

23 November 2021

## Auswide Bank Ltd (ABA) 2021 Annual General Meeting Presentation

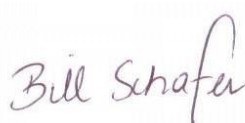
Auswide Bank Ltd's (ASX: ABA) 2021 Annual General Meeting will be held today at 11.00am Brisbane time. The meeting will be held at Level 3 16-20 Barolin Street, Bundaberg and online at <https://web.lumiagm.com/330064475>.

The attached presentation which provides a review of the economic environment and strategic progress of the company, together with a review of Auswide Bank's operating activities and performance will be presented at today's Annual General Meeting.

Authorised for lodgment by:



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### About Auswide Bank Ltd

Auswide Bank became Australia's tenth and Queensland's third Australian owned bank, listed and trading on the ASX, on April 1, 2015. The company had operated as a building society since 1966.

Auswide Bank has an Australian Credit Licence and an Australian Financial Services Licence issued by ASIC and is an Authorised Deposit-taking Institution prudentially supervised by the Australian Prudential Regulation Authority.

Auswide Bank offers Australians an extensive range of personal and business banking products & services issued directly or in partnership with leading service providers via an omni-channel distribution strategy which includes branches, strategic relationships and online & digital channels.

*Small things. Big difference.*



# ANNUAL GENERAL MEETING

23 NOVEMBER 2021

# Board of Directors & Company Secretary

Diverse mix of skills and deep industry experience



**Sandra Birkenleigh**

Chair



**Martin Barrett**

Managing Director



**Barry Dangerfield**

Director



**Greg Kenny**

Director



**Grant Murdoch**

Director



**Jacqueline Korhonen**

Director



**Bill Schafer**

Chief Financial Officer  
& Company Secretary



01. | Chair's  
Address  
Sandra Birkenleigh

02. | MD's  
Address  
Martin Barrett

03. | CFO's  
Address  
Bill Schafer



# 01. | Chair's Address

Sandra Birkenleigh



# 02. | Strategy & Outlook

MD, Martin Barrett

# 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



# 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
- > Broker Value Chain dissection and investment



## 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 from Feb 2020

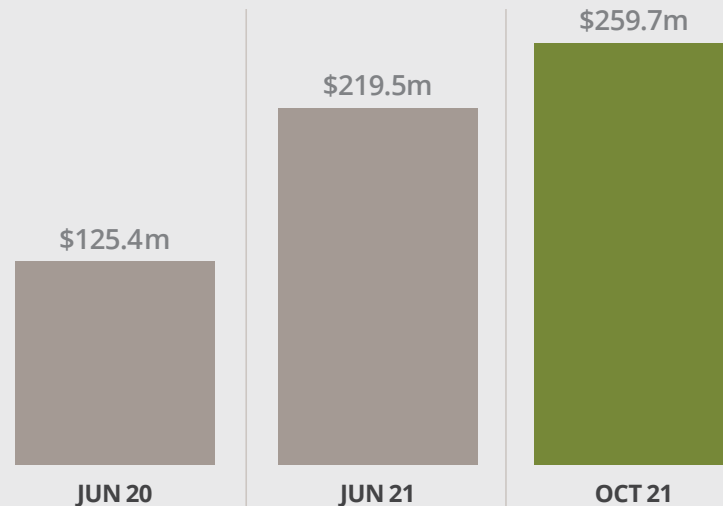


# Private Banking overview

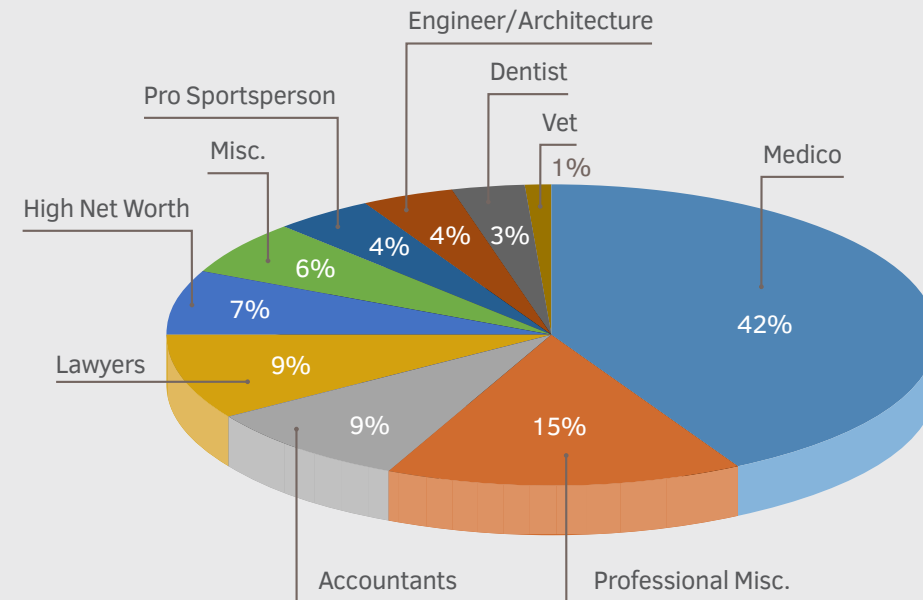
High Net Worth customers focusing on - medical, professional and sporting with borrowing needs ideally over \$1m

## PRIVATE BANKING PORTFOLIO

Material growth in Private Bank up from \$125.4m at June 2020 to \$259.7m at October 2021

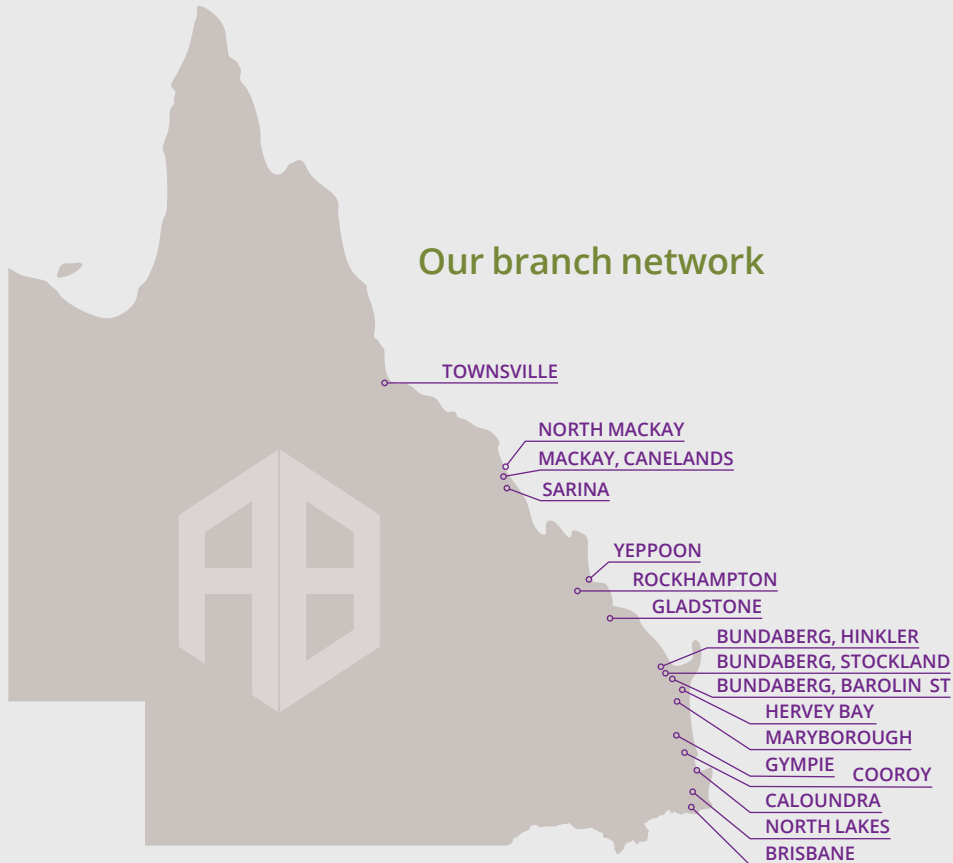


## PORTFOLIO DISSECTION



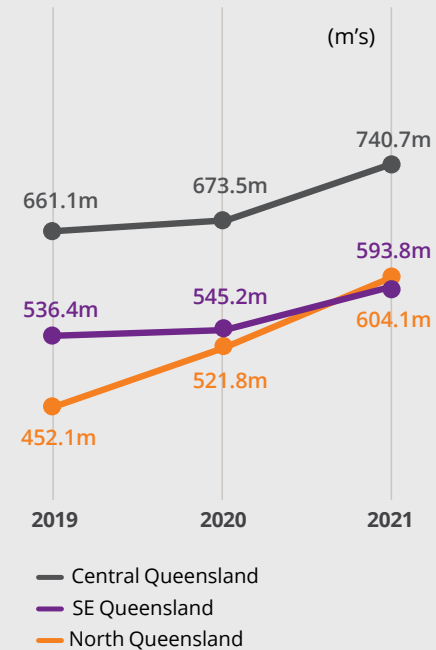
# Branches contributing to growth

## Our branch network



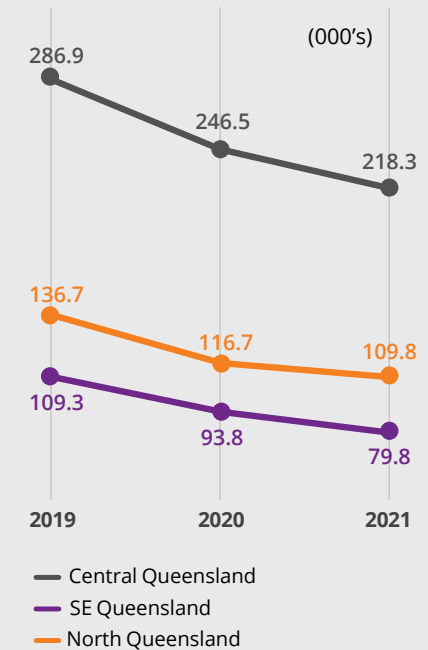
## Branch deposit growth

TOTALS (m's)  
 JUN 19 - 1,649.6  
 JUN 20 - 1,740.5  
 JUN 21 - 1,938.6



## Branch transactions

TOTALS (000's)  
 2019 - 532.9  
 2020 - 457.0  
 2021 - 407.9





# Digital in every part of the bank

Using technology to support growth and customer experience is a key focus area

Digital impacts every part of the organisation  
It changes the way an organisation creates, delivers and captures value

CUSTOMER JOURNEY

Brand & Marketing

Customer Experience

Operational processes

TECHNOLOGY PLATFORM

Technology systems

Data & insights

Cyber management

LEADERSHIP & CULTURE

Strategy & leadership

Culture & people

Ways of working

# 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

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

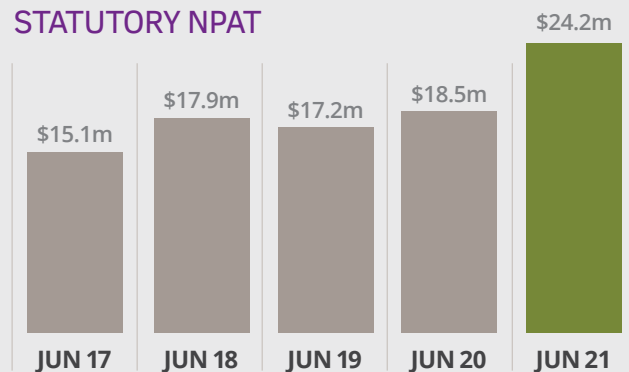




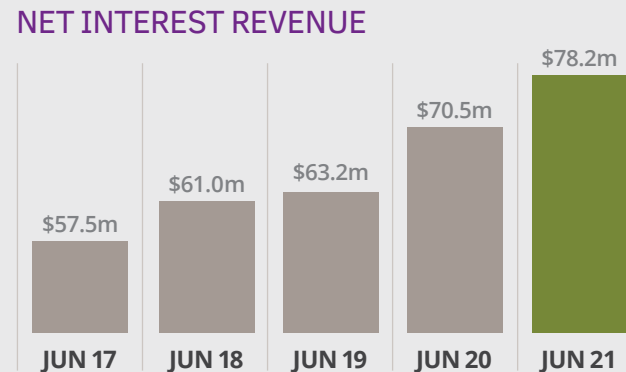
# Track record of delivering profitable growth

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

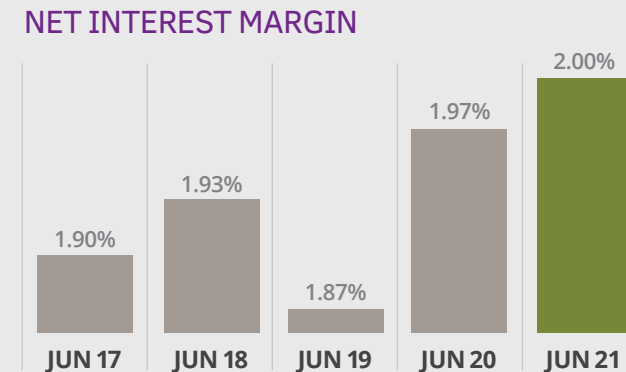
## STATUTORY NPAT



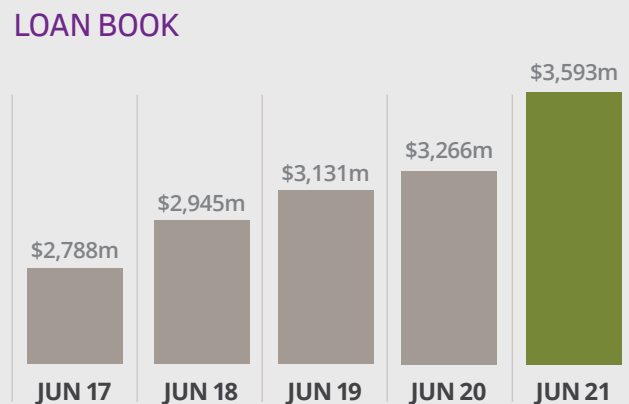
## NET INTEREST REVENUE



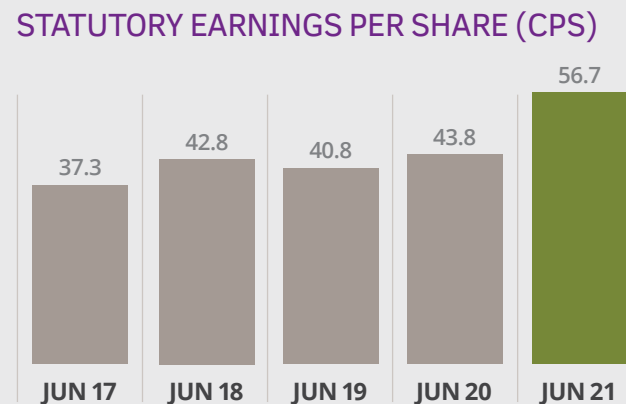
## NET INTEREST MARGIN



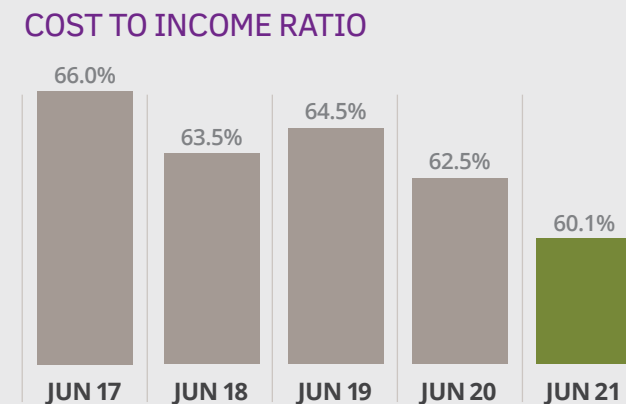
## LOAN BOOK



## STATUTORY EARNINGS PER SHARE (CPS)



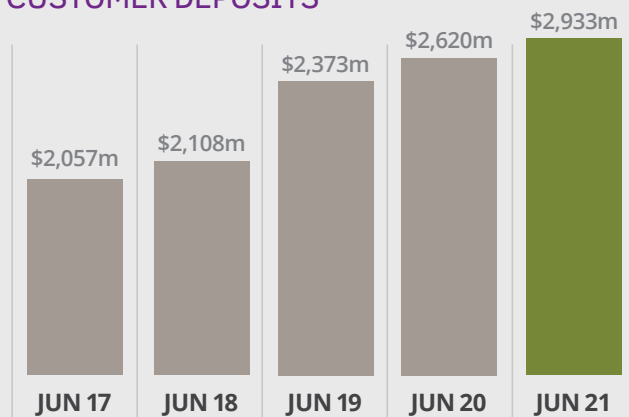
## COST TO INCOME RATIO



# Balance sheet strength

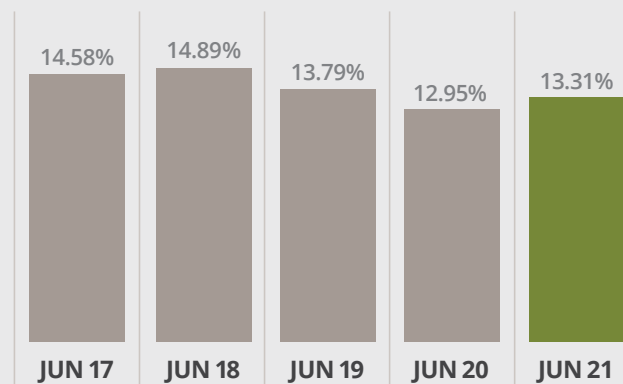
Strong deposit growth, RONTA ahead of FY21 targets

## CUSTOMER DEPOSITS



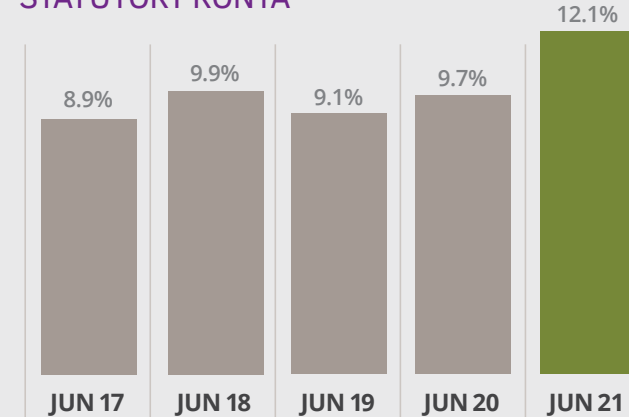
- > 11.9% growth in deposits reflects strategic focus on cost effective funding lines
- > 75.7% of funding from deposits (FY20: 74.5%)

## 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%



# Environmental, Social and Governance (ESG) vision

## Areas of focus for our business



### ENVIRONMENT

- > Energy footprint
- > Efficient use of resources
- > Waste management and recycling
- > Education and community involvement
- > Environmentally-friendly property and assets
- > Digital approach
- > Preservation of natural environment



### SOCIAL

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



### GOVERNANCE

- > Responsible lending
- > Fair fees and interest rates
- > Business conduct and ethics
- > Risk management
- > Transparent disclosure
- > Cybersecurity and data protection
- > Information security and privacy protection
- > Fraud and financial crime prevention and protection
- > Governance and conduct
- > Sustainable shareholder returns



## Our way forward

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.

“Sustainability is no longer about doing less harm, it's about doing more good!”

- ✓ 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





## 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 equity 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



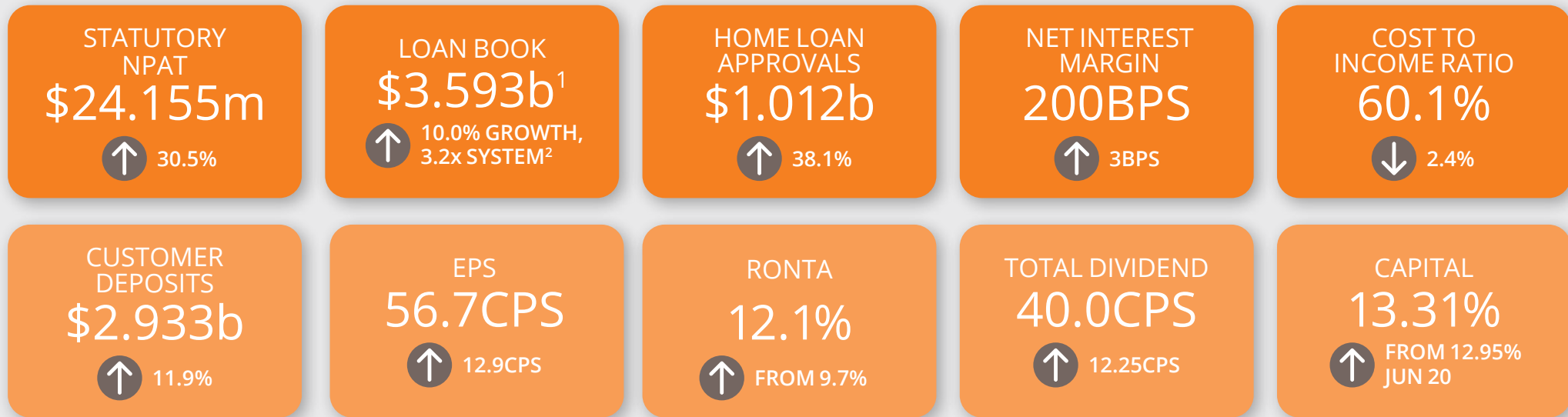
# 03. | Results Overview

CFO, Bill Schafer



# FY21 financial highlights

Strong FY21 performance across all key metrics

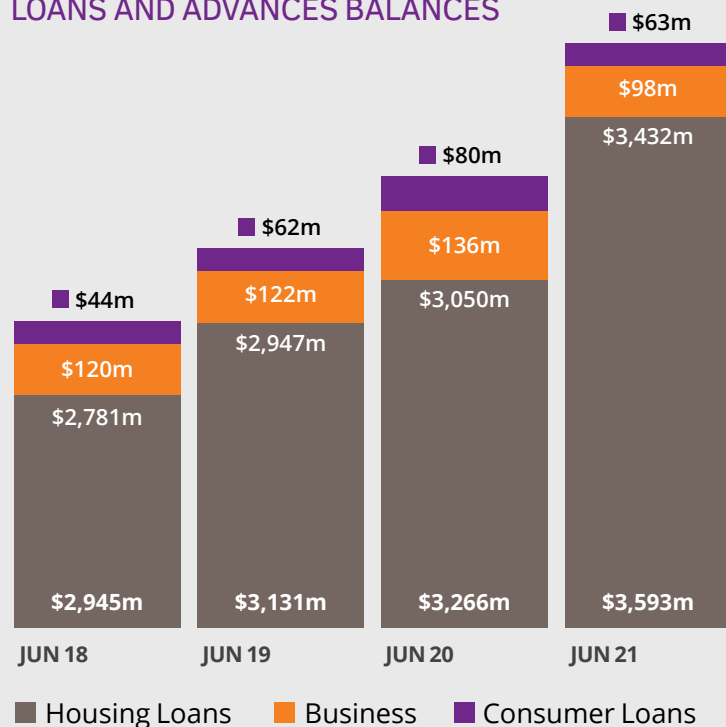


- 1. Including Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet
- 2. System growth of 3.1% per RBA Financial Aggregates – total credit growth

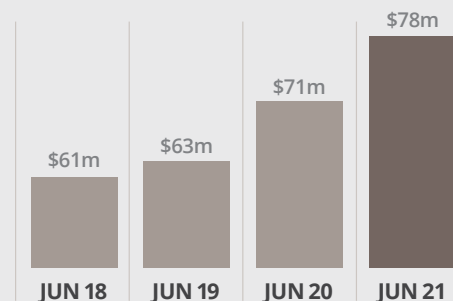
# Loan book

Strong growth in net interest revenue

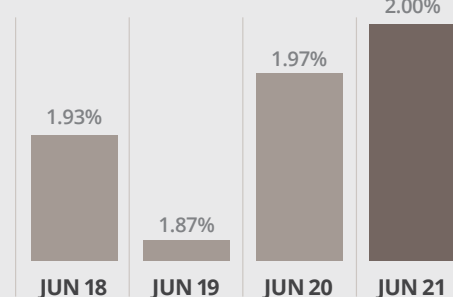
## LOANS AND ADVANCES BALANCES



## 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

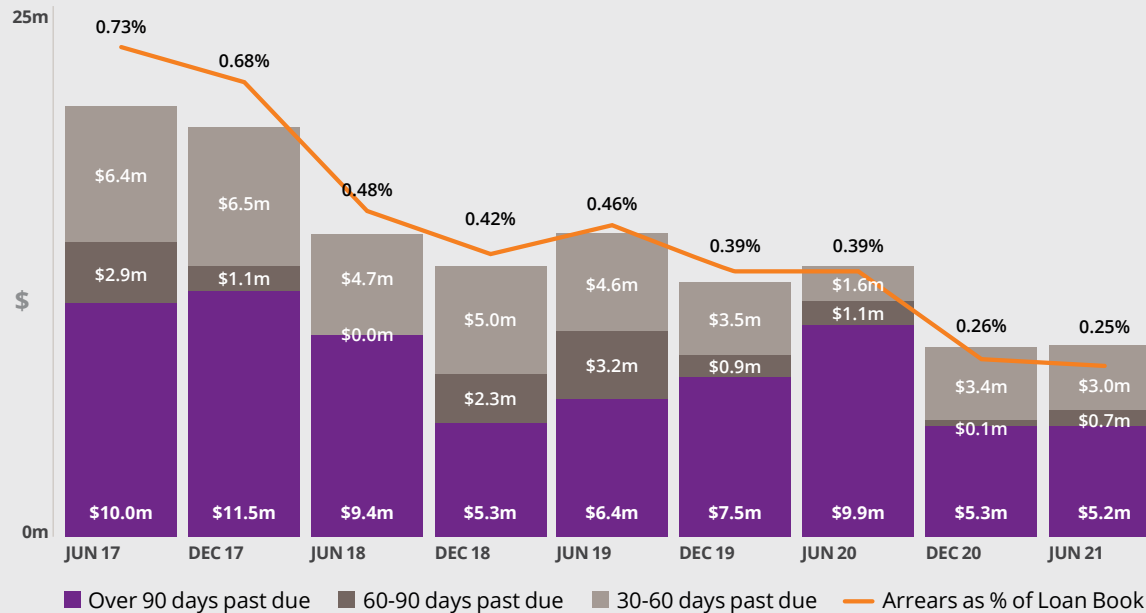
Loan diversification accelerates driven by strong broker flows and private bank

|                       |  | 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

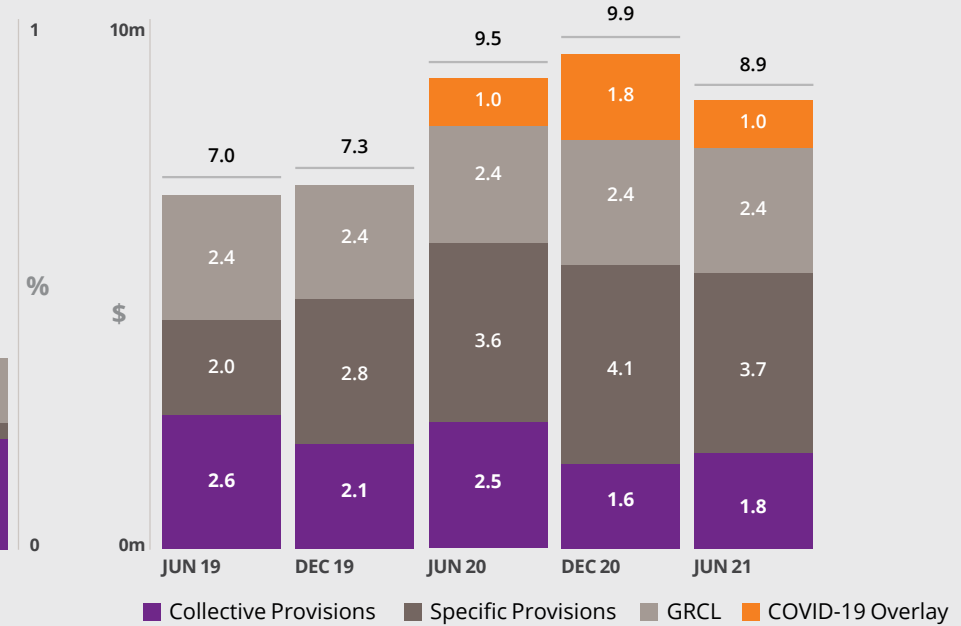
## Loan book arrears

Arrears at historic lows and well below peers



## Total provisions & GRCL

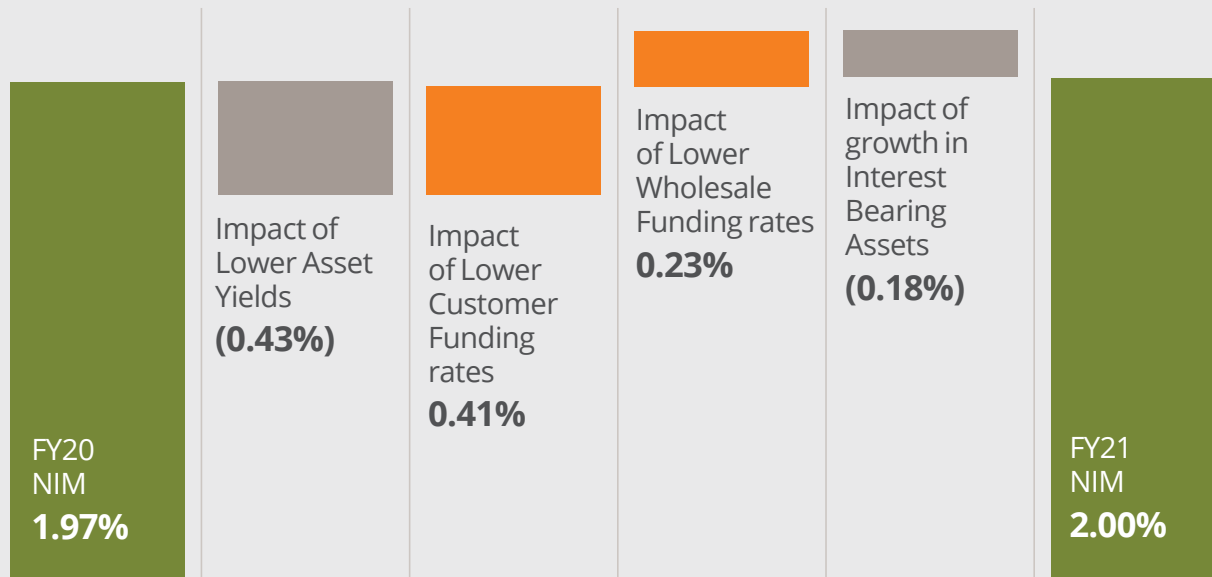
Board confidence in collective provision



- > 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

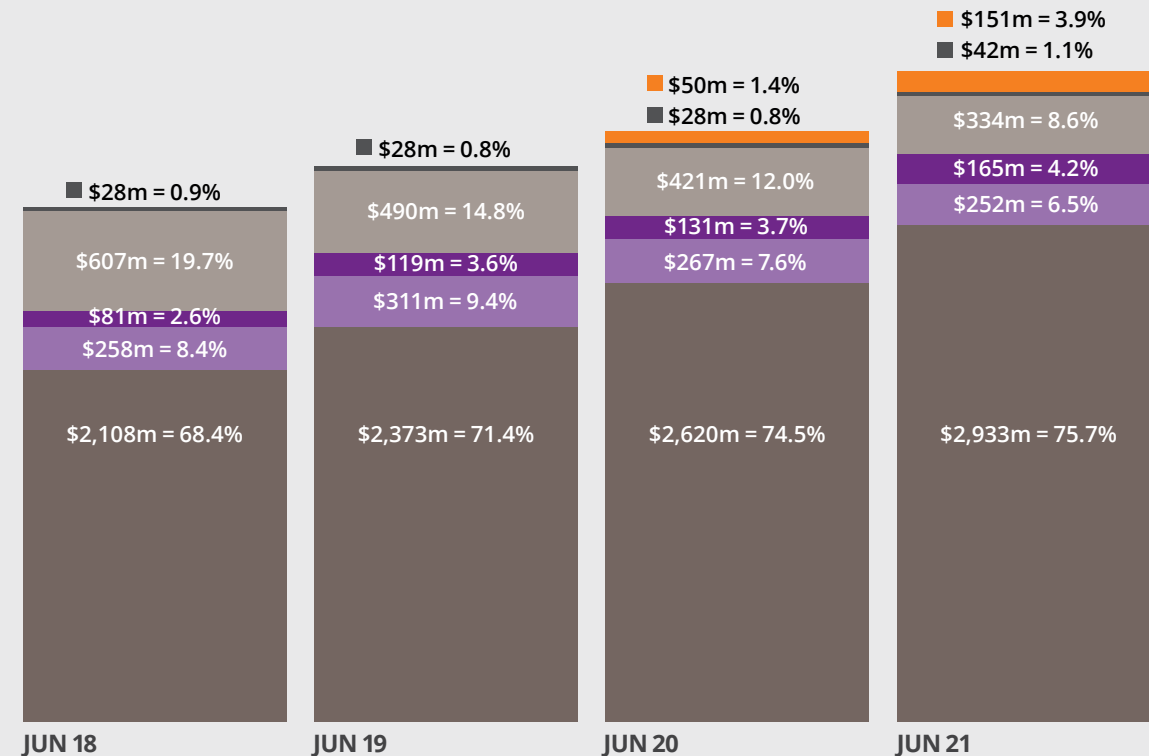


- > NIM rose 3bps from 1.97% in FY20 to 2.00% in FY21
- > Benefits from reduced funding costs outweighing the impact of highly competitive home loan interest rates



# Funding mix

Strategic focus on funding mix supports margin growth

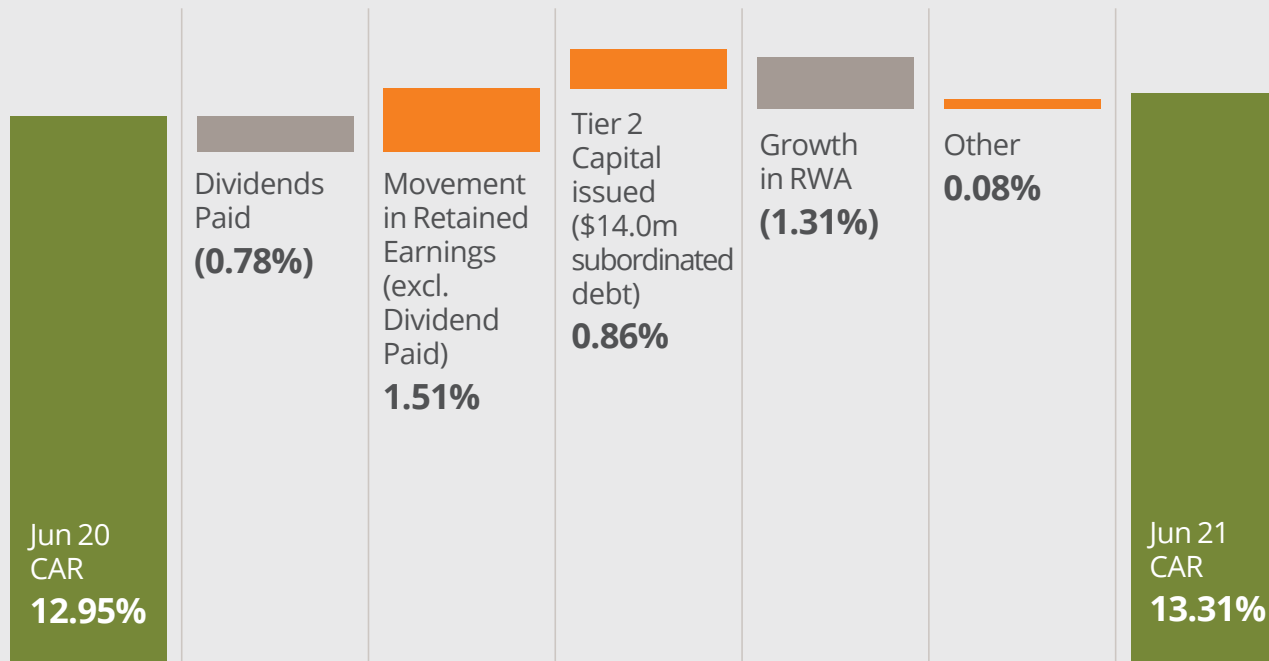


- > Ongoing strategic focus on expanding customer deposits and tight management of funding costs
- > 11.9% growth in customer deposits to reach 75.7% of funding (June 18: 68.4%)
- > 27.7% growth in lower cost at call savings accounts from \$1.13b to \$1.44b
- > Reduced reliance on securitisation (more 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

# Capital

Strong capital position supports above system loan book growth

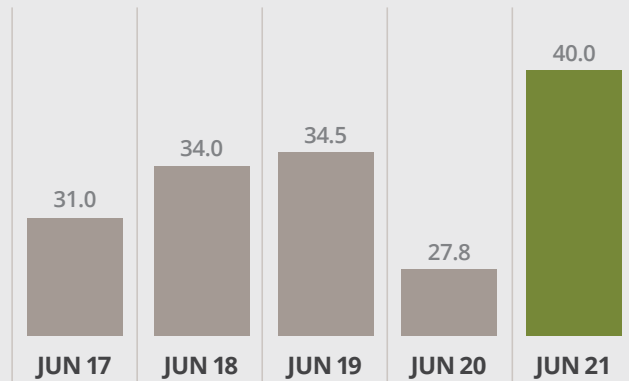


- > Capital remains strong at 13.31% and comfortably meeting APRA's unquestionably strong requirement
- > CET1 of 10.84%
- > Capital ratio has increased from 12.95% at 30 June 2020 due to strong operating results, issuance of \$12m in Tier 2 capital in August 2020 and further increase by \$2m when maturing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

# Dividend and returns

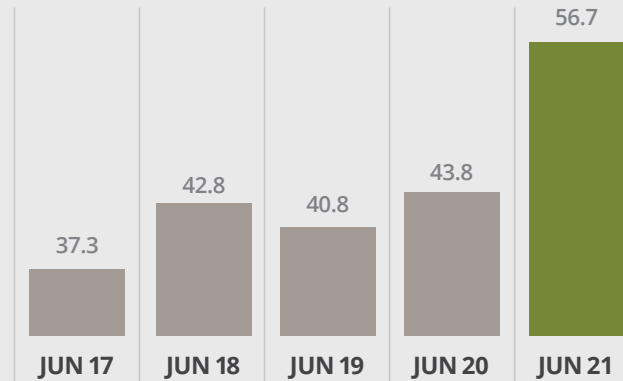
Dividend reflects very strong operational performance and prudent capital management

TOTAL DIVIDEND (CPS)



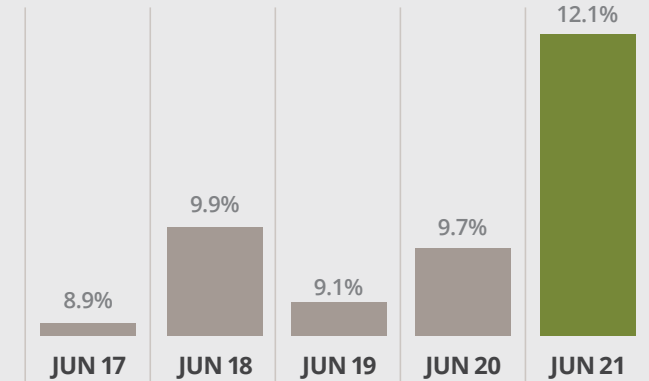
- > Final fully franked dividend of 21.0 cents reflects balance between prudent capital management and providing returns to shareholders

STATUTORY EPS (CPS)



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

STATUTORY RONTA

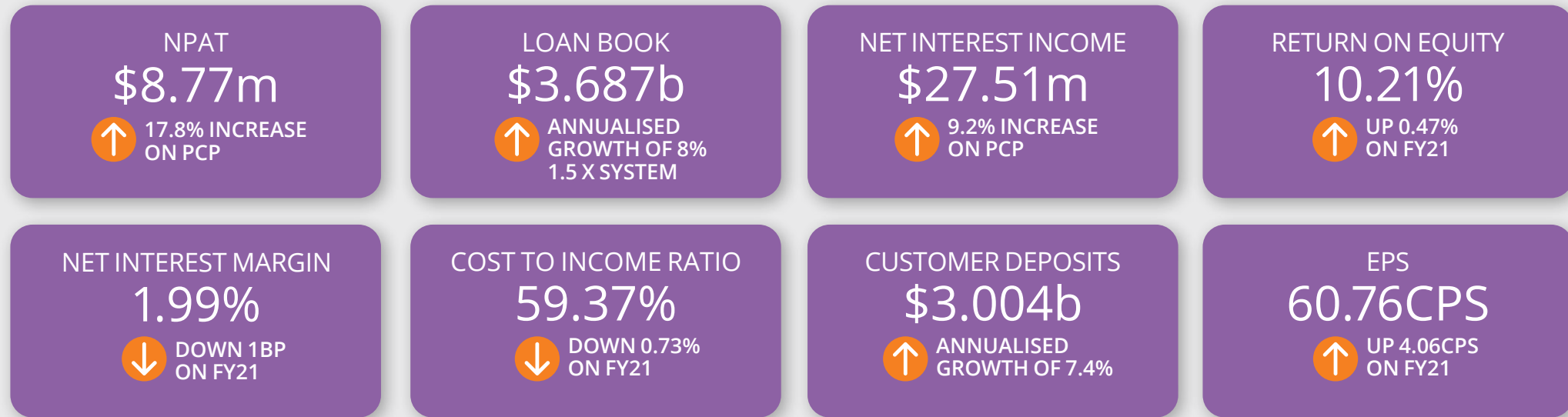


- > RONTA of 12.1%, up from 9.7% in FY20
- > Ahead of strategic target for RONTA of 10%



# FY22 trading update

Strong performance across all key metrics to 31 October 2021



1. System growth of 5.3% per RBA Financial Aggregates – total credit growth year ended September 2021
2. FY22 information is based on unaudited management accounts for the four months to 31 October 2021

Questions | Thank you



# 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 22 November 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.