DATE 21 October 2020

# Mortgage Choice AGM 2020
# Chairman's address

I am pleased to report that in FY2020 we delivered a cash NPAT of $11.7m and a full-year dividend of 6.5 cents per share. Susan Mitchell will take you through our Company's performance in more detail shortly.

The past year has been challenging for all Australians and Australian businesses as we dealt with the national bushfire season and then the global COVID-19 pandemic. These events led to an uncertain period for consumers and businesses alike.

I am pleased with how Mortgage Choice adapted quickly to a new way of doing business. We assisted our franchisees to proactively support our customers through these difficult times. Whilst assisting customers is part of the DNA of Mortgage Choice, on behalf of the Board I thank our staff and franchisees for their commitment to supporting our customers.

We were able to quickly pivot and successfully implement a COVID-19 response which included transitioning all staff to work from home, setting up COVID-19 safe protocols for anyone attending the office and providing additional tools to enable franchisees to successfully operate in this new environment.

We worked with our lending partners to create the changes required to meet customer's needs when face to face meetings were not possible. Many of these changes leveraged new technologies, for example, the introduction of online interviewing of customers, electronic signatures and digital verification of identity.

In the second half of FY20, we generated a 3-year high number of leads from customers looking for help with a variety of situations. With historically low interest rates and competitive cashback offers available many customers came to us to assist them to reevaluate their situations and refinance their home loans. Refinancing grew to be 49% of new Mortgage Choice home lending approvals in the June quarter 2020, up from 42% in the March quarter. We also saw customers take advantage of the many government funded stimulus packages targeted at the housing market. First home buyers sought to benefit from first home buyer grants, stamp duty concessions and the federal Home Builder scheme. These benefits assisted in reducing the cost of entry into the property market.

Across the industry, we have seen housing market activity strengthen with **$52.8b in home loan approvals made in FY20,** which is a **significant increase** of **$10.51bn** or **24.85%** in the value of new lending year on year. Pleasingly, broker industry market share rose to **57.0%** of all new settled residential home loans in the June quarter of 2020. We have consistently seen for more than **6 years,** over half of Australian mortgages be written through the broker channel, evidencing the ongoing value customers gain in the expert advice and service the proposition delivers.

Whilst navigating the 'new normal' of operating a franchise business through a global pandemic, we have been preparing for the introduction of the Mortgage Broker Best Interests Duty from 1 January 2021. The Best Interests Duty is a statutory obligation requiring mortgage brokers to act in the best interests of their customers and to prioritise their customers interests when providing credit assistance. We are confident our approach to implementing the Best Interests Duty obligations will enable business compliance and support our high standard of customer service. The business is well advanced in it's preparation for these changes and our implementation program includes the introduction of enhanced technology to increase the accuracy of our records, reduce data entry and a training program to ensure all franchisees are able to efficiently comply with the new requirements.

The federal government recently announced proposed changes to responsible lending obligations. The proposed changes are intended to remove barriers to the provision of credit for consumers as well as small business owners as the economy begins to recover from the COVID-19 pandemic. The current responsible lending obligations were described in the Treasurer's press release accompanying his announcement as 'overly prescriptive, complex, [and] costly…' We welcome a review of these obligations and look forward to participating constructively in the consultation process.

Before closing I wish to address one of the resolutions for today's meeting regarding the additional 10% placement of equity. In response to the COVID-19 pandemic the ASX temporarily increased the placement cap from 15 per cent to 25 per cent.

We feel opportunities may present themselves and we want to be well placed from a capital perspective to take advantage of these should they arise. I thank our shareholders for their consideration on this matter.

I am proud to be your Chairman and I would like to take this opportunity on behalf of my fellow directors to thank our customers, our franchisees, our staff and you, our shareholders for your continued support.

# Mortgage Choice AGM 2020
# CEO's Address

Good morning ladies and gentlemen. It is my pleasure to speak with you this morning at our first virtual AGM.

I would like to take this opportunity to thank the Board and you, our shareholders, for your continued support.

I will touch on the highlights of the FY20 full year financial results which were presented in August, before providing you with an update on the market since June, the challenges and opportunities ahead for Mortgage Choice as well as our priorities for FY21.

**FY20 Performance Highlights**

At the beginning of the financial year 2020, we saw activity begin to return following the dip leading into the federal election in May 2019. Activity steadily increased throughout the year such that the settlements for the final quarter of FY20 represented a 30% increase over the lowest point in FY19. There was a slight downward adjustment during the first month of COVID but activity recovered and continued strongly through the end of June. Settlements were up 7% in total for the year on year comparison.

Settlements remained strong in the fourth quarter of FY20 despite COVID-19 restrictions. Refinance activity increased by roughly 10% in April and May to be an average 40% of flows for the year.

As we ended the year, our network stood at 554 credit reps. Our ending loan book stood at $54 billion. Our net profit after tax, on a cash basis, was $11.7 million which, after adjusting for one off items in both FY19 and FY20, represents a decrease of 4% compared to the prior year. Despite this, we were pleased to be able to increase our final dividend for FY20 by half a cent for a total dividend of 6.5 cents, fully franked. This represents a yield of over 6% on last night's closing price.

Looking at our financial planning business, we rebranded it to FinChoice in February. It is exciting to have a new brand in the family. Our funds under advice in that business were up 15% to $1.1b, our premiums in force were up 7% to $31.8m and our adviser numbers stood at 38 at the end of June.

**Activity in the First Quarter FY21**

The increase in mortgage activity we saw throughout FY20 has been maintained into the first quarter of FY21. Our volume of applications has increased 28% in the first quarter compared to quarter one in FY20 and our approvals have increased by 25% over the prior comparative period. Our volumes have been fueled by an uplift in owner occupied activity including first home buyers.

**Lender Mix**

Mortgage brokers continue to be at the forefront of driving a competitive shift from the majors to smaller banks and financial institutions.

The Four Pillars continue to lose market share as consumers increasingly look to smaller banks and niche lenders. The amount of business placed at the Four Pillars by Mortgage Choice fell 3% to 36% in FY20.

If I include St. George and Bankwest along with the four majors, we would still see a loss of market share of the majors from 52% to 50%.

**Demand for Broking Services Continued**

As touched on by Vicki, we have seen the housing market weather the pandemic well, with home loan approval activity lifting substantially year on year and brokers continuing to hold their ground, with a 57% share of home loans written. Given the trend towards a wider array of financial institutions and with the introduction of Best Interests Duty, we expect to see this percentage continue to increase.

**Building a Platform for Growth & Long Term Stability**

I would like to talk about our business priorities for FY21.

We have been building a resilient platform for growth over the last 2 years. We have focused on a strong support network for our franchisees paired with great systems that deliver a wonderful broker and customer digital experience. This investment will help us attract more customers and more brokers and more advisers. This foundation will deliver revenue growth.

Our focus areas are simple this year:

- Growth of our revenue base through recruitment, regeneration and retention of franchise talent
- Accelerated investment in an enhanced and digitally-driven customer experience
- Deliver systems and processes that create efficient, productive broker and adviser businesses

The Mortgage Choice leadership team and I are committed to delivering these key initiatives to drive growth and the long term sustainability of Mortgage Choice.

**Summary**

In wrapping up, I would like to say that despite a turbulent 18 months which featured a banking royal commission, a hotly contested federal election, a burst of optimism and now a global pandemic, we have shown great resilience and delivered a good result. The business has continued to operate and perform well throughout this changing environment.

We are focused on building our franchise and broker footprint to drive growth despite the uncertain economic times ahead.

We will continue building out an enhanced digital customer experience delivered by digitally efficient brokers to support further revenue growth.

Our system enhancements will ensure we are Best Interests Duty compliant ahead of the 1 January 2021 deadline.

The business will continue to generate strong cash flow which over the past year allowed us to invest in systems, retire debt so that our balance sheet is debt free and raise our dividend to 6.5 cents to reward our shareholders for their support.

We are well positioned to grow and that is our intention.

Thank you.

# FY20 Annual General Meeting

21 October 2020

**Presented by**
**Vicki Allen (Chairman)**
**and Susan Mitchell (CEO)**

# CEO’s Address

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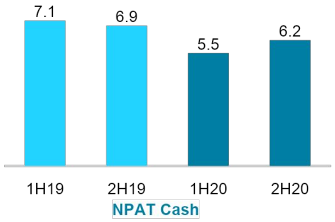
# FY20 performance highlights


Settlements of $10.0b


Increased dividend

554 Credit Reps & 38 Advisers

Loan book at $54.0b
FUA $1.1b
Premium In Force $31.8m



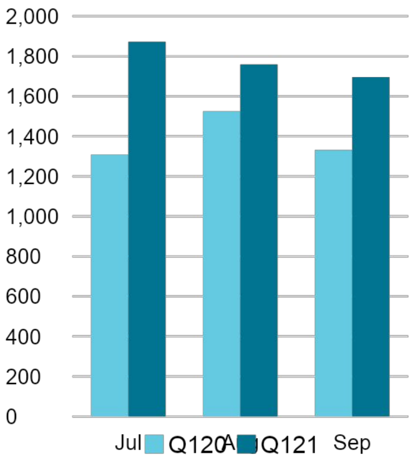

Cash NPAT of $11.7m
IFRS NPAT of $9.4m

FinChoice

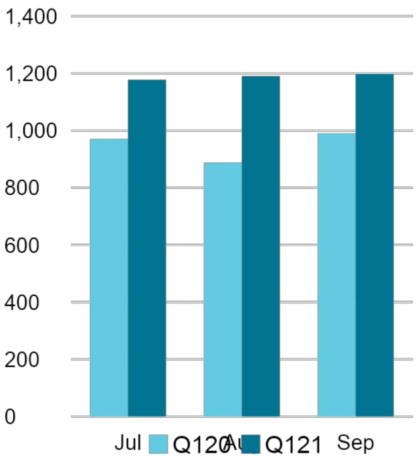
Rebranded Financial Planning business to FinChoice

# Strong activity to start FY21

Applications ($m)




Approvals ($m)




Home loan activity has sustained into the start of the new financial year despite COVID-19 restrictions.

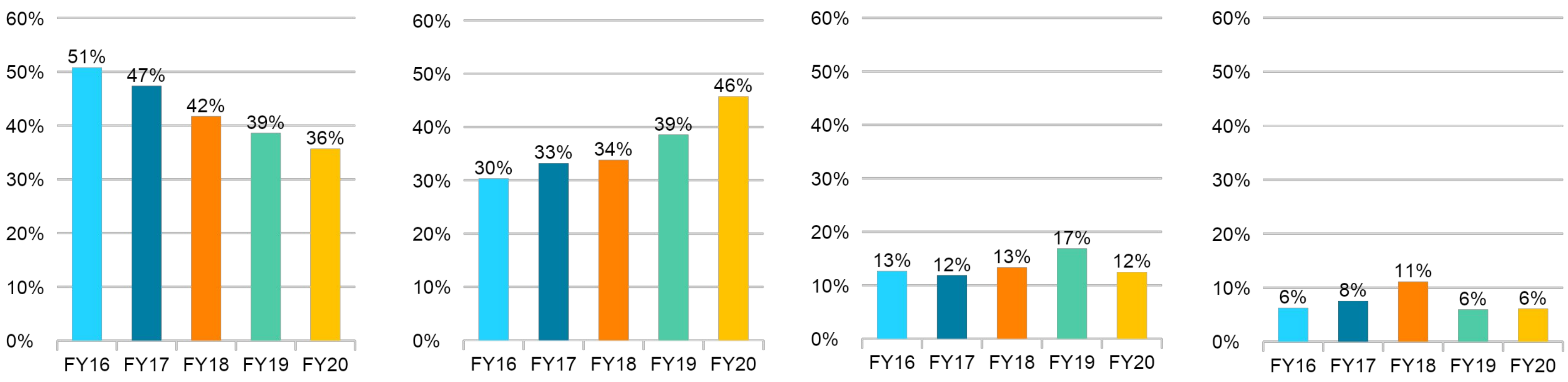
Volumes across the first quarter have been fuelled by an uplift in owner occupier activity, including first home buyers

# Settlements continue to shift from four pillars

Mortgage brokers continue to be at the forefront of driving competitive shift from majors to smaller banks and financial institutions.

Four pillars continue to lose market share as consumers increasingly look to smaller banks and niche lenders. Four pillars including St. George and Bankwest fell from 52% to 50%.

**Mortgage Choice Residential Settlements by Lender (%)**




Four Pillars includes primary brands CBA, ANZ, NAB and Westpac.
Other banks includes Adelaide Bank, AMP Banking, BankWest, Citibank, Gateway Bank Limited, Heritage Bank, HSBC Bank, ING Direct, Macquarie Mortgages, St George Bank / Bank SA / Bank of Melbourne and Suncorp.

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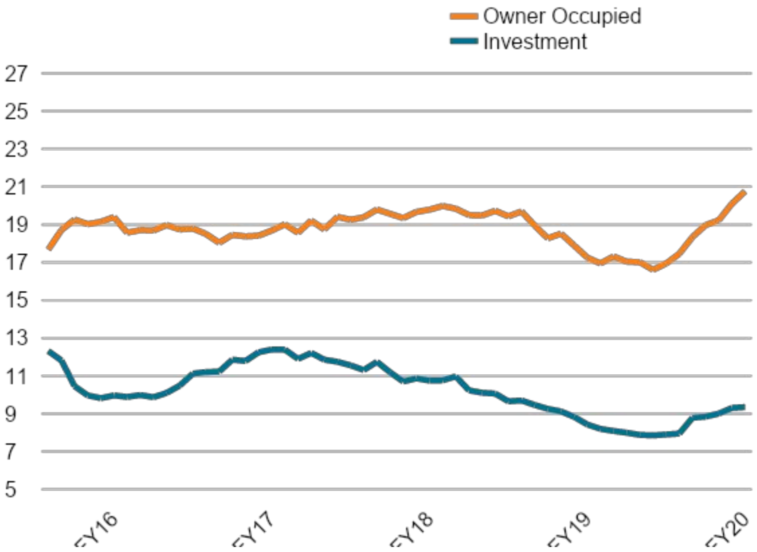
# Demand for Broking Services grows

Broker market share averaged 55% for the last 12 months.

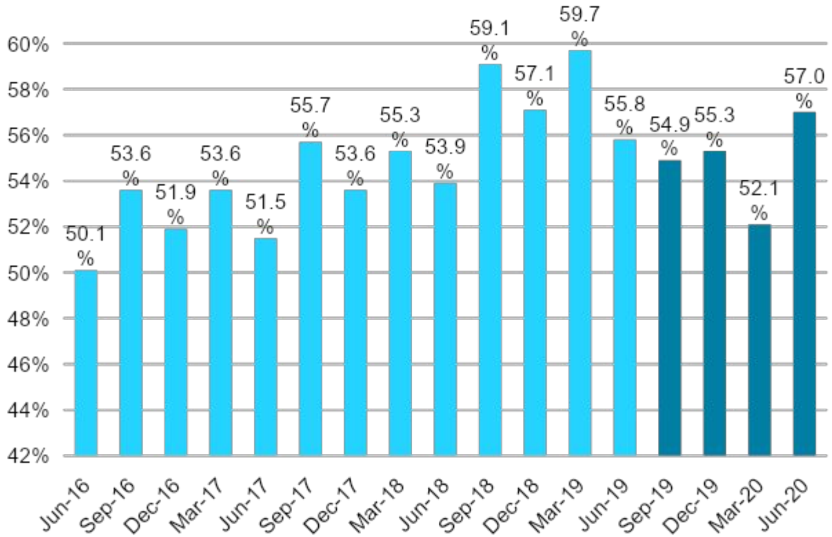
Approvals averaged at $29.4b per month in FY20, up 11.1% on FY19 ($26.5b).

**Housing Finance Approvals, ABS ($b)**




Source: ABS 5601 Table 3 and Table 13 July 2020 (Seasonally adjusted series)

**Broker usage, MFAA (%)**

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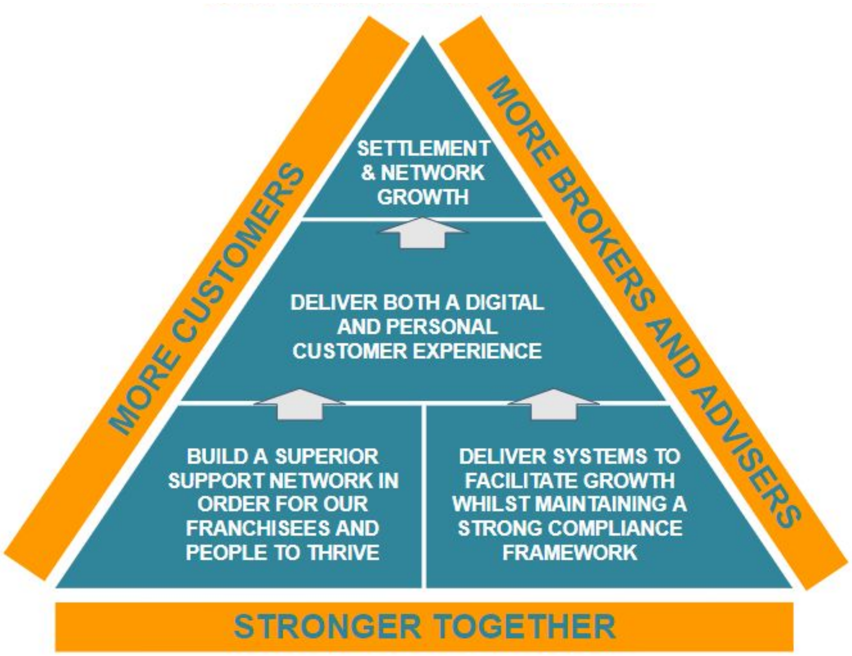
# Strategic Objectives | FY21 Initiatives




**Growth of our revenue base through recruitment, regeneration and retention of franchise talent**

**Accelerated investment in an enhanced and digitally-driven customer experience**

**Delivery of systems and processes that create digitally efficient broker and adviser businesses**

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# Summary

Resilient result in an uncertain economic environment with the challenges of COVID-19 being well managed.

Focused on building franchise and broker footprint to drive future growth.

Building out the digital customer experience supported by efficient and digitally enabled franchises to further support settlement growth.

Broker platform enhancements to ensure compliance with Best Interest Duty obligations well ahead of 1 January 2021 deadline.

Strong underlying cash flows and debt-free balance sheet.

Well positioned to grow settlements and pursue other revenue.

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