

ASX ANNOUNCEMENT



17 November 2021

Markets Announcement Office
ASX Limited

LIBERTY GROUP 2021 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 2021 Annual General Meeting.

Authorised for disclosure by the Company Secretary.

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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 \$30 billion in domestic and international capital markets. Since 1997, Liberty has helped more than 500,000 customers get financial.



Chairman’s Address

For the Liberty Group, the year to 30 June 2021 has been one of exceptional results exceeding IPO forecasts and has reinforced the Group’s position as a leading financial services provider.

This was achieved despite the challenging environment we have all been facing and highlights the benefits from the commitment and values of the Liberty Group team and the strength of our customer relationships.

The Liberty Group achieved record earnings for the year ended 30 June 2021 of \$185 million or 61 cents per stapled security. Underlying net profit after tax and amortisation (after adjusting for such one-off items as the costs associated with the IPO) increased by 61% to \$226 million.

The Liberty Group also paid an inaugural distribution of 24 cents per security for the last 7 months of the financial year representing about 77% of the unaudited net profit after tax for this period.

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

I would like to thank the entire Liberty Group staff and my Board colleagues each of whom contributed to delivering the strong results for FY21 and ensuring the Liberty Group is in a sound position for FY22.

James will cover this and our operations since the end of the financial year in his address.

Looking forward to the current year, the Board is intending to add a new independent director in line with the long-term renewal and succession of non-executive Board members.

Another major focus for the Board will be the finalisation of the medium and long term remuneration incentive plans as foreshadowed at the time of the IPO.

We will be reporting in detail to Securityholders on these plans.

I will now hand over to James.

CEO’s 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 this afternoon.

I would also like to start by acknowledging the traditional owners of all the lands that we are meeting on currently. I’m located in Melbourne, Victoria and I acknowledge the traditional owners of this land, the people of the Kulin nation, and pay respects to Elders past, present and emerging.

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.



The business

As this is our first Annual General Meeting, I thought it would be helpful to briefly summarise the business. As many of you know, we are in our 25th year of operation, having pioneered specialty finance in Australia and New Zealand.

We are headquartered in Melbourne, and have almost 500 people working in the Liberty Group across Australia and New Zealand. We align our businesses across three areas, being residential finance, secured finance and financial services.

We’re distinguished amongst other non-ADI finance companies as the only investment grade rated non-bank; we have a BBB-minus rating and positive outlook.

We have developed a durable business model and pride ourselves on our risk management philosophy and approach, which we bring to market with our proprietary technology.

We have proven capability in servicing customers with a long history of innovative products which contributes to our diversified portfolio.

Our portfolio is currently \$12.4 billion with 71% of the portfolio in our residential lending business, 27% in our secured finance business and 2% in our financial services business.

Products & Services

To provide a little more context about the diversity of our business, the three areas previously referenced can be further understood as follows.

In residential finance we offer prime and custom home lending for owner occupier and investment purposes in Australia and New Zealand.

In secured finance we offer motor and commercial finance in Australia.

And in financial services in Australia we offer personal loans, SME loans, general insurance, life insurance. We offer broker networks and investments in Australia and New Zealand and real estate services only in New Zealand.

Strategy

When we talk about strategy with our team we talk about bringing focus to what matters with why, what and how.

Our why is our purpose. Our team is bound behind a purpose of ‘helping more people get financial’. Put simply this means we’re committed to helping people lead better lives using finance.

Our how are our values. Our team recognise the need to hold ourselves to high account in our interactions with our customers, business partners, investors and each other.

Our what are the six capabilities that we seek to continually improve and master in order to succeed. They are culture, technology, service, risk management, distribution and funding.

That leaves the four areas of focus that we bring this mindset and our creativity and effort to.

In particular we strive to differentiate ourselves with customer experience, customer choice, risk-adjusted returns and a free thinking, innovative approach.



Business Highlights FY21

The financial year 2021 was a strong year, notwithstanding the challenges that our customers and team endured.

Average assets increased by 4% in FY21 to \$12 billion. New loan originations of \$4.1 billion exceeded the prior year by 17%. The difference in origination and asset growth is attributable to higher levels of loan prepayment and discharge.

We were effective in being able to help those customers who were challenged by COVID. This had us finish the year with \$84 million of COVID arrangements, down from \$1.1 billion the previous year.

We saw our efforts on customer service recognised with our broker Net Promoter Score of 75, up 19% and our customer Net Promoter Score came in at 53, up 8% compared to the previous year.

Financial Highlights FY21

The Liberty Group achieved record earnings for the year ended 30 June 2021. Underlying net profit after tax and amortisation (after adjusting for one-off items such as the costs associated with the IPO), increased by 61% to \$226 million over the previous financial year.

Our net revenue was \$600 million, which was 18% higher than the previous year.

Net revenue increased in part due to the increase in average assets and part due to the improvement in net interest margin to 3.08%, which was 43 basis points higher than the previous year.

Net interest margin increased principally due to the reduction in funding margin but also due to a change in the mix of assets towards higher yielding loans.

Importantly, the business generated positive jaws in FY21 as net revenue growth of 18% out-paced underlying operating cost growth of 9%.

Impairment cost was nil in FY21, reflecting neither an increase to, nor a release of, the collective provision. We feel this approach is appropriate given the current environment.

We reduced our cost income ratio to 22.8%, down 190 basis points and our underlying return on assets was increased to 1.9%, up 70 basis points.

We were very happy to be able to help so many customers during a challenging year and deliver financial outcomes that were better than forecast for Securityholders.

1Q22 Business Highlights

Turning now to performance in the first quarter of financial year 2022.

We have had ongoing growth in loan originations and asset portfolio. This reflects the consistent investment we’ve made in diversifying our business. We’re optimistic about those opportunities over the coming years and believe that there are plenty of more customers that we can help.

We have seen elevated discharges and amortisation in the first quarter which reflects the fiercely competitive developments in the lending markets.

Funding costs remain supportive of the net interest margin and there is no material change in risk from COVID hardships.

We have had two new ABS issues raising a total of \$1.6 billion of capital, maintaining our strong capital and liquidity position and our corporate rating was affirmed at BBB minus with a positive outlook).



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

Loan Origination 1Q22

On this slide we can see the Loan Originations over the first quarter of FY22.

New loan originations for the Liberty Group are on track to exceed the 2021 financial year, with \$1.38 billion of loans originated in the first quarter.

New residential loan originations continued to grow, given the strong demand for credit. The impact of APRA’s macro-prudential action is unclear.

Secured lending has grown with new SME loan origination, as small business recovers from COVID lockdown. New motor loan origination is stable, due to the continued impact from the lockdown and supply chain constraints.

Fierce competition for new personal loan origination has restricted growth in Financial Services, with our new products released in recent months to help combat that competition.

Loan Portfolio 1Q22

The Liberty Group loan portfolio for the 2022 financial year is on track to continue growing and the portfolio mix is expected to continue to diversify.

Residential loan portfolio growth was impacted by higher than historical discharges and amortisation over the quarter.

We saw continued growth in the secured and personal loan portfolio with steady discharges and amortisation.

FY22 Outlook

Finally, reflecting on the year ahead, we remain cautiously optimistic in our outlook for financial year 2022.

Economic indicators are supportive of credit growth, although the competition for customers is resulting in higher discharges.

We will continue to provide support to COVID impacted customers and we see no material change in risk from COVID hardships.

Reducing borrowing cost for the Liberty Group should support the net interest margin.

We plan to launch expanded auto finance solutions, which supports our strategy of a diversified portfolio mix.

We will continue to invest in improving customer experience, as a key value proposition of the Liberty Group, through digital and online technologies.

We expect to retain the distribution payout of 40%-80% of NPAT.

Before I close, I’d like to acknowledge the professional and dedicated work of the entire Liberty team. Our talented team remains invested in helping more customers get financial in more ways than ever before.

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.



Liberty Financial Group Annual General Meeting

17 November 2021

Business

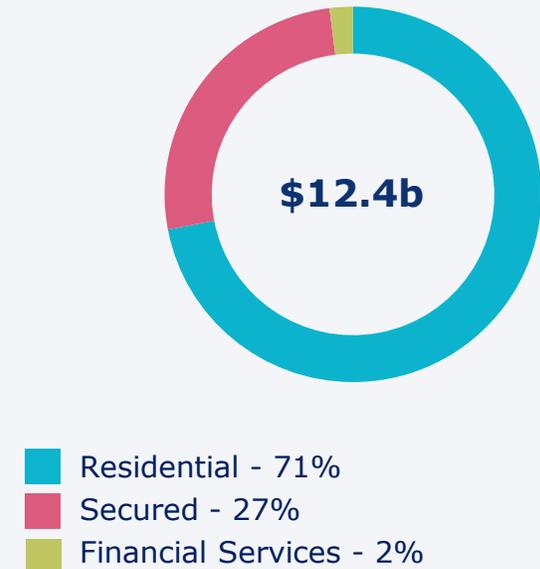
Liberty Financial

- 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



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

- Real estate services in New Zealand



Lending activities

Insurance underwriting

Loan and insurance distribution

Investments

Real estate

Strategy

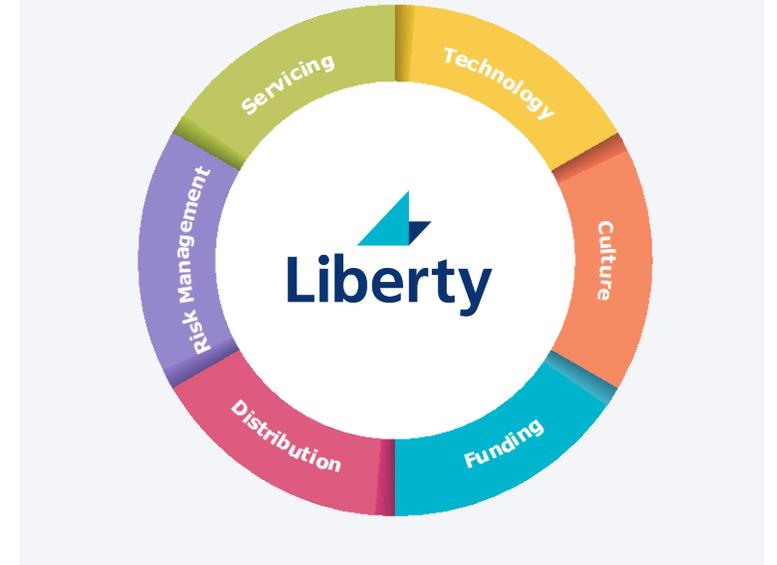
Purpose



Focus



Capabilities



Values



Business Highlights FY21



Average financial assets

\$12.0b (\$11.5b)

+4%



New assets originated

\$4.1b (\$3.5b)

+17%



COVID arrangements

\$84m (\$1,133m)

-93%



FTE Staff

490 (434)

+13%



Broker NPS

75 (63)

+19%



Customer NPS

53 (49)

+8%

* Balances represent: FY21 (FY20) change between the periods

Financial Highlights FY21



Underlying NPATA
\$226.0m (\$140.6m)
+61%



Net revenue
\$600.1m (\$508.1)
+18%



NIM
3.08% (2.65%)
+43bps



BDD
0bps (28bps)
-28bps



Cost to income
22.8% (24.7%)
-190bps



Underlying ROA
1.9% (1.2%)
+70bps

* Balances represent: FY21 (FY20) change between the periods
* 'Underlying' means 'Pro-Forma' in Prospectus

1Q22 Business Highlights

-  Ongoing growth in loan originations and asset portfolio
-  Elevated discharges and amortisation
-  Funding costs remain supportive of NIM
-  No material change in risk from COVID hardships
-  Two new ABS issues totalling \$1.6b
-  Corporate rating affirmed at BBB- (positive outlook)
-  Continued increase in staff to support business growth

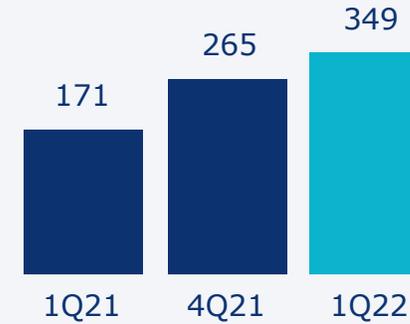
Loan Origination 1Q22

Residential (\$'m)



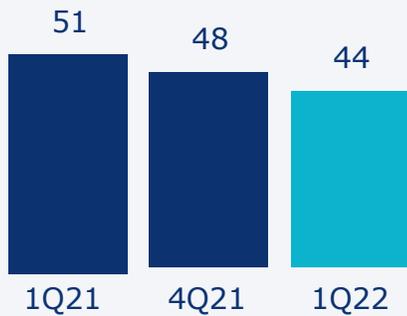
- Continued growth in new residential loan origination given strong demand for credit
- Impact from APRA macro-prudential action unclear

Secured (\$'m)



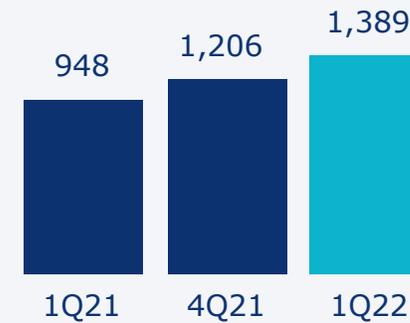
- Continued growth in new SME loan origination as small business recovers from COVID lockdown
- Stable new motor loan origination as continued impact from lockdown and supply chain constraints

Fin Serv (\$'m)



- Fierce competition for new personal loan origination
- New secured personal loan offering gaining traction

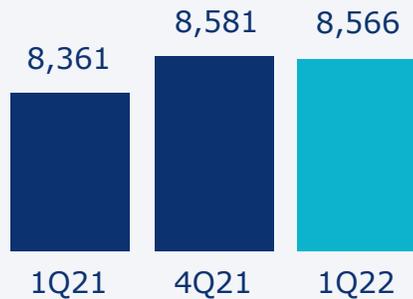
Group (\$'m)



- FY22 new loan origination on track to exceed FY21

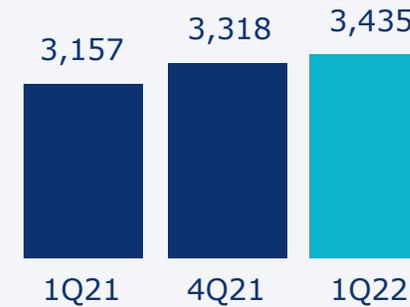
Loan Portfolio 1Q22

Residential (\$'m)



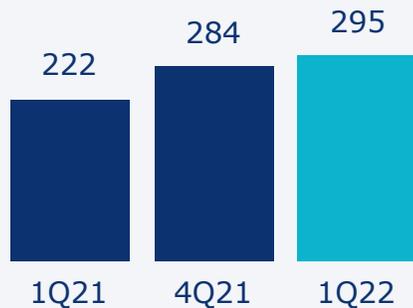
- Consistent portfolio given higher than trend discharges and amortisation

Secured (\$'m)



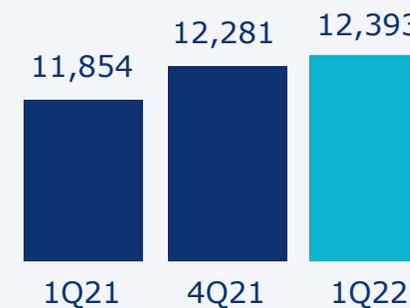
- Continued growth in Secured loan portfolio
- Steady discharges and amortisation

Fin Serv (\$'m)



- Continued growth in personal loan portfolio

Group (\$'m)



- FY22 portfolio growth on track to exceed FY21
- FY22 portfolio mix on track to continue move toward Secured

FY22 Outlook

-  Economic indicators supportive of credit growth
-  Competition for customers leading to higher discharges
-  Continued support to COVID impacted customers
-  Reducing borrowing cost should support NIM
-  Plan to launch expanded auto finance solutions
-  Continue investment in improving customer experience
-  Retain distribution payout of 40%-80% NPAT

Thank you for joining us



Appendix



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The information in this Presentation is current as at 17 November 2021. The FY21 financial information is in summary form and should be read together with the Liberty Group results for the year ended 30 June 2021. The 1Q22 financial information is unaudited.

Forward-looking statements

This Presentation contains certain forward-looking statements and comments about future events, including Liberty's expectations about the performance of its businesses and certain strategic transactions. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other expressions having a similar meaning. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors could cause the Liberty Group's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond Liberty Group's control. Forward-looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of the Liberty Group. As such, undue reliance should not be placed on any forward-looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. Nothing contained in this Presentation nor any information made available to you is, or may be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of the Liberty Group.

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