



Liberty Financial Group Half Year Results

FEBRUARY 2020



Presenting today...



James Boyle
Chief Executive Officer



Peter Riedel
Chief Financial Officer

Agenda

- 01** Business Update
- 02** Financial Update
- 03** Q&A

01

Business Update

Business

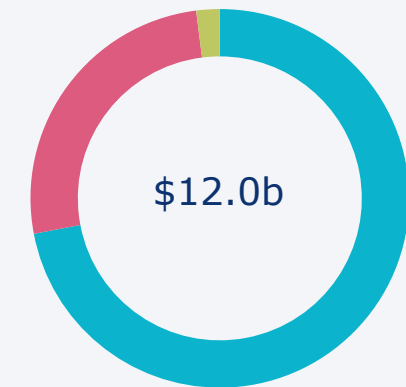
Liberty Financial

- Started 1997 and only investment grade (BBB-/stable/A-3) non-bank
- Pioneered specialty finance industry in Australia and New Zealand
- Over 450 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 - 72%
- Secured - 26%
- Financial Services - 2%

Strategy

Purpose



Focus



Customer Experience



Risk Adjusted Returns

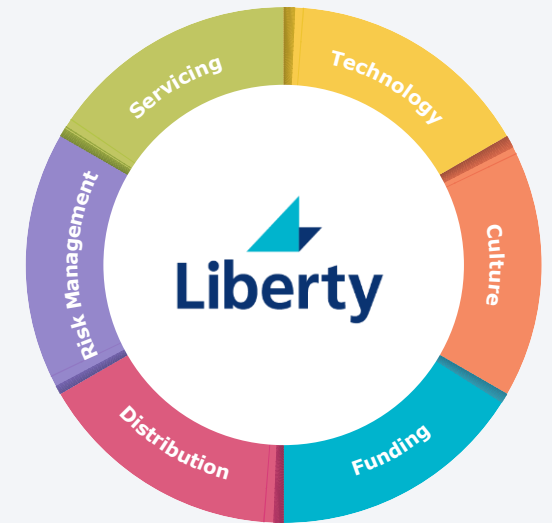


Customer Choice



Free-Thinking

Capabilities



Values

Fair

Learning

Accountable

Invested

Resourceful

Financial Highlights



Underlying NPATA

\$117.7m (\$74.3m)

+58%



Total revenue

\$433.1m (\$433.2)

+0%



NIM

3.07% (2.50%)

+57bps



BDD

0bps (1bps)

-1bps



Cost to income

21.4% (24.4%)

-300bps



Underlying ROA

2.0% (1.3%)

+70bps

Business Highlights

-  Return to growth in loan originations and average assets
-  Ongoing growth in revenue and net profit
-  Continuing strength in Return on Assets
-  COVID portfolio risk exposure effectively managed
-  Strong capital and liquidity position
-  Investment grade rating affirmed
-  New strategic investment of \$2m (initially) in Avenue*

Business Highlights



Average financial assets

\$12.0b (\$11.5b)

+4%



New assets originated

\$2.0b (\$1.8b)

+11%



COVID arrangements

\$262m (\$1,133m)

-77%



Staff

454 (438)

+4%



Broker NPS

75 (63)

+19%



Customer NPS

54 (49)

+10%

Prospectus Forecast

Key Metric	1H21	FY21
Avg Earning Assets	\$12.0b	\$11.9b
Total revenue	\$433m	\$838m
Net revenue	\$303m	\$542m
Underlying NPATA	\$118m	\$166m
NIM	3.07%	2.80%
BDD	0bps	27bps
Cost to Income	21.4%	24.6%

- ▶ Key metrics tracking to or above FY21 forecast
- ▶ Underlying FY21 NPATA is expected to be in excess of \$200m given the difference between the current environment and assumptions reflected in the Prospectus
- ▶ This outlook is subject to a range of uncertainties, in particular the duration and severity of the COVID-19 pandemic

02

Financial Update

Financial Highlights



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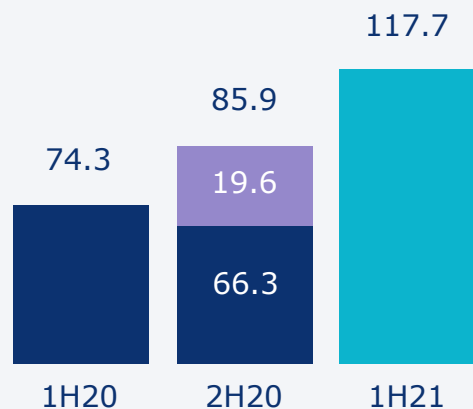
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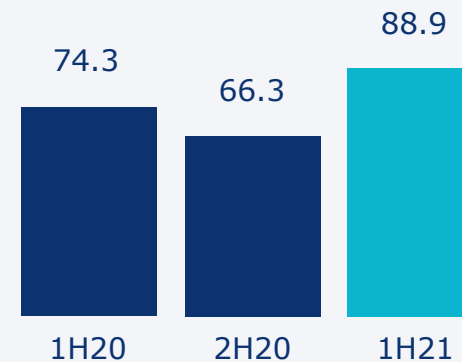
Profit Performance

Underlying NPATA (\$'m)



- Growth in underlying NPATA
 - 58% compared to 1H20
 - 78% compared to 2H20 or 37% excluding impact of COVID provisions
- NPATA growth driven by improvement in profit drivers

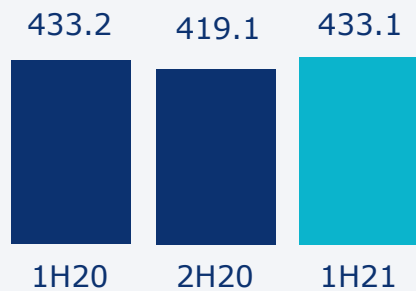
Statutory NPATA (\$'m)



- One-time IPO costs explains difference between 1H21 underlying NPATA (\$117.7m) and statutory NPATA (\$88.9m)
 - Personnel expenses (\$20.1m)
 - Costs of the IPO offer (\$12.4m)
 - One-time items consistent with Prospectus

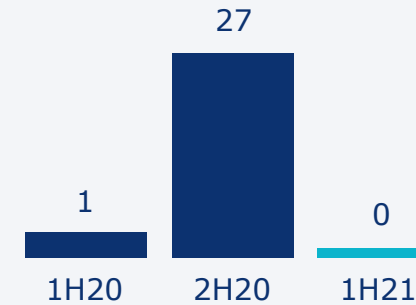
Profit Drivers

Total Revenue (\$'m)



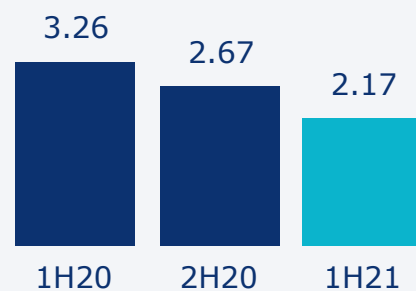
- Stable revenue 1H21 v 1H20
- Revenue growth 3% 1H21 v 2H20
- Growth trajectory returned in 1H21 following COVID driven economic slow down

BDD (bps)



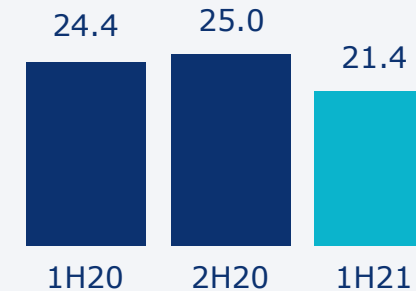
- 2H20 BDD driven by 23bps increase in collective provision for COVID
- 1H21 realised losses (4bps) lower than 1H20 (13bps) and 2H20 (8bps)

Cost of Funding (%)



- RBA cash rate decreased 90bps between Jul 19 (1.00%) and 31 Dec 20 (0.10%)
- 1M BBSW decreased 120bps over the same period

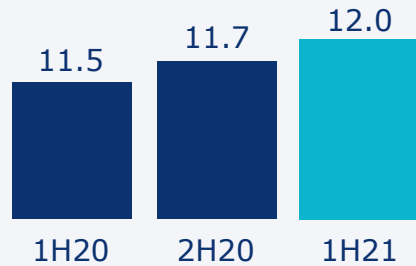
Cost to Income (%)



- Improved 1H21 underlying cost to income ratio compared to 1H20 and 2H20
- Net revenue growth 1H21 v 1H20 (24%) exceeded cash expense growth (8%)

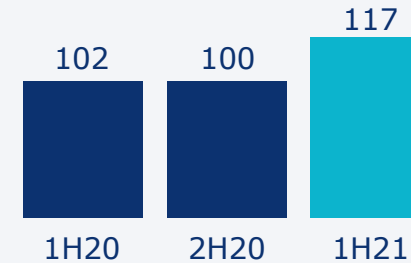
Revenue

Average Assets (\$'b)



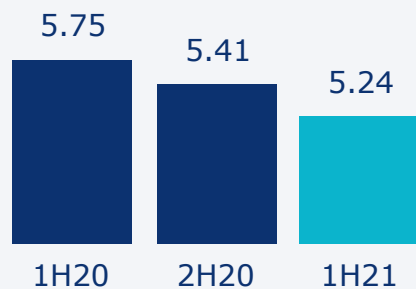
- Average asset growth 4% 1H21 v 1H20
- New financial asset origination \$2.0b (v\$1.7b 2H20 and \$1.8b 1H20).
- Discharges and prepayments steady

Non-Interest Income (\$'m)



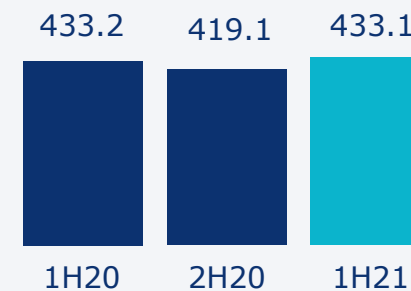
- Strong growth 1H21 v 1H20 (15%) and v 2H20 (17%)
- Growth in aggregation networks and loan origination

Yield (%)



- Reduction in yield as RBA cash rate reductions passed onto customers
- Change in asset mix toward SME, motor and personal loans increased yield by 14bps from 1H20 to 1H21

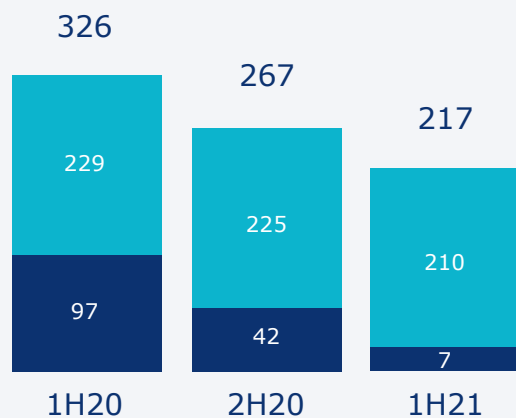
Total Revenue (\$'m)



- Stable revenue 1H21 v 1H20
- Revenue growth 3% 1H21 v 2H20
- Growth trajectory returned in 1H21 following COVID driven economic slow down

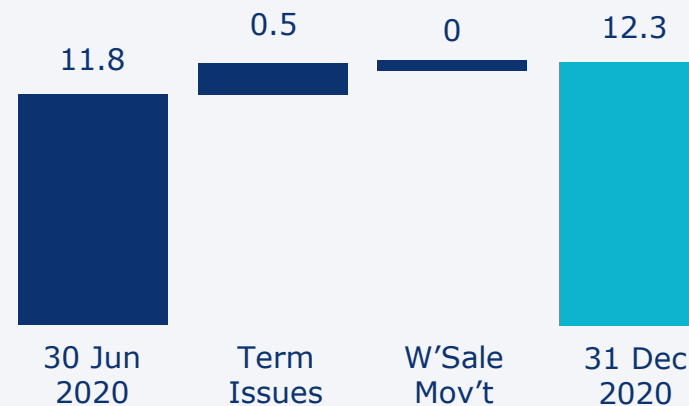
Cost of Funds

Cost of Funds (bps)



- Reduction in total cost of funds correlated with reduction in average 1M BBSW from 97bps in 1H20 to 7bps in 1H21
- Reduced margin to ABS investors from 229bps in 1H20 to 210bps in 1H21 and MTN funding cost reducing with program maturity

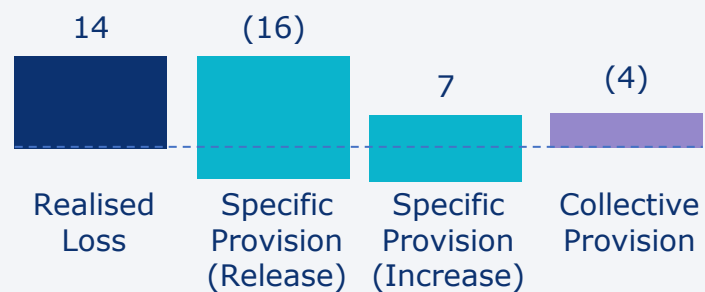
Total Financing (\$'b)



- Issued \$2.3b in new term issues in 1H21
- Wholesale funding stable at \$2.6b
- Funding availability \$2.6b at Dec-20 (\$2.5b at Jun-20)

BDD

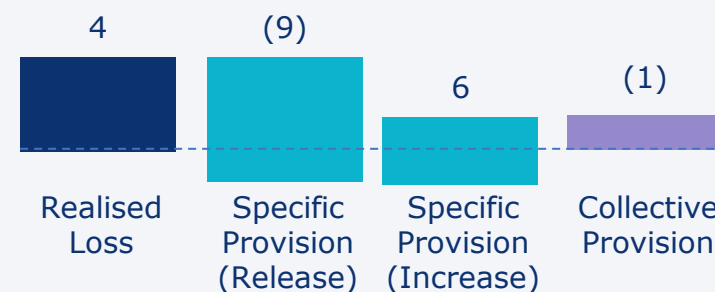
1H20 (1 bps)



2H20 (27 bps)



1H21 (0 bps)



- 1H21 BDD (0bps) driven by
 - low realised losses (4bps) in absolute terms and in comparison to prior periods
 - release of excess specific provisions relating to write-off's (9bps)
 - Increase in specific provisions consistent with prior periods (6bps)
 - Stable collective provision as economic uncertainty remains

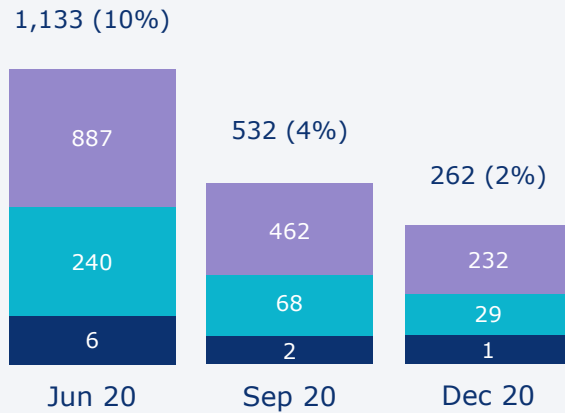
Cost to Income

\$'m	1H20	2H20	1H21
Fees and commissions (gross)	93.2	94.5	106.3
Fees and commissions (net)	8.7	5.2	11.2
Operating expenses			
Personnel	33.5	37.2	36.6
Other	26.5	28.2	28.3
IP amortisation	0.0	5.9	5.9
Pro-forma	60.0	71.3	70.8
Personnel expenses			20.1
IPO offer costs			12.4
Statutory	60.0	71.3	103.3
Pro-forma cost to income	24.4%	25.0%	21.4%

- Increase in commissions paid to brokers consistent with increase in commission income earned from lenders
- Growth in net fees and commissions
- Operating expenses consistent with expectation
- One-time IPO related expenses consistent with Prospectus disclosure
- Underlying cost to income decreases as net revenue increases at faster rate than expenses

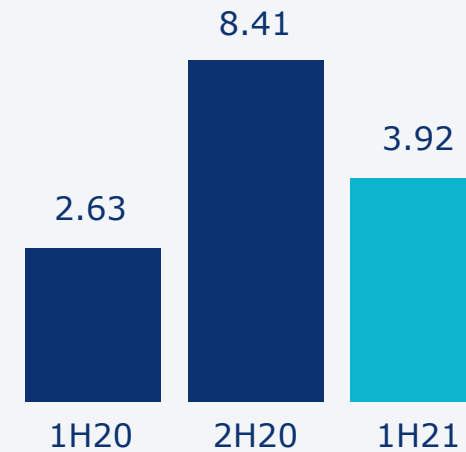
COVID

COVID impacted customers making partial payments (\$'m)



- Material reduction in customers impacted by COVID both at group and segment level
- Repayment rate of impacted customers has increased to \$0.55 (Sep=\$0.50; Jun=\$0.32)
- Most customers rolling off JobKeeper onto JobSeeker

+30 day Delinquency (%)

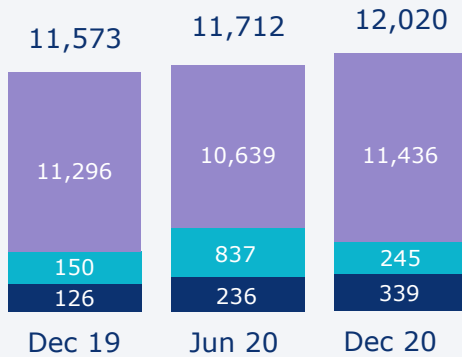


- Delinquency measures mirror COVID impacted customers: level at Dec-20 lower compared to high point at Jun-20
- Level at Dec-20 remains elevated compared to Dec-19 due to COVID impact

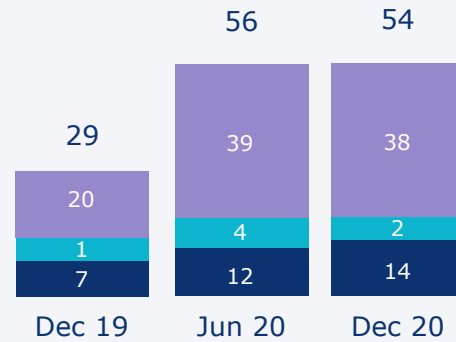
Residential Secured Financial S

Loss Provisions

Portfolio by Stage (\$'m)

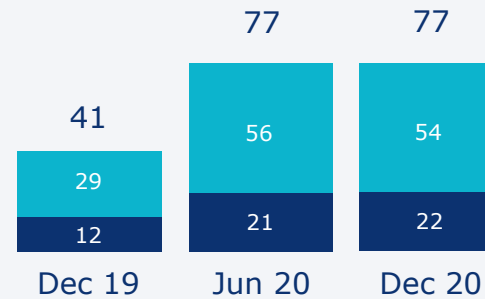


Collective Provision by Stage (\$'m)



- Reduced Stage 2 loans in Dec-20 v Jun-20 as COVID impact subsides
- Stage 2 and 3 balances remain elevated compared to Dec-19 as economic uncertainty persists
- Proportion of customers in Stage 3 making active payments 57% at Dec-20 higher than Dec-19 (27%)
- Stage 3 customers making higher repayments at Dec-20 (\$0.73) than at Dec-19 (\$0.59)
- Average LVR of Stage 3 customers remain lower risk: Residential=71%; SME=58%

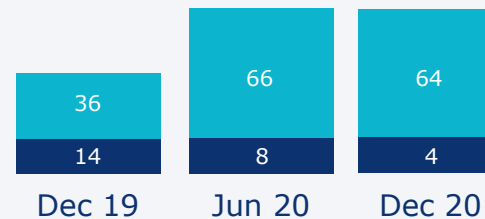
Provisions by Nature (\$'m)



- Specific provisions at Dec-20 (\$22m) consistent with Jun-20
- Collective provisions at Dec-20 (\$55m) consistent with Jun-20. Improvement in Stage 2 balances offset by increase in Stage 3 balances which require higher provision
- COVID overlay retained pending greater certainty of economic recovery (\$10m)

Collective Specific

Provision Coverage (bps)

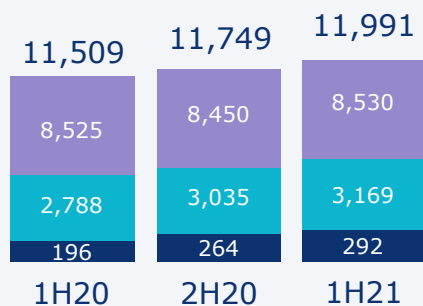


- Total provisions at Dec-20 (64bps) provide 8 times coverage against annualised 1H21 realised losses (8bps)

Provisions Losses

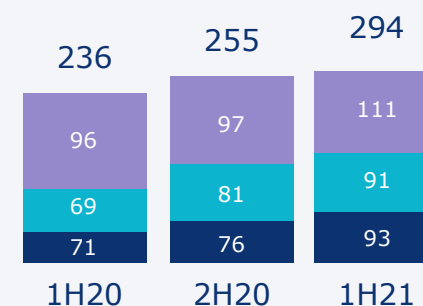
Segments

Average Assets (\$'m)



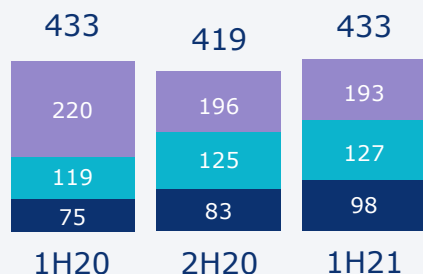
- Average asset growth in all segments in 1H21 v 1H20 and 2H20
- As expected, stronger growth achieved in smaller Secured and Financial Services segments.

Net Revenue (\$'m)



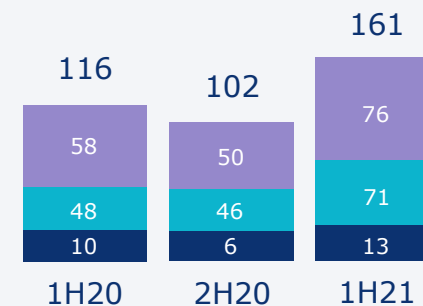
- Strong growth in 1H21 net revenue in all segments v 1H20 and 2H20

Total Revenue (\$'m)



- Total revenue in 1H21 consistent with 1H20 and +3% v 2H20
- Yield reductions in 2H20 following RBA cash rate falls explains revenue movement

Net Contribution (\$'m)



- Strong growth in 1H21 net contribution in all segments v 1H20 and 2H20

Financial Position

\$'m	Jun 20	Dec 20
Cash	498	771
Financial assets	11,659	11,976
Loans to related parties	326	236
Other assets	553	570
Financing	(11,792)	(12,280)
Other liabilities	(220)	(264)
Net assets	1,024	1,009
Leverage ratio	12.7	13.4

- ▶ Liberty Financial corporate rating BBB- (Stable) affirmed by S&P on 27 Oct 20 and again on 25 Nov 20 following IPO announcement
- ▶ Loans previously funded on balance sheet moved to secured facilities increasing free cash
- ▶ Distribution and dividend paid based on earnings pre-IPO.
 - Consistent with Prospectus disclosure that first distribution would be made in July 2021 for period from 1 December 2020
 - Founders used distribution and dividend to reduce related party loans
- ▶ Net asset position at 31 Dec 20 (\$1,009m) equivalent to Prospectus pro-forma at 30 Jun 20 (\$1,001m)

03

Questions

Appendix

Profit or Loss

\$'000	1H21	1H20
Finance income	422,106	423,245
Fee, commission and other income	11,029	9,920
Total revenue	433,135	433,165
Finance expense	(236,441)	(280,544)
Bad and doubtful debts	260	(975)
Personnel expenses	(56,701)	(33,472)
Other expenses	(46,550)	(26,487)
Profit before tax	93,703	91,687
Income tax expense	(10,700)	(17,371)
NPAT	83,003	74,316
Amortisation of intangible assets	5,883	0
NPATA	88,886	74,316

Reconciliation Statutory to Pro-Forma

\$'m	1H21	1H20
Statutory NPAT	83.0	74.3
IP Amortisation	5.9	-
Statutory NPATA	88.9	74.3
Non-recurring personnel costs	20.1	-
IPO offer costs	12.4	-
Tax effect of adjustments	(3.7)	-
Adjustments	28.8	-
Underlying NPATA	117.7	74.3

Balance Sheet

\$'000	Dec 20	Jun 20
Cash and cash equivalents	770,890	498,467
Financial assets	11,976,226	11,658,874
Intangible assets	293,695	299,937
Loans to related parties	236,518	325,871
Other assets	275,767	252,917
Total assets	13,553,096	13,036,066
Financing	(12,279,838)	(11,792,107)
Other liabilities	(263,815)	(220,429)
Total liabilities	(12,543,653)	(12,012,536)
Net assets	1,009,443	1,023,530
Issued capital	719,000	719,000
Reserves and other	(121,025)	(148,056)
Retained earnings	411,468	452,586
Total equity	1,009,443	1,023,530

Products & 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



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

- Designer and distributor of life insurance in Australia



Lending activities

Insurance underwriting

Loan and insurance distribution

Investments

Real estate

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The information in this Presentation is current as at 25 February 2021. It is in summary form and is not necessarily complete. It should be read together with the Liberty Group results for the half year ended 31 December 2020.

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