 June 2022 of $219 million or $0.72 per stapled security. This result is an increase of 18% compared to FY21 and significantly exceeds the FY21 IPO prospectus pro-forma net profit after tax forecast of $154 million.

Consistent with statements made during the IPO about our distribution policy, the Group distributed earnings of $0.49 per stapled security to securityholders at a payout ratio of 68%. This distribution equates to an unfranked yield of 12% based on the security price as at 30 June 2022. We affirm our current policy to distribute 40% to 80% of Group net profit after tax to securityholders annually.

These results were achieved as we transitioned from the challenges of COVID-19 to an environment of rising interest rates. The results are a testament to the dedication of the Liberty team and the strength of our commitment to customers.

It has been another demanding year, but a successful one on many measures.

The board delivered on its promise last year to enhance its diversity of gender and skills. We are delighted that Dr Jane Watts joined the board and I look forward to her appointment being endorsed by our securityholders today.

The board also established a long-term incentive plan as previously indicated. I would like to thank Leona Murphy as Chair of the Remuneration Committee for her leadership in developing a plan that aligns the interests of executives and securityholders as well as Liberty's commitment to ESG principles.

I would like to thank the entire Liberty Group staff and my Board colleagues each of whom contributed to delivering the strong results for FY22 and ensuring the Liberty Group is in a sound position for FY23.

Finally, thanks to you, the securityholders for your continued support.

I will now hand over to James.

CEO Address

Thank you, Richard and good afternoon everyone.

I'd like to add my welcome to all of the Securityholders who have taken time to join our Meeting today.

I would also like to start by acknowledging the traditional owners of all the lands that many of us live and work. I'm located in Melbourne, Victoria and I acknowledge the traditional owners of this land, the Wurundjeri people of the Kulin nation, and I pay my respects to Elders past and present as well as to any other Aboriginal or Torres Strait Island people present.

We'd also like to thank all traditional owners for the great care they have taken of these lands for well over 60,000 years and for the great joy that we derive from them.

Today I plan to provide a business and strategy update as well as financial results for the last financial year and the most recent quarter's business results.

Finally I'll share some thoughts about the path forward and our outlook for the coming financial year.

FY22 Operating Highlights

The financial year 2022 was a strong year, notwithstanding the challenges that our customers and team endured.

Average assets increased by 5% in FY22 to $12.7 billion. New loan originations of $5.6 billion exceeded the prior year by 36%. The difference in origination and asset growth is attributable to loan amortisation, prepayment and discharge.

We were effective in being able to support and help customers challenged by changing economic circumstances. We finished the year with impaired loans of $152 million, a reduction of 37% from the previous year.

We saw our efforts on customer service recognised with an increase in our Broker Net Promoter Score by 8% to 81 and an increase in our Customer Net Promoter Score by 19% to 64.

FY22 Financial Highlights

The Liberty Group achieved record earnings for the financial year ended 30 June 2022. This record was achieved as reflected in these select key value drivers of our business as compared to FY21.

We're particularly proud that counter to industry trend, our net interest margin and cost to income ratio both remained stable in FY22.

Importantly we finished the period with a stronger balance sheet at the same time as generating a return on assets of 1.7% and return on equity of 20%.

1Q23 Highlights

Turning now to business highlights during the first quarter of financial year 2023.

Origination of new loans continued to grow in Q1 to a level of $1.5 billion which exceeded 4Q22 and the corresponding quarter in FY22.

We continue to experience elevated discharges in our residential portfolio which has coincided with market driven interest rate increases.

Despite these interest rate increases and higher cost of living, we have not seen any material change in customer repayment hardship or delinquency. However, we expect this may change if rate increases and broader macro economic issues continue to challenge our economy.

We have successfully issued two new ABS transactions raising $1.4b of capital, maintaining our strong capital and liquidity position.

Importantly our corporate rating was affirmed at BBB minus with a positive outlook following Standard and Poors analysis of our FY22 results and capital position.

Finally, we have continued to increase staff numbers in a measured way to support our current and anticipated growth.

Loan Origination 1Q23

On this slide we can see the Loan Originations over the first quarter of FY23 by segment and for the Group.

New loan originations for the Liberty Group are on track to exceed the 2022 financial year, with $1.5 billion of loans originated in the first quarter.

New residential loan origination has remained relatively stable across the reporting periods.

Secured lending has grown strongly in both our SMSF, commercial and asset finance areas. In particular, new customer solutions in asset finance through the motor dealership channel have supported this growth.

And personal loan origination has grown as stability and credibility of our offering to customers has seen us gain market share.

Loan Portfolio 1Q23

The Liberty Group loan portfolio is on track to grow in FY23 consistently with the level achieved in FY22. Importantly the mix of the portfolio continues to shift toward a greater proportion of loans in the Secured segment.

The Residential loan portfolio has remained relatively stable over the reporting periods as customer discharges offset new loan origination.

However, as the Secured and financial services segment loans are less impacted by discharge activity, these portfolios increased consistently with the growth in new loan origination.

FY23 Outlook

Finally, looking ahead to the remainder of FY23.

We have experienced a slowing demand for credit during Q1 and economic indicators suggest slower credit growth will continue throughout the remainder of FY23.

We expect refinance activity will continue throughout the year as customers continue to be impacted by inflation and market interest rate increases. We also expect heightened market activity as record fixed rate loans written by banks in COVID during a period of lower interest rates mature.

We will continue to focus on providing excellent customer service with competitive pricing across a broad range of customer cohorts.

Consistent with comments made at the full-year result briefing, the cost of funding changed dramatically in May 2022 with the tightening rate cycle. Consequently, our cost of funding increased by 25-30 basis points compared to FY22. We expect this reduction in NIM to persist for the remainder of FY23.

Helping us meet these challenges are our strong capital position and our growth in asset finance. This growth will support the continued shift in mix toward the higher yielding Secured loans segment.

Also, we will continue to invest in improving the Liberty customer experience through digital and online technologies which we continue to see as a key point of difference.

And finally, we expect to announce an interim distribution for the period ending 30 November 2022 payable in December 2022.

Before I close, I'd like to acknowledge the professional and dedicated work of the entire Liberty team. We're able to present such strong results because our diverse team is invested in helping more customers get – and stay – financial in more and better ways.

Thank you also to our Securityholders for your continued support in the work we do creating shared value in the Australian and New Zealand communities.

I'd now like to hand back to Richard for the formal business of this Meeting.

Liberty Financial Group Annual General Meeting

9 November 2022

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

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%

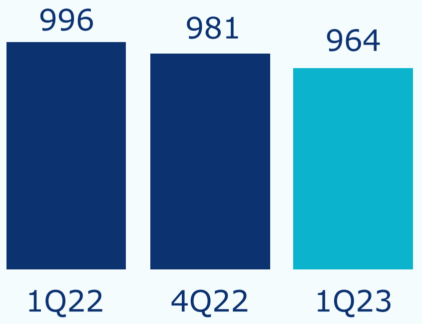
*Balances represent: FY22 (FY21) change between the periods

1Q23 Highlights

- Record loan originations
- Continued elevated residential loan discharge rate
- No material change in customer hardship
- Two new ABS issues totalling $1.4b
- Corporate rating affirmed at BBB- (positive outlook)
- Continued increase in staff to support business growth

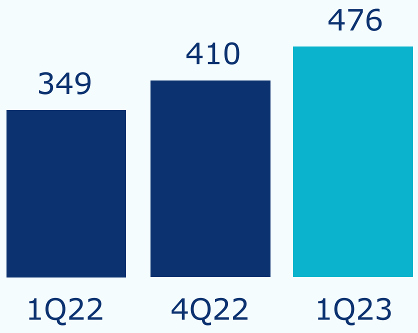
Loan Origination 1Q23

Residential ($'m)



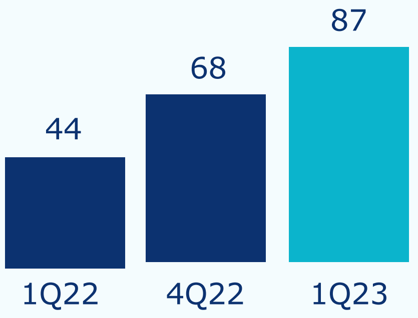
- Slight reduction in new residential loan origination as demand for credit slows in current economic environment

Secured ($'m)



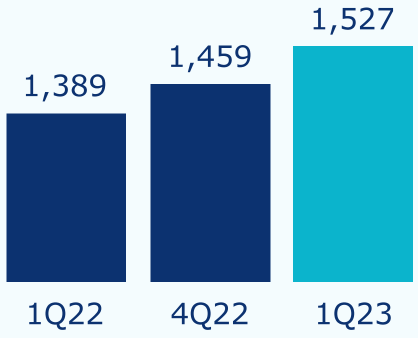
- Continued growth in new SMSF loan origination as market grows
- Continued growth in new asset finance loan origination as dealer distribution channel expands

Fin Serv ($'m)



- Continued growth in new personal loan origination from market share gain

Group ($'m)



- Record quarter loan origination
- Continued shift in asset mix toward higher yielding segments
- FY23 new loan origination on track to exceed FY22

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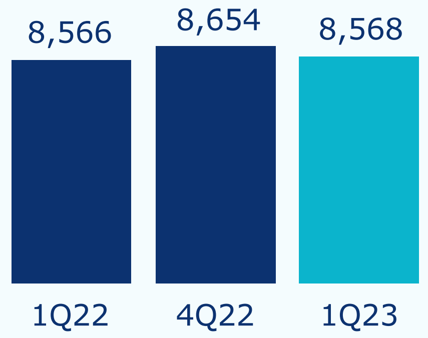
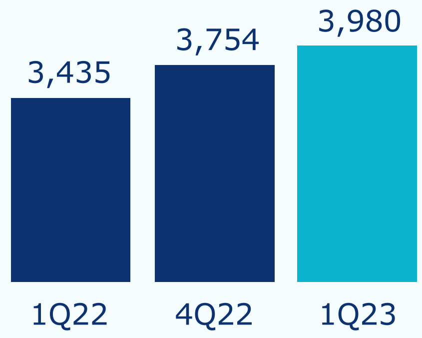
Loan Portfolio 1Q23

Residential ($'m)



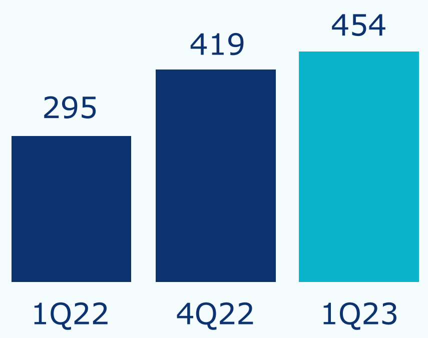
- Portfolio growth impacted by higher than trend discharges

Secured ($'m)



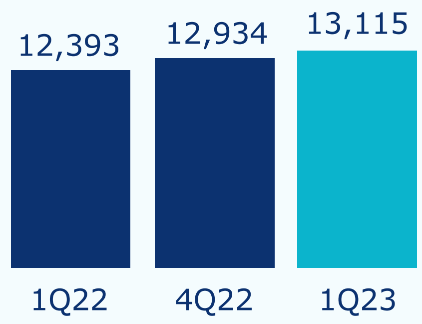
- Growth in SMSF and asset finance loan portfolios consistent with growth in new originations

Fin Serv ($'m)



- Growth in personal loan portfolio consistent with growth in new originations

Group ($'m)



- FY23 portfolio growth on track to be consistent with FY22 growth
- Portfolio mix continuing to shift toward Secured Segment

FY23 Outlook

- Economic indicators suggest slower credit growth
- Refinance activity to continue as fixed rate loans expire
- Greater customer support needed over holiday period
- NIM has reduced as funding costs normalise
- Accelerating auto finance growth
- Continued investment in improving customer experience
- Interim distribution planned for December 2022

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Thank you for joining us

Appendix

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The information in this Presentation is current as at 9 November 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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