



# INVESTOR PRESENTATION

FY21 FINANCIAL RESULTS  
27 AUGUST 2021



01. **About  
Auswide Bank**  
Martin Barrett, MD

02. **FY21 Result  
Overview**  
Bill Schafer, CFO

03. **Strategy  
& Outlook**  
Martin Barrett, MD

# 01. | About Auswide Bank

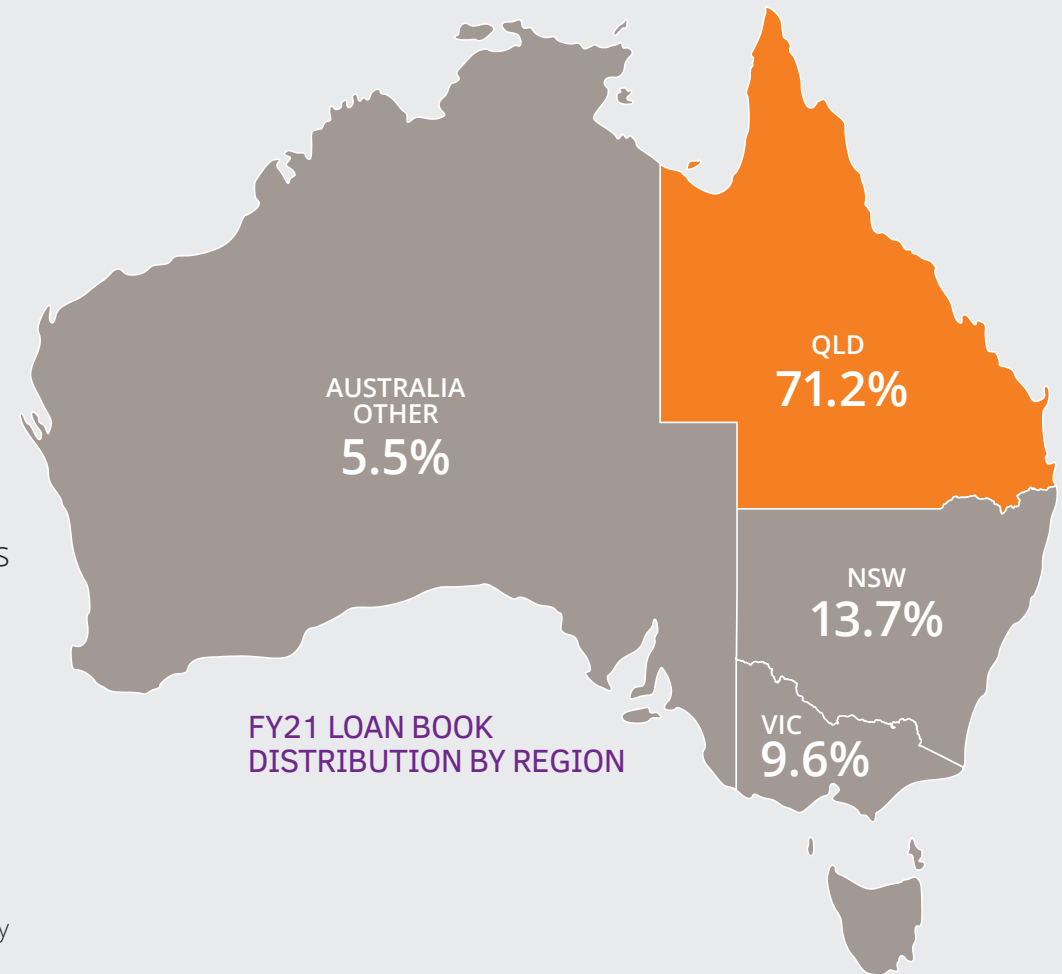
Martin Barrett, Managing Director

# About Auswide Bank

Small things. Big Differences.

- > Established in 1966, Auswide Bank provides home loans, consumer lending and credit cards through its national digital offering, branches, broker networks and private banking
- > Strong legacy in regional Qld, growing across SE Qld, NSW and Victoria
- > High quality loan book with over \$4.0b in assets
- > Track record of delivering profitable growth and attractive dividends
- > Strong focus on customer service and value
- > Partnership with Queensland Rugby League and jersey sponsor of Qld Maroons
- > Industry-leading staff engagement score of 98<sup>1</sup>
- > Partnerships continue to expand our reach and opportunities

1. In 2021, 87% of staff participated in Auswide Bank Employee Engagement & Satisfaction Survey



# FY21 Financial Highlights

Strong FY21 performance across all key metrics

STATUTORY  
NPAT  
\$24.155m

↑ 30.5%

LOAN BOOK  
\$3.593b<sup>1</sup>

↑ 10.0% GROWTH,  
3.2x SYSTEM<sup>2</sup>

HOME LOAN  
APPROVALS  
\$1.012b

↑ 38.1%

NET INTEREST  
MARGIN  
200BPS

↑ 3BPS

COST TO  
INCOME RATIO  
60.1%

↓ 2.4%

CUSTOMER  
DEPOSITS  
\$2.933b

↑ 11.9%

EPS  
56.7CPS

↑ 12.9CPS

RONTA  
12.1%

↑ FROM 9.7%

TOTAL DIVIDEND  
40.0CPS

↑ 12.25CPS

CAPITAL  
13.31%

↑ FROM 12.95%  
JUN 20

1. Including Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet

2. System growth of 3.1% per RBA Financial Aggregates – total credit growth

# FY21 Operational Highlights

## Home loan growth at record highs supported by increased NIM

- > Very strong result with growth across all key metrics including NPAT of \$24.155m, up 30.5% and net interest revenue of \$78.161m, up 10.8%
- > Achieved FY21 financial targets with above system loan book growth (3.2x), further reduction of Cost to Income Ratio and Return on Net Tangible Assets above 10%
- > Loan book growth of 10.0% driven by strong broker flows and Private Bank as Auswide extends presence in SE Qld, NSW and Vic; lending quality maintained through robust risk management; approvals exceeded \$1b, a new high for the bank
- > Cost to Income Ratio declined to 60.1% reflecting increasing revenue, careful cost management, disciplined investment in online capabilities
- > 11.9% growth in customer deposits to \$2.933b; continuing to transform funding mix, reduce funding costs
- > Strong capital position of 13.31% meets 'unquestionably strong' regulatory targets; CET1 of 10.84%

From little  
things, big  
things grow!

# Macro trends support sustainable growth

Positive outlook as economy improves, broker channels provide growth opportunities

## Improving Economic Outlook

- > Queensland economy strong, diversified and growing faster than national average
- > Retail trade in Queensland increased by 4.5% in the twelve months to June 2021; Australia increased by 2.9%<sup>1</sup>
- > Strong recovery occurring in Regional Qld

## COVID-19 Assistance

- > At 30 June 2021, less than 0.1% of Auswide's loan book still receiving assistance
- > Down from 8.9% of the loan book at 30 June 2020
- > COVID-19 related provisions remain in place
- > Arrears at historic lows, 0.25% of loan book

Improving  
Economic  
Outlook

Buoyant  
Housing  
Market

## Buoyant Housing Market

- > Regional Queensland house values up 17.1% and Brisbane house values up 13.2% in 12 months to June 2021<sup>2</sup>
- > Housing activity buoyed by population growth, government stimulus and low interest rates

COVID-19  
Assistance

Brokers  
Continue  
to Capture  
Market Share

## Brokers Continue to Capture Market Share

- > Brokers originated 57.7% of new home loans in March Quarter 2021 (March Qtr 2020: 52.3%)<sup>3</sup>
- > Post Royal Commission, shift in relationship between brokers and big 4 banks, creates opportunities for smaller banks

1. Queensland Government statistician's office Retail trade, June 2021  
2. Corelogic monthly chart pack July 2021.  
3. Mortgage & Finance Association of Australia (MFAA).

# Brokers represent important distribution channel

Significant growth opportunity

## KEY INITIATIVES TRANSFORM BROKER OFFERING

- > Invest in business development managers to build stronger broker relationships
- > Back office efficiencies substantially reduce loan processing times to among industry best
- > Reduce processing cost per loan
- > Support higher loan application volumes with flexible workforce and tech initiatives including use of Robotics
- > QRL partnership lifts brand profile, valuable reference point



## BUILDING STRONGER BROKER RELATIONSHIPS ACROSS AUSTRALIA

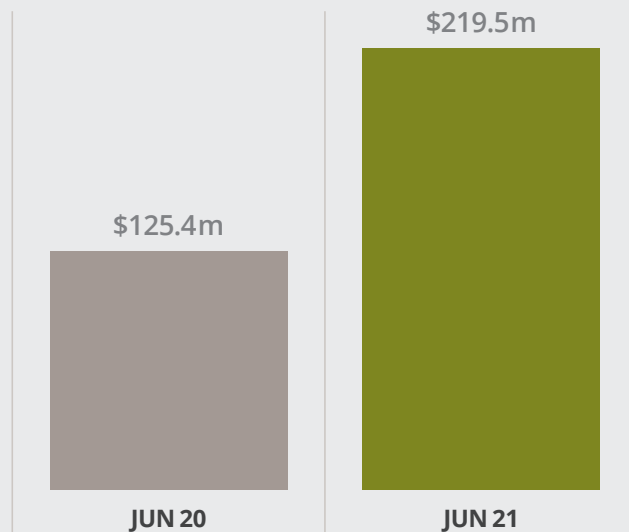
- > Mortgage brokers continue to increase share of new home loans
- > Auswide now provides efficient end-to-end home loan process and scalable business offering
- > Building a wider broker network and younger customer group
- > Diversifying geographic footprint outside Qld
- > Inclusion in First Home Loan Deposit Scheme (FHLDS) from Feb 2020
- > Government guarantee provided for FHLDS loan monies above 80% LVR
- > FHLDS continues into FY22 providing further opportunities

# Private Banking overview

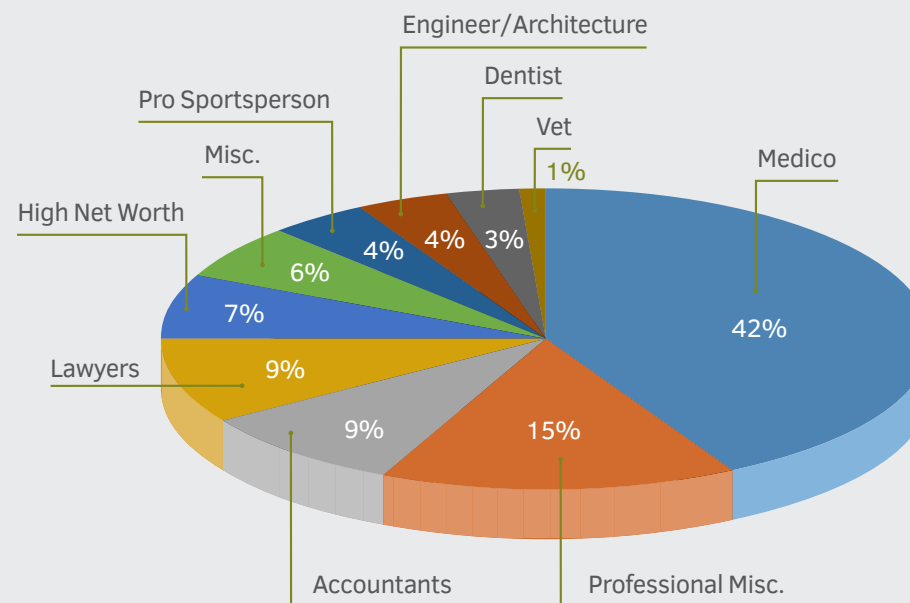
High Net Worth customers focusing on - medical, professional and sporting with borrowing needs ideally over \$1m

## PRIVATE BANKING PORTFOLIO

Material growth in Private Bank up from \$125.4m at June 20 to \$219.5m at June 21



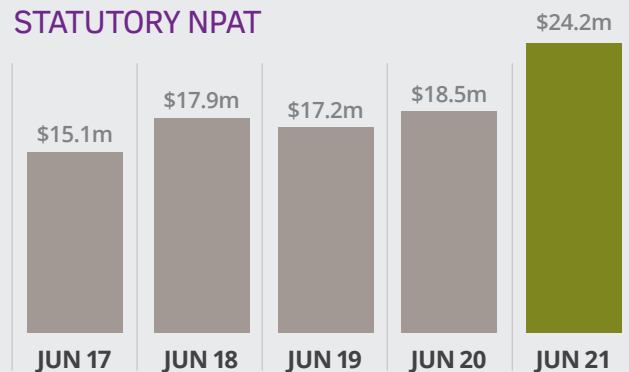
## PORTFOLIO DISSECTION



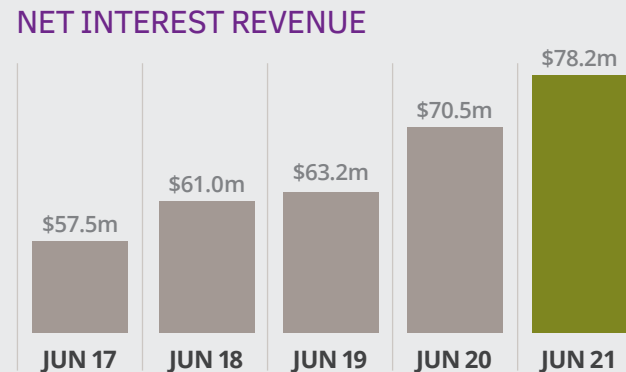
# Track record of delivering profitable growth

Above system loan book growth, NIM expansion and careful cost management

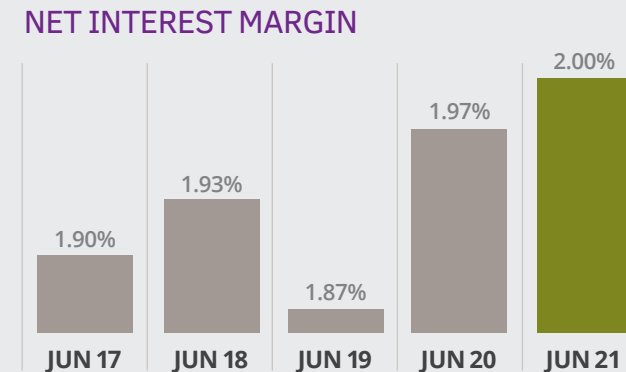
STATUTORY NPAT



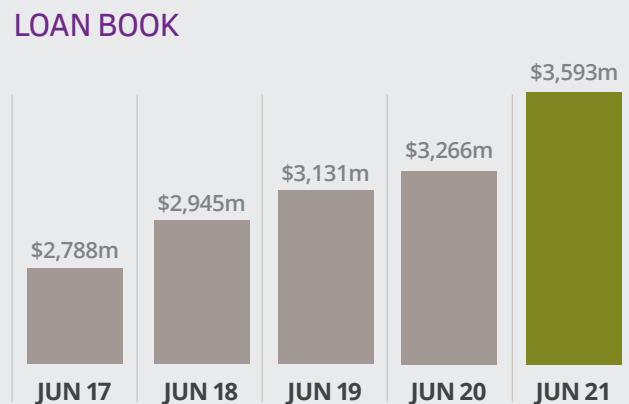
NET INTEREST REVENUE



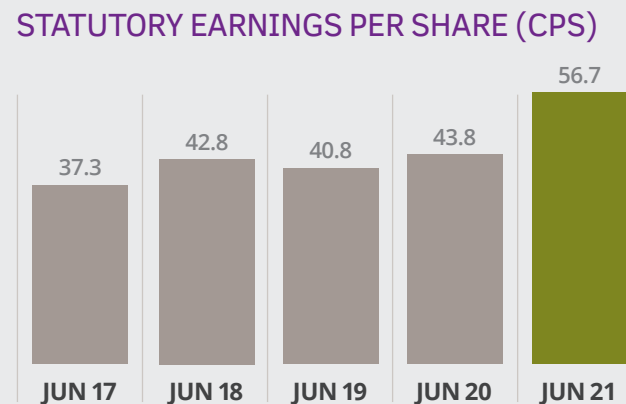
NET INTEREST MARGIN



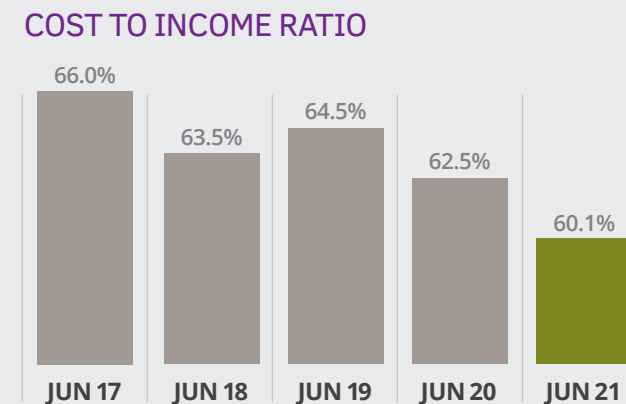
LOAN BOOK



STATUTORY EARNINGS PER SHARE (CPS)



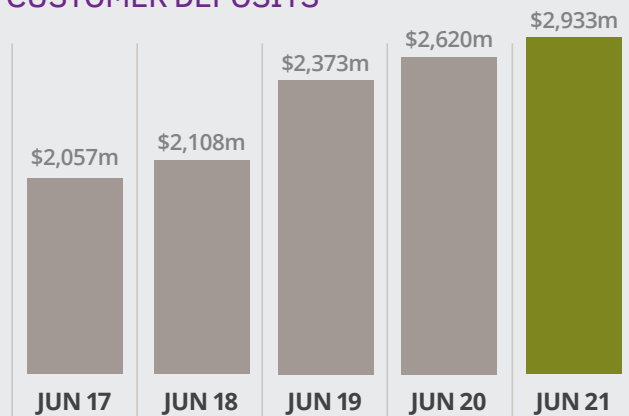
COST TO INCOME RATIO



# Balance sheet strength

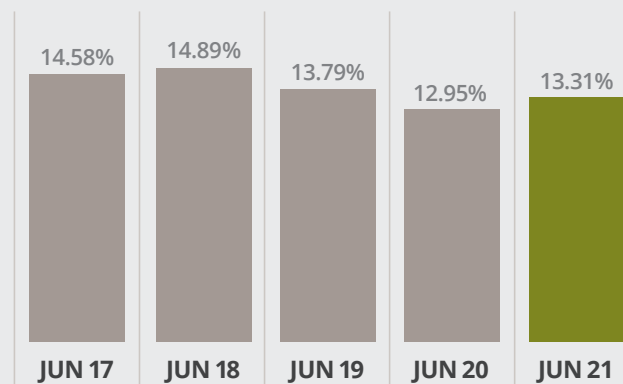
Strong deposit growth, RONTA ahead of FY21 targets

## CUSTOMER DEPOSITS



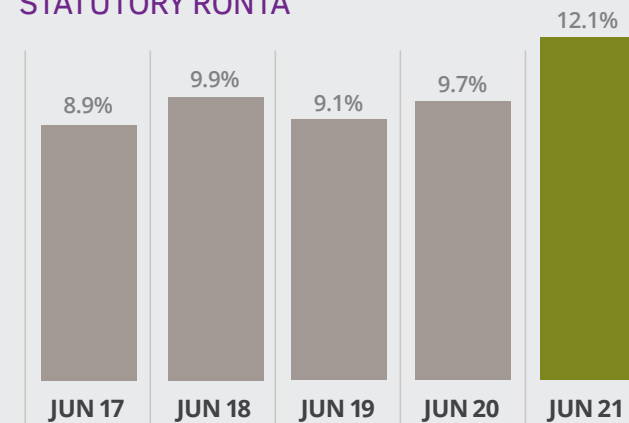
- > 11.9% growth in deposits reflects strategic focus on cost effective funding lines
- > 75.7% of funding from deposits (FY20: 74.5%)

## CAPITAL ADEQUACY RATIO



- > Capital remains strong at 13.31%
- > CET1 of 10.84%

## STATUTORY RONTA



- > Return on Net Tangible Assets of 12.1% up from 8.9% in June 17
- > Ahead of strategic target of 10%

# 02. | FY21 Result Overview

Bill Schafer, Chief Financial Officer

# Financial overview

Strong NPAT result reflecting above system loan book growth, NIM expansion and ongoing cost discipline

	FY21	FY20	CHANGE
NPAT (Consolidated)	\$24.155m	\$18.504m	↑ 30.5%
Loan Book <sup>1</sup>	\$3.593b	\$3.266b	↑ \$327m
Net Interest Revenue	\$78.161m	\$70.516m	↑ 10.8%
Net Interest Margin (NIM) (bps)	200bps	197bps	↑ 3bps
Final dividend per share (fully franked)	21.0c	10.75c	↑ 10.25c
Total dividend per share (fully franked)	40.0c	27.75c	↑ 12.25c
EPS (cents)	56.7c	43.8c	↑ 12.9c
RONTA <sup>2</sup>	12.1%	9.7%	↑ 2.4%
Cost to Income Ratio	60.1%	62.5%	↓ 2.4%
Capital Adequacy Ratio	13.31%	12.95%	↑ 0.36%
Deposits	\$2.933b	\$2.620b	↑ \$313m

- > NPAT of \$24.155m, up 30.5% reflects strong growth in net interest revenue and ongoing cost discipline (CIR of 60.1% vs 62.5% in FY20)
- > Net interest revenue of \$78.161m, up 10.8% due to profitable loan book growth and increase in NIM
- > Loan book growth of 10.0% was 3.2x system growth
- > NIM of 200bps, up 3bps on FY20
- > Deposits up 11.9%; now 75.7% of funding (FY20: 74.5%)
- > Strong balance sheet, capital adequacy ratio of 13.31%
- > RONTA of 12.1% exceeds strategic target of 10.0%
- > Final dividend of 21.0cps reflects strong financial results and prudent payout ratio of 70.9%

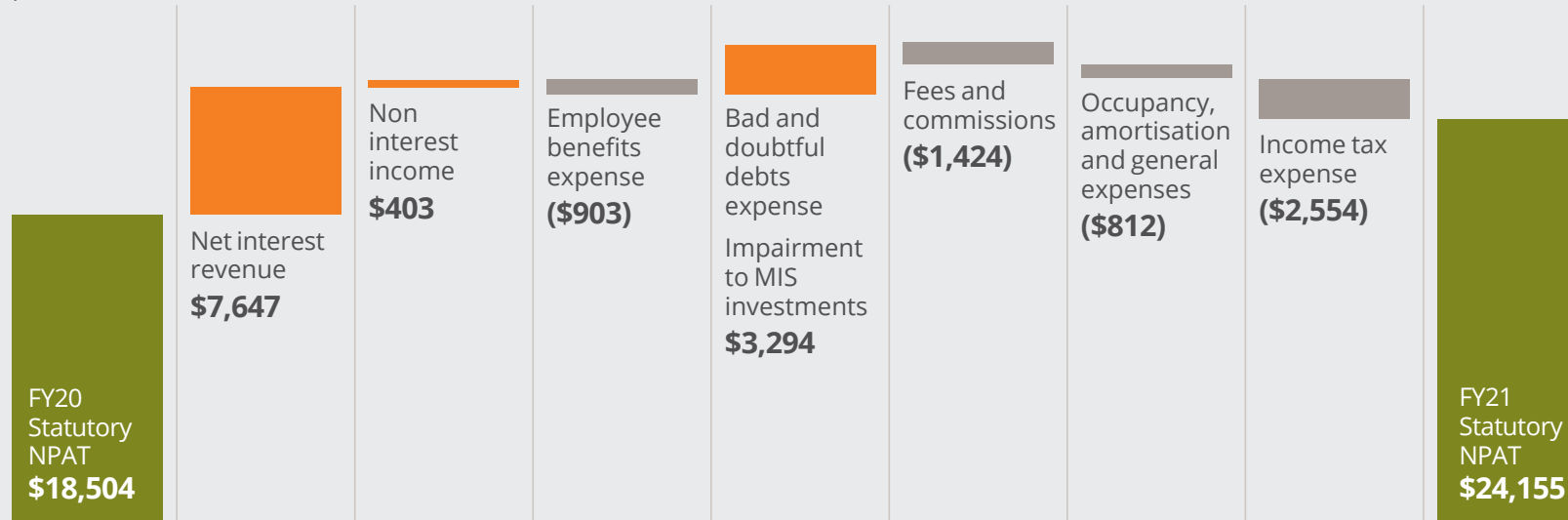
1. Including Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet

2. Return on Net Tangible Assets (equivalent to Return on Tangible Equity (ROTE))

# Consolidated NPAT reconciliation

## Strong NPAT growth

\$000's

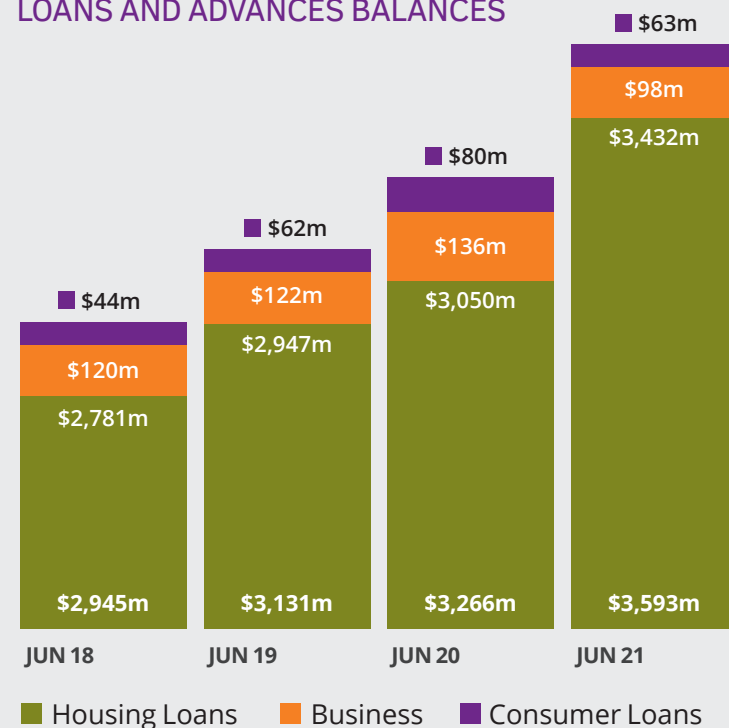


- > Consolidated NPAT of \$24.155m, up 30.5% on FY20 despite competitive lending environment
- > Net interest revenue growth of 10.8% reflects loan book growth and 3bps expansion in NIM
- > Disciplined approach to cost management with cost to income ratio of 60.1% (FY20: 62.5%)

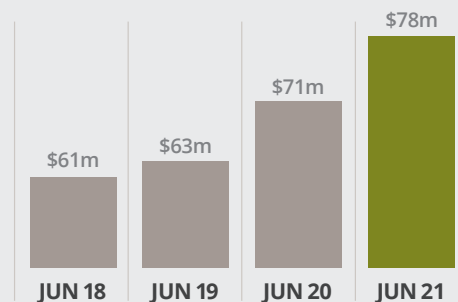
# Loan book

Strong growth in net interest revenue

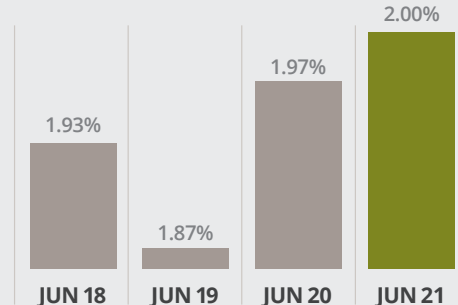
## LOANS AND ADVANCES BALANCES



## NET INTEREST REVENUE








## NET INTEREST MARGIN



- > Net interest revenue of \$78m, up 10.8% on FY20
- > Net interest margin of 2.00% (FY20: 1.97%)
- > Loan book growth of 10.0% on FY20, 3.2x system, reflecting strong broker flows, First Home Loan Deposit Scheme (FHLDS) and partnerships
- > Housing loans of \$3,432m, up 12.5% on FY20 (95.5% of loan book)
- > Business lending of \$98m following change in strategy with lending pause in place (2.7% of loan book)

# Loan book distribution

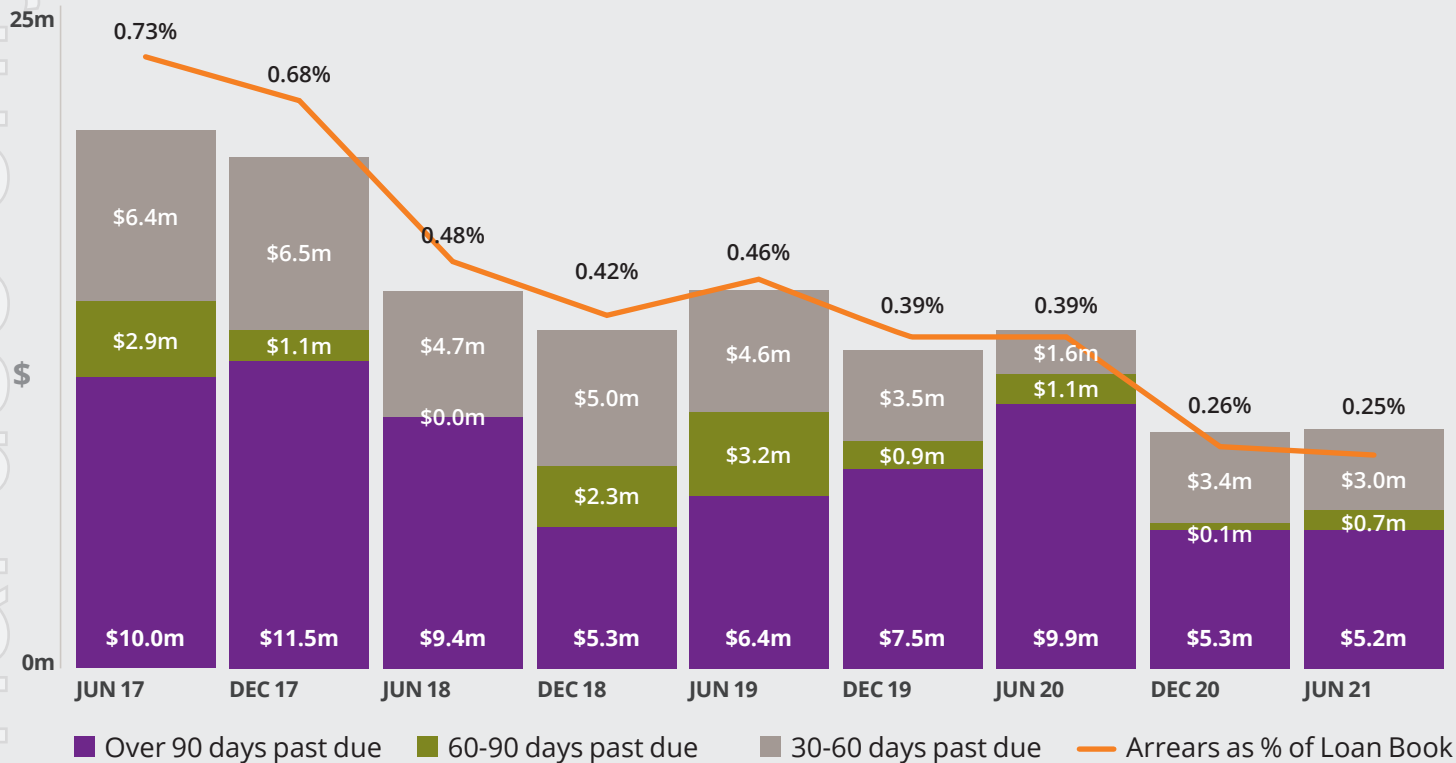
Loan diversification accelerates driven by strong broker flows and private bank

		LOAN BOOK			% OF LOAN BOOK	
		JUN 20	JUN 21	GROWTH RATE	JUN 20	JUN 21
SOUTH EAST QUEENSLAND		\$1,244.2m	\$1,370.9m	10.2% ↑	38.9%	38.7%
QUEENSLAND OTHER		\$1,148.7m	\$1,150.9m	0.1% ↑	36.0%	32.5%
NSW		\$381.3m	\$484.7m	27.1% ↑	11.9%	13.7%
VICTORIA		\$255.0m	\$341.6m	34.0% ↑	8.0%	9.6%
AUSTRALIA OTHER		\$166.8m	\$195.2m	17.7% ↑	5.2%	5.5%

- > Strong broker flows accelerate growth in SE QLD, NSW and Victoria
- > 28.8% of loan book outside Queensland (FY20: 25.1%)
- > SE QLD remains a significant growth opportunity and largest contributor to loan book by region
- > In FY21, growth in broker flows contributed to:
  - 38.1% increase on FY20 Home Loan Approvals
  - 41.8% increase on FY20 Home Loan Settlements

# Loan book arrears

Arrears at historic lows and well below peers



## LOANS PAST DUE V. SPIN (PERCENTAGE OF TOTAL LOANS)

	AUSWIDE	SPIN (Other)	SPIN (Regional)
> 30 days past due (includes >90 days past due)	0.25	1.05	1.41
> 90 days past due	0.15	0.57	0.78

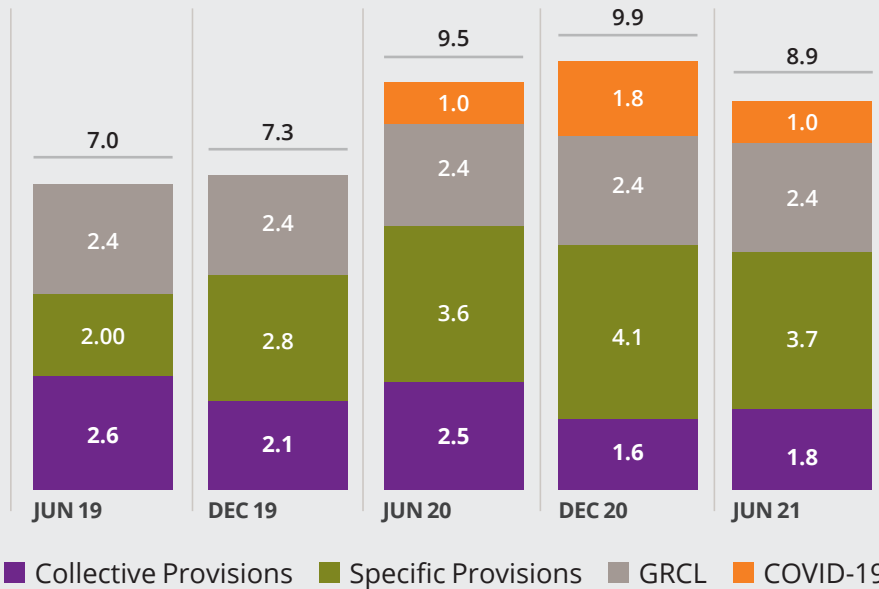
(Auswide figures: at 30 Jun 21) SPINs: at 30 June 21 (latest available)

- > Arrears of 0.25% are at historic lows highlighting loan book quality
- > Current arrears of \$8.9m, down 48 basis points compared to June 2017

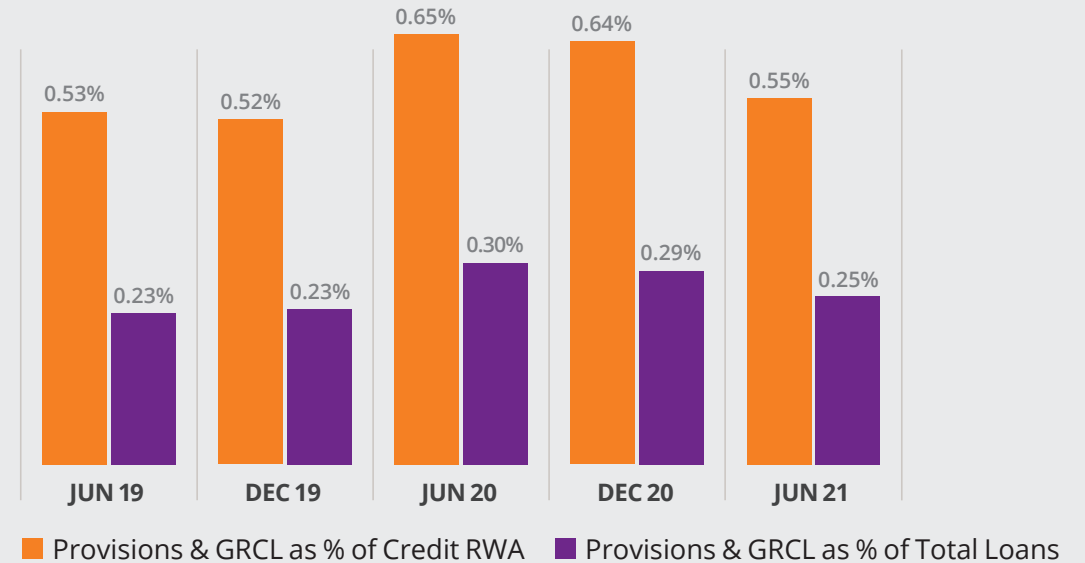
# Total provisions & coverage ratios

Board confidence in collective provision

TOTAL PROVISIONS AND GRCL (\$M)



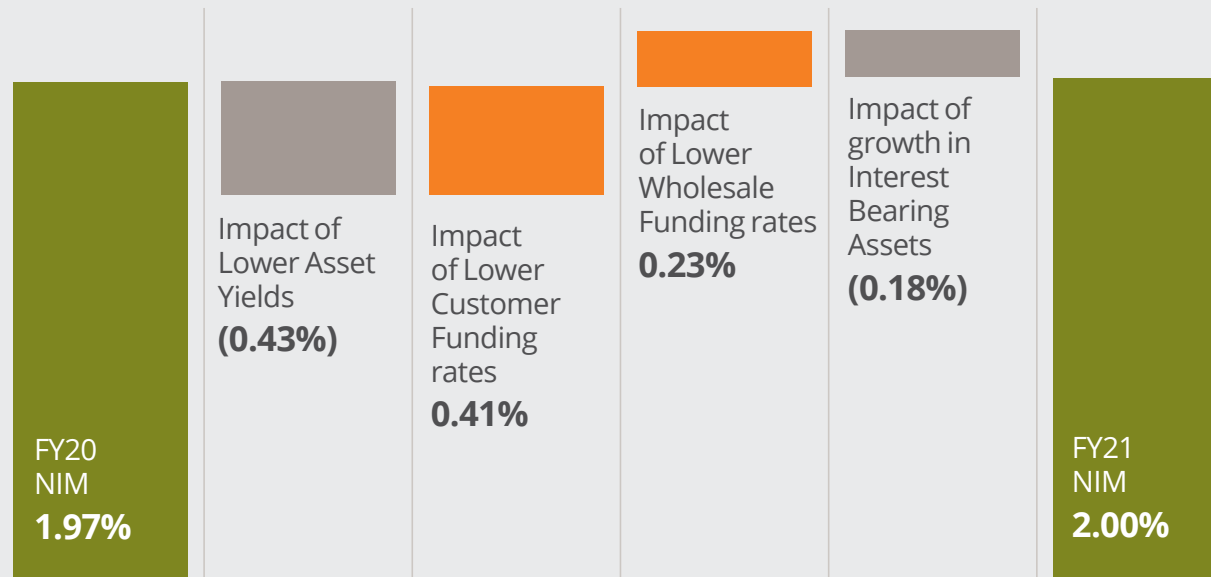
TOTAL PROVISION COVERAGE RATIO



- > Total provisions and GRCL of \$8.9m provides confidence provisions are adequate based on economic outlook scenarios
- > \$1.0m COVID-19 overlay retained in provisions for volatility and economic uncertainty
- > Non COVID-19 arrears remain at historically low levels

# Net interest margin progression

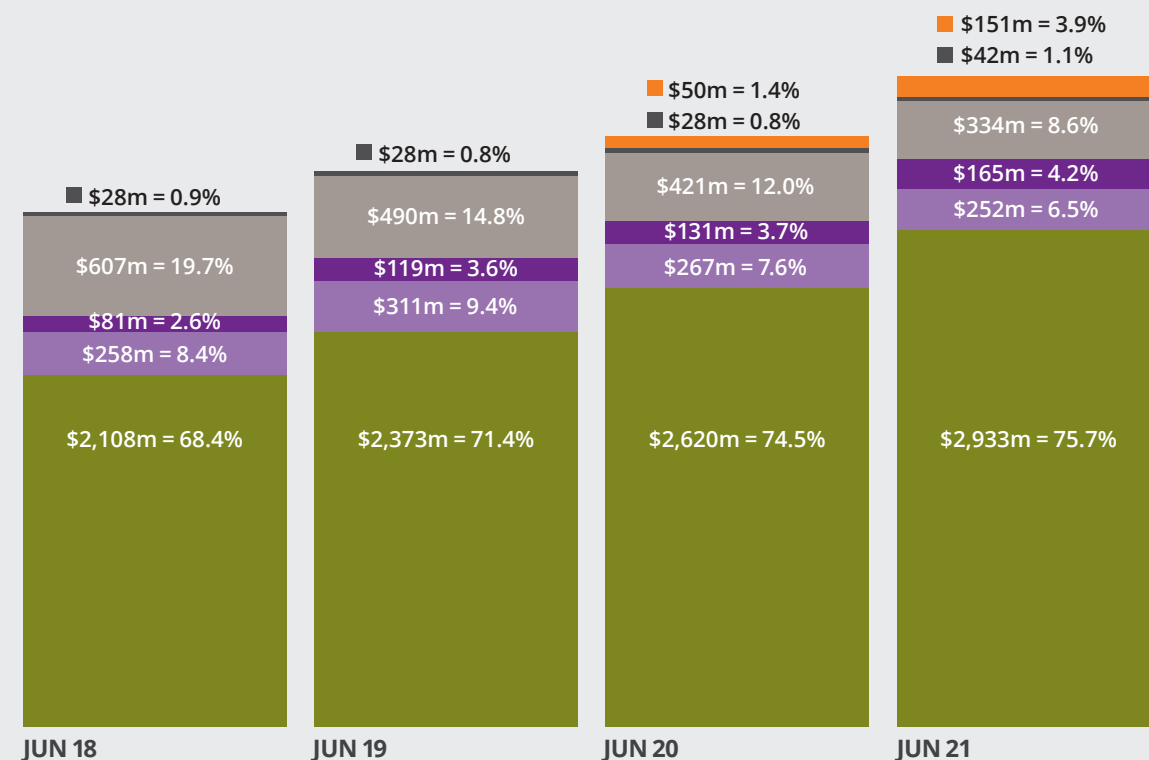
Steady NIM growth



- > NIM of 2.00% continues to rise in a falling interest rate environment
- > Benefits from reduced funding costs outweighing the impact of highly competitive home loan interest rates

# Funding mix

Strategic focus on funding mix supports margin growth



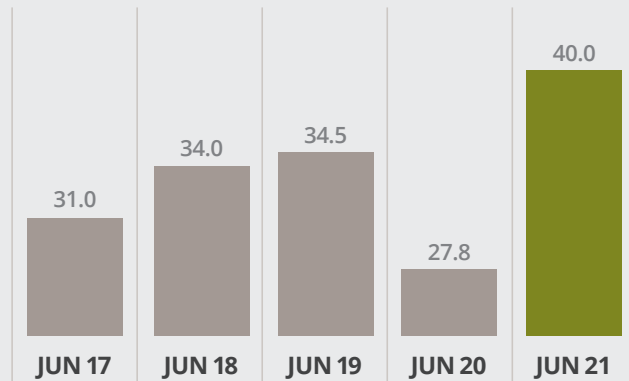
- > Ongoing strategic focus on expanding customer deposits and tight management of funding costs
- > 11.9% growth in customer deposits to reach 75.7% of funding (June 18: 68.4%)
- > 27.7% growth in lower cost at call savings accounts from \$1.13b to \$1.44b
- > Reduced reliance on securitisation (more expensive funding line); 8.6% of funding in June 21 vs 19.7% in June 18
- > RBA Term Funding Facility of \$151m fully drawn
- > Maintained dual investment grade ratings from Fitch & Moody's of BBB+ and Baa2 respectively

- Customer Deposits
- Securitisation
- NCDs
- Subordinated debt
- Senior unsecured FRNs
- RBA Term Funding Facility

# Dividend and returns

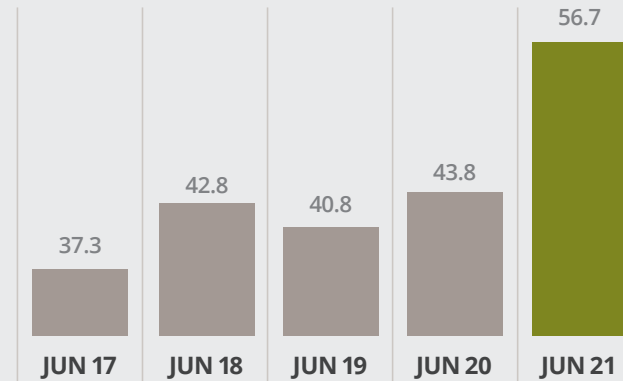
Dividend reflects very strong operational performance and prudent capital management

TOTAL DIVIDEND (CPS)



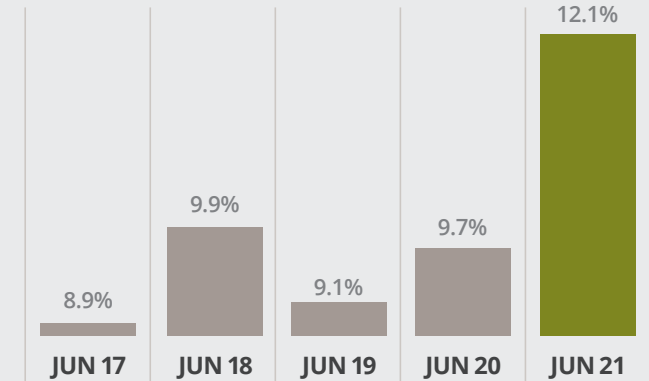
- > Final fully franked dividend of 21.0 cents reflects balance between prudent capital management and providing returns to shareholders

STATUTORY EPS (CPS)



- > Final dividend payout ratio of 70.9%, within Board target range of 70-80% (FY20: 63.4%)

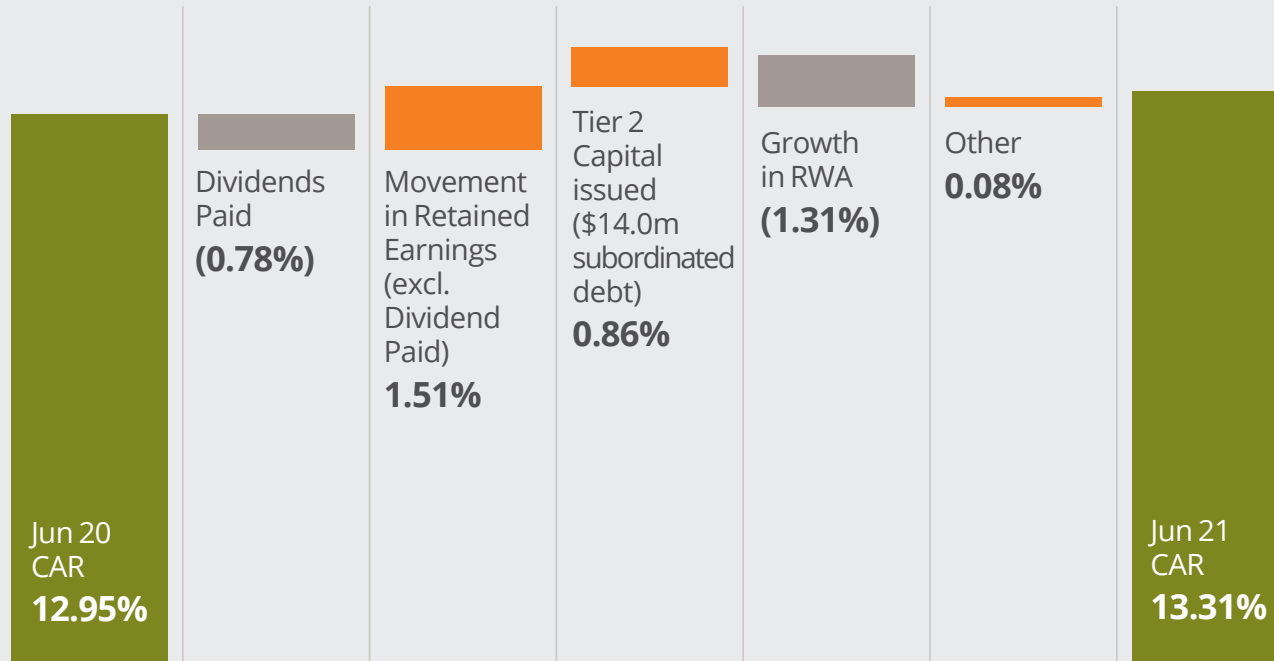
STATUTORY RONTA



- > RONTA of 12.1%, up from 9.7% in FY20
- > Ahead of strategic target for RONTA of 10%

# Capital

Strong capital position supports above system loan book growth



- > Capital remains strong at 13.31% and comfortably meeting APRA's unquestionably strong requirement
- > CET1 of 10.84%
- > Capital ratio has increased from 12.95% at 30 June 2020 due to strong operating results, issuance of \$12m in Tier 2 capital in August 2020 and further increase by \$2m when maturing Tier 2 was reissued in May 21
- > Efficient capital supply drivers will include Dividend Reinvestment Plan for the final dividend

# 03. | Strategy & Outlook

Martin Barrett, Managing Director

# Positioning Auswide for growth

Step change in FY21 profitability reflects range of transformation initiatives



## 2013–2016 REBUILD

- > Investment in distribution
- > Building broker capability
- > Developing consumer products
- > Enhancing skills and capabilities
- > Conversion to bank from building society



## 2016–2019 ENHANCE & GROW

- > Credit Union acquisition and SE Qld presence
- > Structural alignment
- > Broker capability enhanced
- > Private Bank commenced
- > Partnerships Deposit and Lending
- > Maximise funding efficiency
- > Qld Maroons partnership



## 2019–2021 GROW

- > Broker flows continue to increase
- > Private Bank achieving record growth
- > National partnerships delivering growth in deposits and consumer lending
- > Technology to support growth and customer experience

JUNE 2013 LOAN BOOK \$2,229m ..... JUNE 2021 LOAN BOOK \$3,593m

# 3-year Strategic Plan FY19–22

**OUR VISION** The bank that our customers, staff and partners want their friends, family and colleagues to bank with.

## BRAND AWARENESS

- > Building the Auswide Brand through consistent messaging and enhanced customer service
- > Leverage QRL membership base, increase broker flows and expand community engagement
- > QLD / SEQ key growth opportunity

## EFFICIENCY

- > Improve efficiencies by automating processes and simplifying products
- > Improve broker service proposition via faster turnaround times and consistency
- > Continue to optimise investment to growth opportunities / channels

## PARTNERSHIPS

- > Build partnerships that support retail banking growth across platforms and via member and community-based organisations
- > Achieve distribution reach beyond Auswide Bank physical and digital offerings
- > Cost effective channels

## STRENGTH

- > Strengthen the bank through enhancing staff capabilities, reducing errors and further developing risk audit processes
- > Enhance cyber risk resilience and fraud detection capability
- > Continue to mature diversified funding lines and particularly customer deposits improving self-funding ratio
- > Optimise capital efficiency and strength

## DIGITAL AND CUSTOMER HUB

- > Improve the customer experience through capable digital implementation
- > Support customer transition from branch to digital, drive higher product conversion rates increasing RONTA
- > ROI discipline extending digital solutions that solve customer and back office challenges

## NON-ORGANIC GROWTH

- > Reviewing M&A, Fintech and other partnering opportunities to drive scale.

# Environmental, Social and Governance (ESG) vision

Auswide Bank believes that its ESG responsibilities and business objectives are connected and our goal is to be a healthy and sustainable organisation which generates positive and sustainable economic growth. We want to take care of our community and ensure that the Bank's activities incorporate environmental and social accountability while demonstrating Auswide Bank shareholder value.

## OUR WAY FORWARD

- ✓ Corporate ESG Policy
- ✓ Develop an ESG Management System framework
- ✓ Establish an ESG Management Committee for ongoing monitoring and oversight
- ✓ Define current activity
  - > What can we measure?
  - > Develop KPI's for measurement
- ✓ Determine initiatives we can implement over the next 12 months
- ✓ Define long term projects greater than 12 months

# Environmental, Social, and Governance (ESG)

Areas of focus for our business



## ENVIRONMENT

- > Energy footprint
- > Waste management and recycling
- > Education and community involvement



## SOCIAL

- > Supporting businesses
- > Community partnerships
- > Volunteering and fundraising
- > Ethical and sustainable business practices
- > Our people
- > Employee engagement
- > Diversity and inclusion
- > Pay equality
- > Wellbeing and safety
- > Talent development



## GOVERNANCE

- > Responsible lending
- > Cybersecurity and data protection
- > Privacy
- > Fraud and financial crime prevention and protection
- > Governance and conduct

## Strong momentum in private bank

- Deliver lending and deposit solutions to high net worth individuals
- Quick loan turnaround time differentiates Auswide from its competitors
- Leverage customer service capabilities in a high service model
- Exciting growth niche with strong pipeline for future growth benefitting from advocacy
- Solid referral base built on relationships and quality service proposition

## Our Mission

To provide personalised and bespoke banking solutions for our customers which they can trust and rely on, fostering relationships that will endure across generations.



# Driving growth for private bank

## ENHANCED MEDICO POLICY

- Expand Auswide Medico policy in line with industry offerings
- Increase maximum exposure and security value
- New Home Loan Policy to target Medico First Home Buyers
- Rolled out statewide through targeting campaigns at regional hospitals in QLD
- Highly responsive/proactive service model

## NEW PROFESSIONALS PACKAGE

- Introduction of Professionals Package for Accounting and Legal Professionals
- Increase our market share in a low risk industry
- Target partners and senior staff of medium to large legal and accounting firms located in SEQ
- Grow Auswide market awareness to high net worth professionals in SEQ
- Highly responsive/proactive service model

## NEW SPORTSPERSONS PACKAGE

- Introduction of Policy for Professionals, Sportspersons and Coaches
- Align / complement Auswide's sponsorship with QRL
- Highly responsive/proactive service model

# Our digital strategy

## What are our aspirations and goals?

### Four identified digital focus areas

- > Acquisition through partners
- > Customer choice
- > Digital uplift
- > Automation

## Where will we play?

We will attract a younger generation of customers who are engaged in the home buying journey including First Home Buyers, Investors and Upgraders across the Eastern seaboard

**AND**

Continue to grow & retain our heartland customers

## How will we win?

We will amplify existing strengths in partner channels

Maintain competitive positioning in our first party channels

All underpinned by selling top-quality products

## What capabilities do we need to succeed?

### We will invest in a digital framework that:

Delivers distinctive digital capabilities across our 4 digital focus areas

### SUPPORTED BY

foundational investments in our digital pillars including modular systems, security, cloud, APIs, data & culture

## What priorities will we deliver?

We will deliver the transformation portfolio of initiatives that bring our strategic choices to life

**AND**

begin the thinking that will broaden our digital investments in the future

# Digital integration

Transforming our business with technology

IMPROVING OUR FOUNDATIONS | BUILDING DIGITAL EXPERIENCES

## CUSTOMER OUTCOMES

- > Continued improvement of customer experience and supporting transition from branch to digital channel
- > Growing appeal within younger customer base with fully integrated digital banking
- > Improved loan processing experience and focus on reducing the cost per loan in a highly competitive market
- > Investment in technology to solve customer problems and broaden access to products and services
- > Ensuring consistently strong cyber resilience and strong protections to customer data

Internet, mobile app banking truly integrated and responsive to customer touch point



# Digital integration

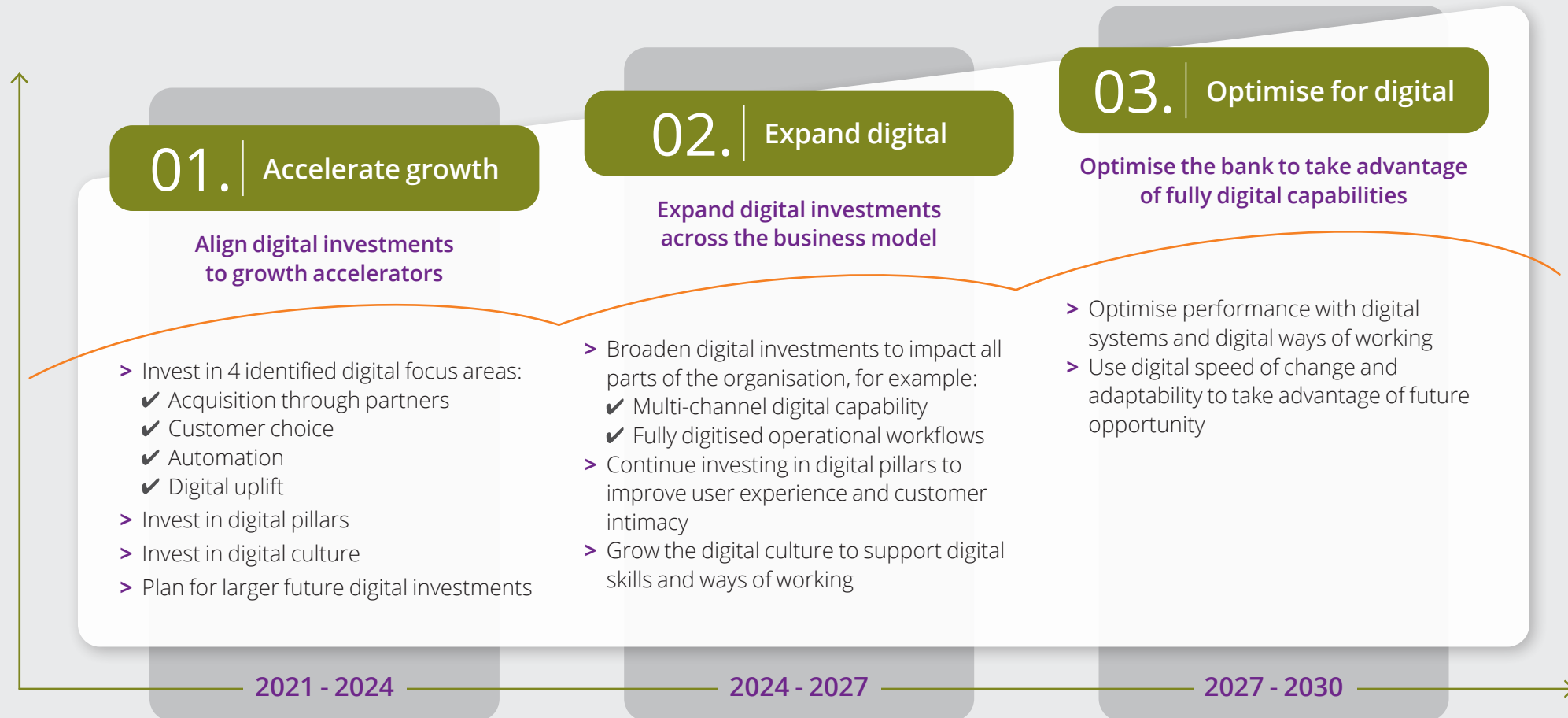
Transforming our business with technology

TECHNOLOGY TO SUPPORT LOAN ORIGINATION | INSISTING ON “BAKED-IN-SECURITY” LOAN ORIGINATION

## BUSINESS OUTCOMES

- > Leveraging digital to support mortgage broker growth opportunity
- > Developing more efficient processes that support increased sales volumes
- > Delivering automation across the organisation to support better customer experiences
- > Growing ways of working and skill sets to build a digital culture
- > Elevating our brand across digital platforms including mobile and website

# What are our longer term digital aspirations?





## FY22 outlook

Continued loan book diversification as younger customers are attracted and diversify outside Queensland.



### FINANCIAL TARGETS FY19-22

3-year strategic objectives achieved in 18 months

- ✓ Cost to Income ratio of 60%
- ✓ Stable trend in NIM across FY21
- ✓ Return on Net Tangible Assets of 10%
- ✓ Above system loan growth



### LOOKING FORWARD

- > Continue above system loan growth
- > Material growth in Private Bank
- > Digital and data initiatives to position for substantial 2023 growth trajectory.

# Disclaimer

This Presentation has been prepared for Auswide Bank Ltd ABN 40 087 652 060, Australian Financial Services and Australian Credit License Number 239686, ASX Code ABA. The information is current as at 26 August 2021.

## FINANCIAL AMOUNTS

All dollar values are in Australia dollars (A\$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of ABA's views on its future financial condition and/or performance. Past performance, including past trading or share price performance of ABA, cannot be relied upon as an indicator of (and provides no guidance as to) future ABA performance including future trading or share price performance.

## FUTURE PERFORMANCE

This Presentation contains certain "forward-looking statements". Forward-looking statements can generally be identified by the use of forward-looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward-looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of ABA, and may involve significant elements of subjective judgment as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

