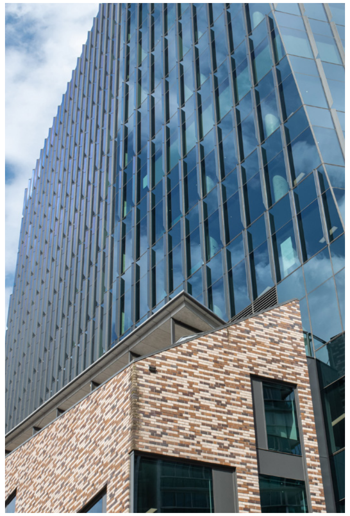






# Investor Presentation

## FY23 FINANCIAL RESULTS

30 AUGUST 2023

AUSWIDE BANK

01.
Results Overview

02.
Financial Overview

03.
Strategy and Outlook

# 01.

## Results Overview

# Auswide Bank Small things. Big difference.

## 57 YEARS STRONG
EST. IN 1966

### OUR MISSION
To demonstrate the 'power of small' by placing our customers at the centre of everything we do.

### OUR VISION
To be the Bank that our customers, staff and partners want their friends, family and colleagues to bank with.

### CORE OFFERINGS
- Home Loans
- Personal Loans
- Credit Cards
- Everyday Banking
- Savings Accounts
- Insurance

### FINANCIAL STATUS
**$3.414b** CUSTOMER DEPOSITS

**$4.403b** IN LOAN BOOK ASSETS

### AWARDS
mozo EXPERTS CHOICE 2022 CAR LOAN

### MAJOR STRATEGIC PARTNERSHIPS
MAROONS

National Seniors AUSTRALIA

### DISTRIBUTION
- ONLINE INTERNET BANKING AND APP
- STRONG BROKER NETWORK
- AUSWIDE BANK PRIVATE BANK | PRIVATE BANKING
- 16 BRANCHES

We acknowledge the Traditional Owners of the lands on which we operate and pay our respects to Elders past and present, and to emerging community leaders. We also acknowledge the important role Aboriginal and Torres Strait Islander peoples continue to play within the communities in which Auswide Bank operates and where our team members reside.

# FY23 Financial Highlights

Underlying NPAT maintained in challenging environment

| | | | | |
|---|---|---|---|---|
| UNDERLYING NPAT[1] $25.067m ↑ 0.4% | STATUTORY NPAT $25.067m ↓ 4.1% | LOAN BOOK $4.403b[2] ↑ 14.2% growth, over 3x system[3] | COST TO INCOME RATIO 65.0% ↑ 3.9% | NET INTEREST MARGIN 188BPS ↓ 6BPS on FY22 |
| UNDERLYING ROE[1] 8.7% ↓ from 9.4% | STATUTORY ROE 8.7% ↓ from 9.8% | CUSTOMER DEPOSITS $3.414b ↑ 11.6% growth | STATUTORY EPS 55.6CPS ↓ 4.9CPS | TOTAL DIVIDEND 43.0CPS ↑ 1.0CPS |

TOTAL ASSETS EXCEEDED $5b at 30 June 2023

1. Difference between Statutory and Underlying NPAT and ROE in FY22 is due to:
   - Tax credits which the Bank previously underclaimed ($628k)
   - Transition payment received from payments system provider ($318k)
   - Costs of M&A activity which did not proceed $120k
   - Release of COVID overlay in the Collective Provision ($350k)
2. Including investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet
3. System growth of 4.5% per RBA Financial Aggregates - total housing growth

# Progress in key operational priorities

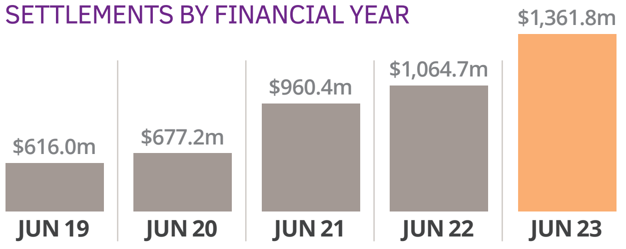
## Customers

- brand evolution journey and QRL partnership
- home loan support and a retention focus for existing customers
- the use of technology to support the customer experience and delivering our digital strategy
- improved loan experience, including auto decisioned loans, digital documentation and automated processes
- broker network continued to represent an important distribution channel and was our most significant area of growth
- Private Bank continued to support the significant demand for a high-quality offering that supports high-net-worth customers

## Products

### High quality lending

- home loan settlements at a record high $1.362b, an increase of 27.9% on FY22




- sustained Private Bank momentum in customer and asset growth
- total arrears at historic low of 0.10% of loan book at 30 June 23

### Customer deposits

- customer deposits grew 11.6% (72.4% of total funding) across FY23
- 9.2% reduction in lower cost at call savings accounts from $1.74b at June 22 to $1.58b at June 23
- 39.2% increase in higher cost term deposit accounts from $1.32b in June 22 to $1.84b in June 23

## Transformation and technology

- adoption of new corporate strategy with significant digital investments planned for major systems in coming years
- increased investments in our cybersecurity, data and cloud governance to manage cyber and data risk
- successfully implemented Elula, an AI/machine learning capability, to improve customer home loan retention
- proactive investments to improve our broker digital experience
- launched a new Auswide retail website for customers
- continued investment in data and robotics capability

# Focus on margin and expenses in a challenging environment

### Economic outlook
- Queensland economy holding steady with retail turnover down 0.7% in June 23 and up 0.2% annually[1]
- Population growth 2.2% in Qld to 31 Dec 22, 23.5% of national share, 1.9% national growth[2]

### Housing market
- System growth 'total credit' 5.5% and 'housing' 4.5% to 30 June 23[3]
- Auswide total loan book growth 14.2% and mortgage book 15.1% to 30 June 23

### House prices
- 12 months to June 23 dwelling values in Australia down 5.3% (6.5% in regionals and 4.8% in capitals)[4]
- 12 months to June 23 dwelling values in Queensland down 4.6% in regionals and 8.2% in Brisbane[4]
- Brisbane dwelling values up 1.3% in June and 3.0% for the quarter[4]

### Employment
- Employment in Qld rose by 12,800 people (0.5%) in June 23 to be 76,800 people (2.8%) higher over the year[5]
- Unemployment Qld 3.8%, Australia 3.5% June 23[5]
- Competition for skilled staff is evident in salary expectations

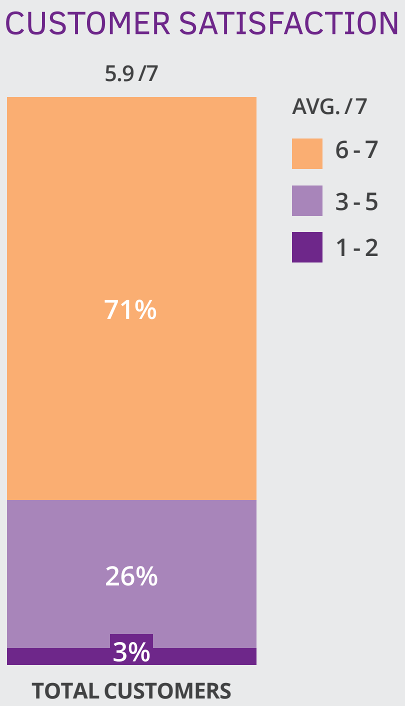
### Arrears and provisions
- Credit quality has resulted in further downward trend in arrears
- Economic uncertainty has been included in modelling for provisions

### Rising interest rates
- RBA cash rate rises have seen increased competition for new lending
- Benefits more than offset by competition for new lending, deposits and elevated wholesale funding pricing
- Funding strategy for FY24 to maintain a focus on deposit growth and managing wholesale funding costs

1. Queensland Government Statistician's Office Retail Trade June 2023
2. Queensland Government Statistician's Office Population Growth December quarter 2022
3. RBA Financial Aggregates June 2023
4. CoreLogic RP data June 2023
5. Queensland Government Economic Strategy Division Labour Force June 2023

# Customer satisfaction and NPS amongst the best in the industry

Overall customer satisfaction of 97% and Net Promoter Score of 31




- In June 2023 we undertook extensive customer research to determine how we are delivering on our commitment to making a difference and creating value for our customers
- This research has given the Bank areas of focus in the coming months, to ensure we continue to deliver an experience that is aligned with the needs of our customers
- With a scoring system that often has a number of competitors producing negative scores we are proud to see a strong NPS
- The opportunity now exists for us to work with and thank those customers who are strong advocates for the bank while also spending time understanding more about why those who did not score us as strongly

Auswide Bank - Customer Satisfaction 2023 - The Nielson Company (US), LLC

# 2023 staff engagement and satisfaction remains very strong

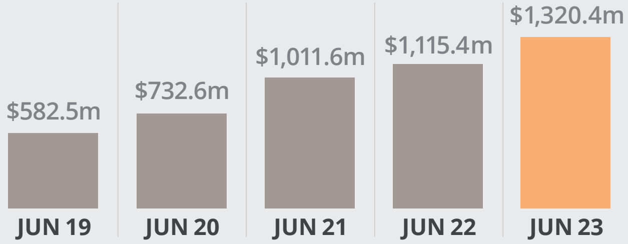
Staff engagement consistent from 2022 at a high 96%

Highlights of key core insight metrics:

- Strong employee participation in the survey with an 88% response rate
- Satisfaction Score remains at a stable 86% for the last 3 years
- Leadership Score continues to trend upwards from 92% in 2022 to 94% in 2023 - continued focus on Leadership programs, better coaching and regular 1:1 discussions and performance to outcomes culture
- Teamwork / Communication sits at 86% from 85% in 2022 - continued focus with inclusion and consultation of the 3 levels of leadership in decisioning, committees, etc
- Innovation sits at 96% across Bank from 93% in 2022
- Personal Wellbeing Score sitting at a consistent 93% through more focus on health and wellbeing initiatives, staff benefits package, etc

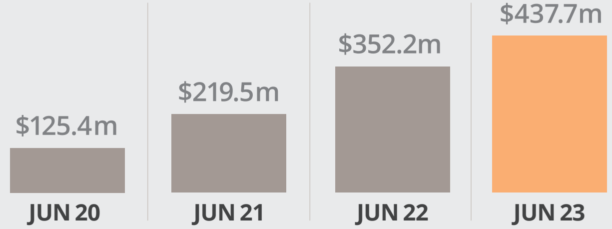
# Broker and Private Bank driving growth

## TOTAL HOME LOAN APPROVALS

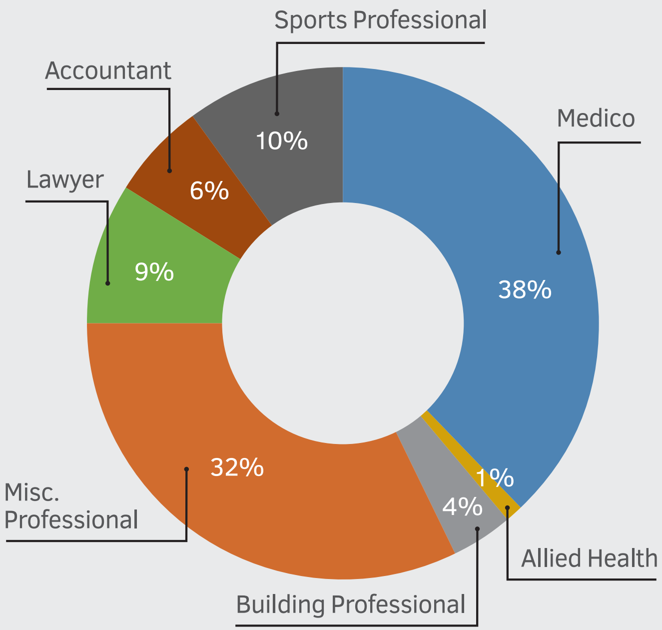



## PRIVATE BANK PORTFOLIO

Very strong growth and momentum is being seen in Private Bank which continues to attract new customers with an increase of $85.5m in the Private Bank loan book in FY23 to $437.7m




## PRIVATE BANK PORTFOLIO DISSECTION




## BROKER

> In 2023, we focused on expanding capacity and delivery to our brokers

> 2023 was an outstanding year of loan growth with record support from our brokers

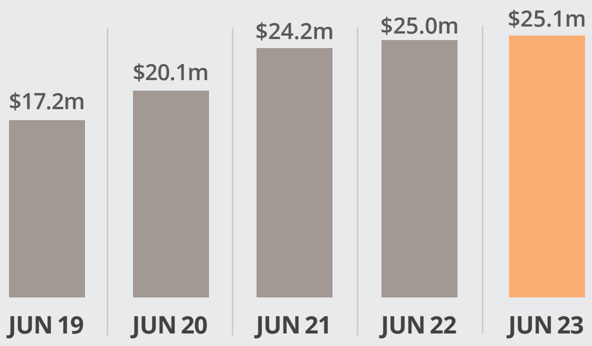
## PRIVATE BANK

> Growth in Private Bank has been achieved by delivering bespoke lending and deposit solutions to targeted clients, quick loan turnaround times and building enduring relationships

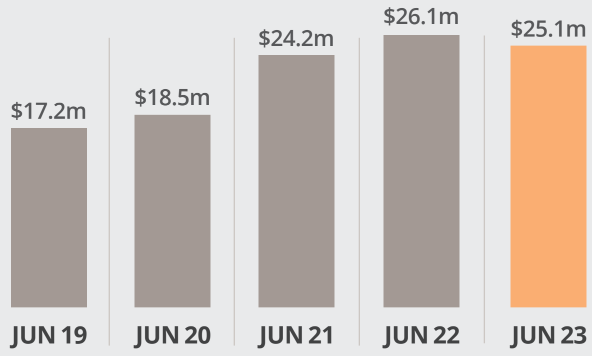
# Targeting quality growth and sustainable profit whilst investing for the future

Loan book growth at over 3x system and NIM contraction

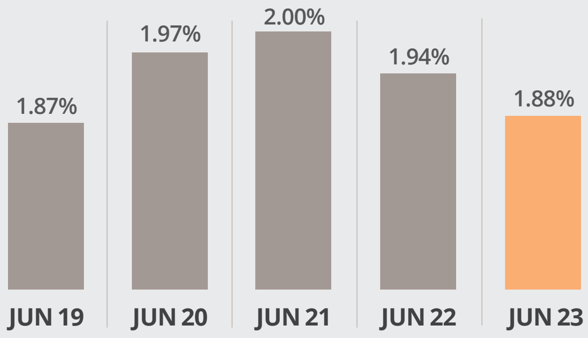
## UNDERLYING NPAT



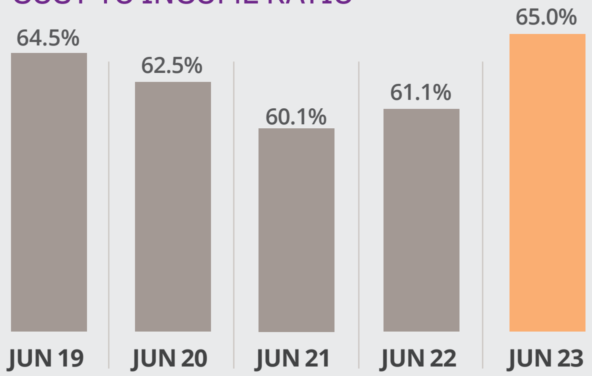

## STATUTORY NPAT



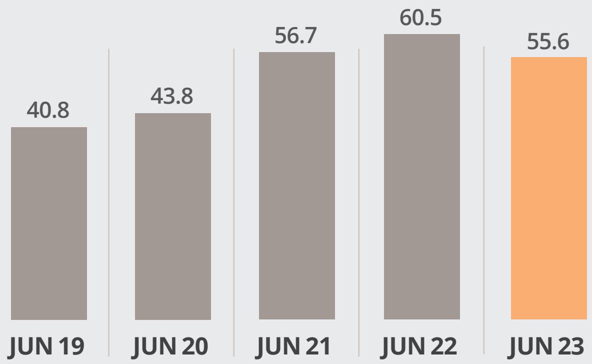

## NET INTEREST MARGIN



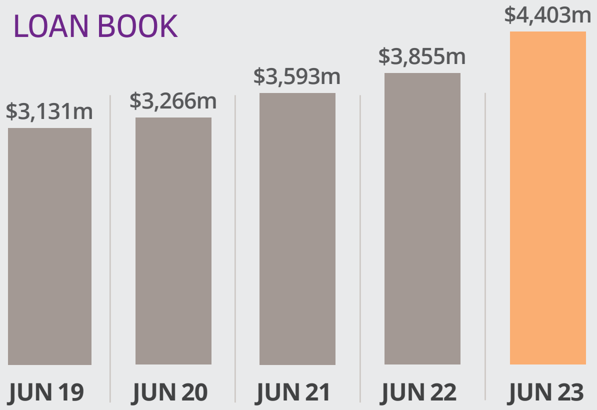

## COST TO INCOME RATIO




## STATUTORY EARNINGS PER SHARE (CPS)



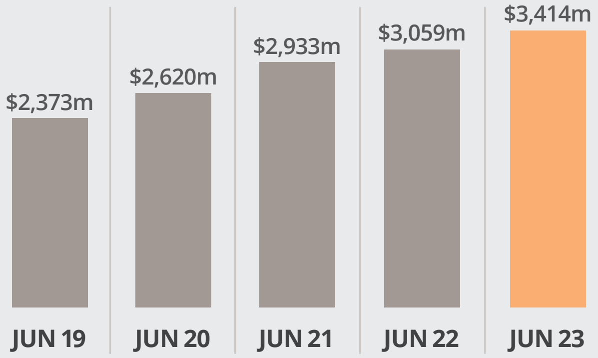

## LOAN BOOK



# Balance sheet metrics

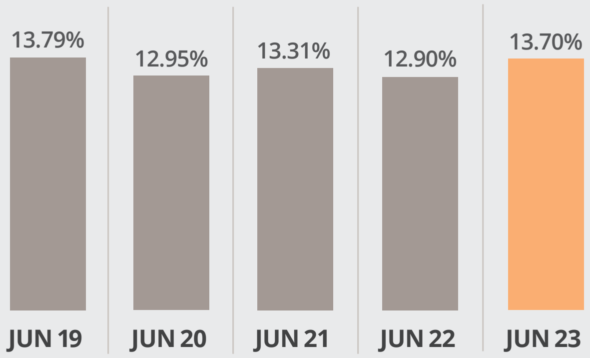
Capital strong, ROE contracts as a result of NIM and cost to income challenges

## CUSTOMER DEPOSITS



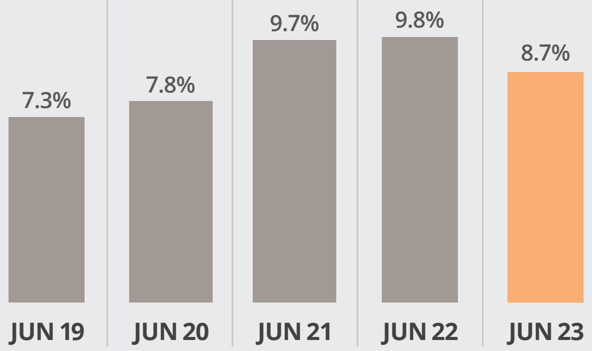

- 11.6% growth in deposits reflects strategic focus on cost effective funding lines
- 72.4% of funding from Customer deposits (FY22: 73.2%)
- Funding gap met by higher cost wholesale funding

## CAPITAL ADEQUACY RATIO




- Capital remains strong at 13.70%
- CET1 of 11.43%
- Impact of new capital framework for ADIs that came into effect January 2023 had a benefit of 0.77%

## STATUTORY ROE




- ROE of 8.7%, marginally above 5 year average
- Underwritten DRP contributed additional capital to fund loan book growth
- ROE pressured by:
  - increased competition in lending and deposit interest margins
  - increased capital
- Remains in line with regional banks

# 02.

## Financial Overview

# Financial overview

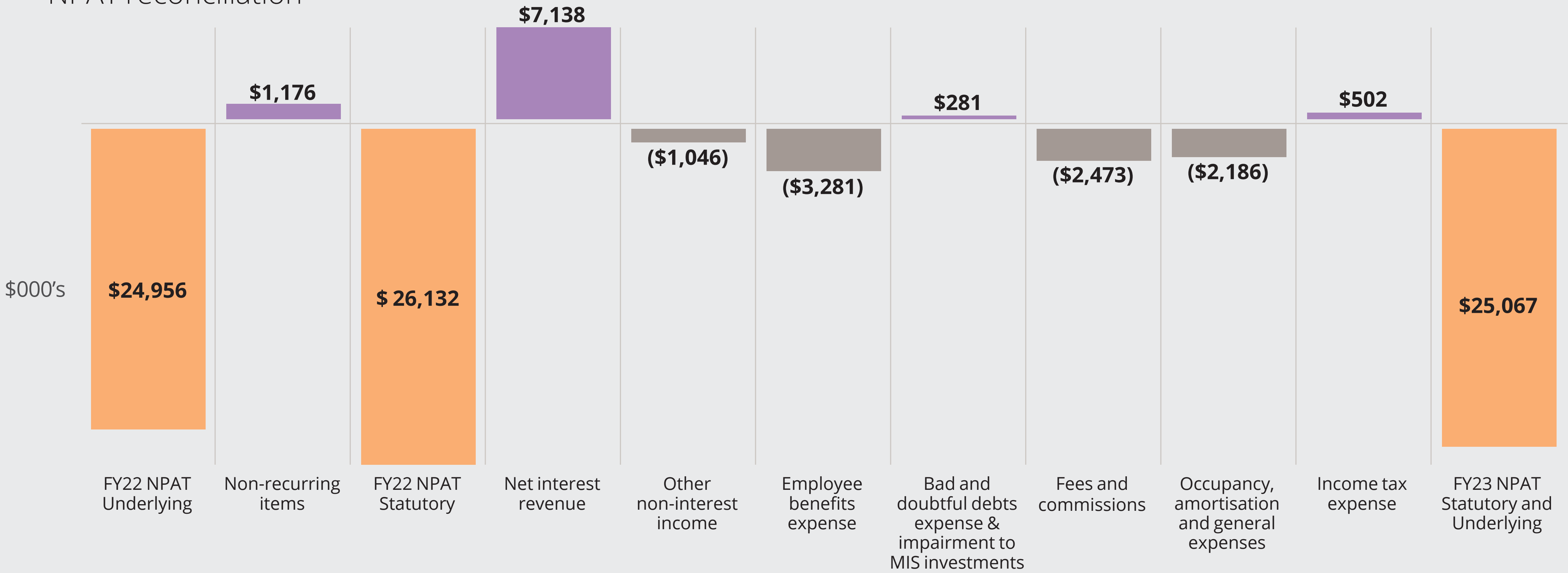
| | FY23 | FY22 | CHANGE |
|---|---|---|---|
| NPAT Underlying (Consolidated) [1] | $25.067m | $24.956m | ↑ 0.4% |
| NPAT Statutory (Consolidated) | $25.067m | $26.132m | ↓ 4.1% |
| Loan Book (billion) [2] | $4.403b | $3.855b | ↑ $548m |
| Net Interest Revenue | $89.182m | $82.044m | ↑ 8.7% |
| Net Interest Margin (NIM) (Basis points) | 188bps | 194bps | ↓ 6bps |
| Final Dividend per share | 21.0c | 21.0c | → 0.0c |
| Total Dividend per share | 43.0c | 42.0c | ↑ 1.0c |
| EPS Underlying (cents) [1] | 55.6c | 57.8c | ↓ 2.2c |
| EPS Statutory (cents) | 55.6c | 60.5c | ↓ 4.9c |
| ROE Underlying [1] | 8.7% | 9.4% | ↓ 0.7% |
| ROE Statutory | 8.7% | 9.8% | ↓ 1.1% |
| Cost to income Ratio | 65.0% | 61.1% | ↑ 3.9% |
| Capital Adequacy Ratio | 13.70% | 12.90% | ↑ 0.80% |
| Deposits | $3.414b | $3.059b | ↑ $355m |

- Underlying NPAT of $25.067m, up 0.4% on prior year
- Net interest revenue of $89.182m, up 8.7% due to loan book growth
- Loan book growth of 14.2% was over 3x system growth
- Net Interest Margin of 188bps, down 6bps on FY22
- Deposits up 11.6%; now 72.4% of funding (FY22: 73.2%)
- Strong balance sheet, capital adequacy ratio of 13.70%, a benefit of 0.77% as a result of the new capital framework for ADIs
- Final dividend of 21.0c reflects financial results and payout ratio of 78.4%. Fully franked yield of 7.98% on 30 June 2023 share price

1. See NPAT excluding non-recurring items reconciliation page 3
2. Including investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet

# NPAT maintained despite margin pressure, growth in costs and investment

NPAT reconciliation




- NPAT of $25.067m, up 0.4% on FY22 underlying result amid competitive lending and funding environment
- Net interest revenue growth of 8.7% on the back of growth in the loan portfolio and control of NIM
- Cost to income ratio of 65.0% (FY22: 61.1%)
- Increased expenses affected by inflation, personnel costs, technology and loan volumes

# Key operational expenses and investments FY23

Additional opex and capex to support growth, technology and security

### Technology and cybersecurity

- Investments in cybersecurity, data and cloud governance
- Regulatory compliance and finance transformation
- AI/machine learning capacity to improve home loan retention
- Amortisation relating to Open Banking, NPP, robotics and internet banking investments
- Core banking system modifications

### Personnel costs

- Additional personnel to support third party loan volume
- Establish lending centre to assist in home loan retention efforts
- Customer Banking restructure to support banking services and customer experience
- Resources added to support transformation, risk, technology and finance
- CPI and superannuation increases

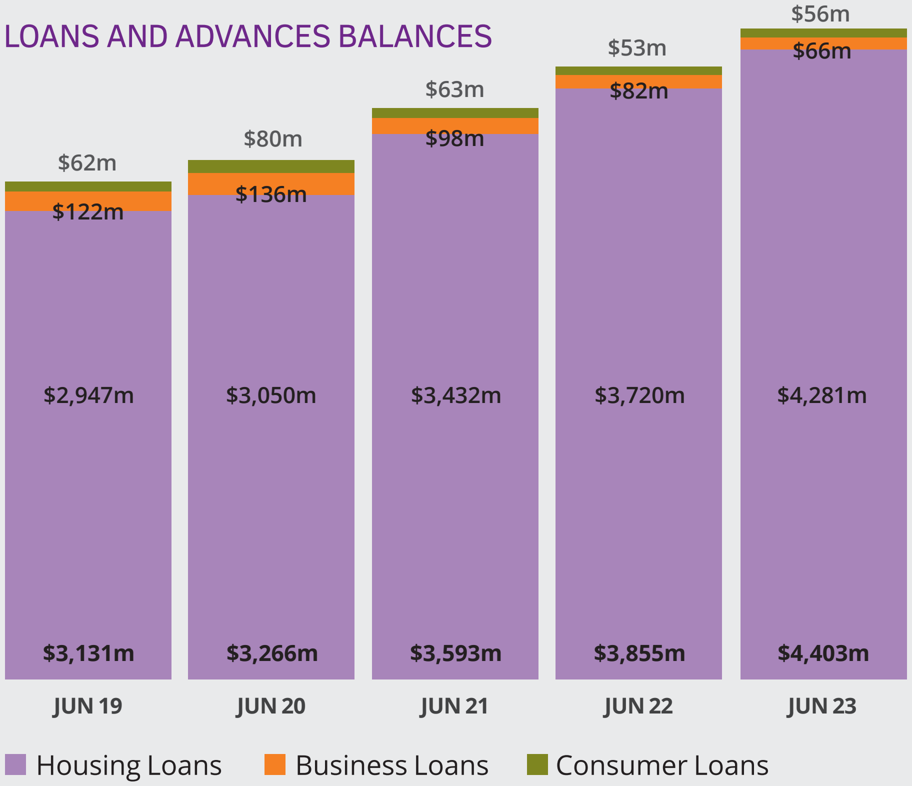
### Increase in lending volume

- Mortgage broker fees
- Credit reporting charges
- Valuation fees
- Loan verification charges

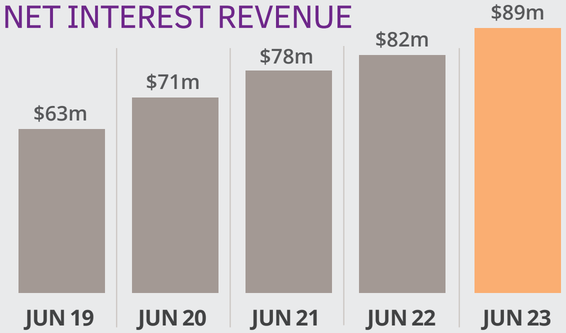
# Record loan book growth

Net interest revenue rising through increased flows

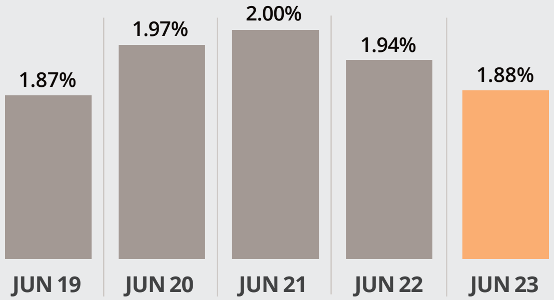
## LOANS AND ADVANCES BALANCES




## NET INTEREST REVENUE




## NET INTEREST MARGIN




> Net interest revenue of $89m, up 8.7% on FY22

> Net interest margin of 1.88% (FY22: 1.94%)

> Loan book growth of 14.2% on FY22, over 3x system reflecting strong broker flows

> Housing loans of $4,281m, up 15.1% on FY22; 97.2% of loan book

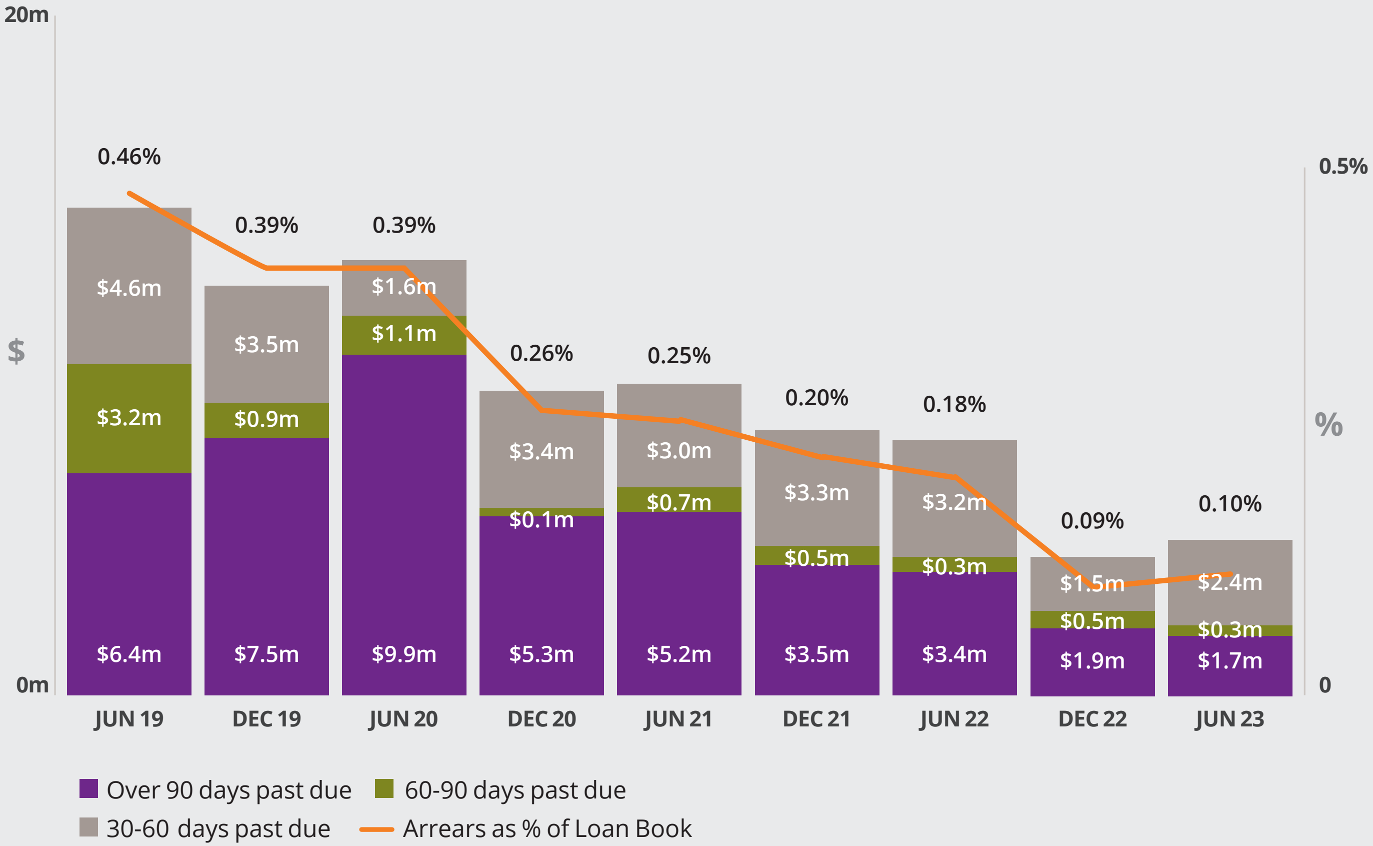
# Broker flows in capital city markets driving diversification

- Strong broker flows drive growth in SE QLD, NSW and VIC
- 36.2% of loan book outside Queensland (FY22: 30.4%)
- Significant growth is being seen in the non-core areas
- In FY23, continued high broker flows contributed to:
  - 18.4% increase on FY22 Home Loan approvals
  - 27.9% increase on FY22 Home Loan settlements
- There has been over $1b in Home Loan approvals each year for the last three years

| | LOAN BOOK | | | BREAKDOWN | |
|---|---|---|---|---|---|
| | JUN 22 | JUN 23 | GROWTH RATE | JUN 22 | JUN 23 |
| SOUTH EAST QUEENSLAND | $1,514.4m | $1,697.2m | 12.1% | 39.7% | 38.9% |
| QUEENSLAND OTHER | $1,139.0m | $1,084.0m | 4.8% | 29.9% | 24.9% |
| NEW SOUTH WALES | $566.0m | $660.3m | 16.7% | 14.8% | 15.2% |
| VICTORIA | $411.9m | $527.8m | 28.1% | 10.8% | 12.1% |
| AUSTRALIA OTHER | $183.2m | $389.2m | 112.5% | 4.8% | 8.9% |
| TOTAL | $3,814.5m | $4,358.5m | | 100% | 100% |

# Loan book arrears remain industry leading

Low arrears aided by credit quality and a strong labour market




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

| | 30 days past due (includes >90 days past due) | 90 days past due |
|---|---|---|
| AUSWIDE | 0.10 | 0.04 |
| SPIN (Other) | 0.80 | 0.37 |
| SPIN (Regional) | 1.15 | 0.66 |

Auswide figures: at 30 June 2023 | SPINs: at 30 June 2023

- Lending focus on low LVR, low risk home loans
- Credit quality of loan portfolio is sound with a low level of arrears evident
- >30 days past due arrears at historic low of 0.10% of loan book
- >90 days past due arrears at 0.04% of loan book

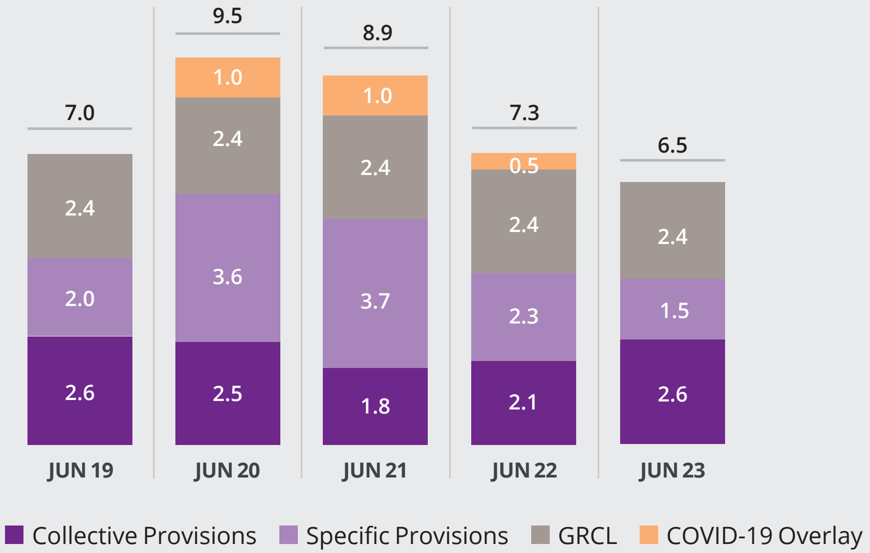
## ADVANCE PAYMENTS

> Advance payments continue to increase enhancing credit quality
- Total advance payments of $244m (5.5% of total loan book)
- $443m in offset accounts (10.1% of total loan book)

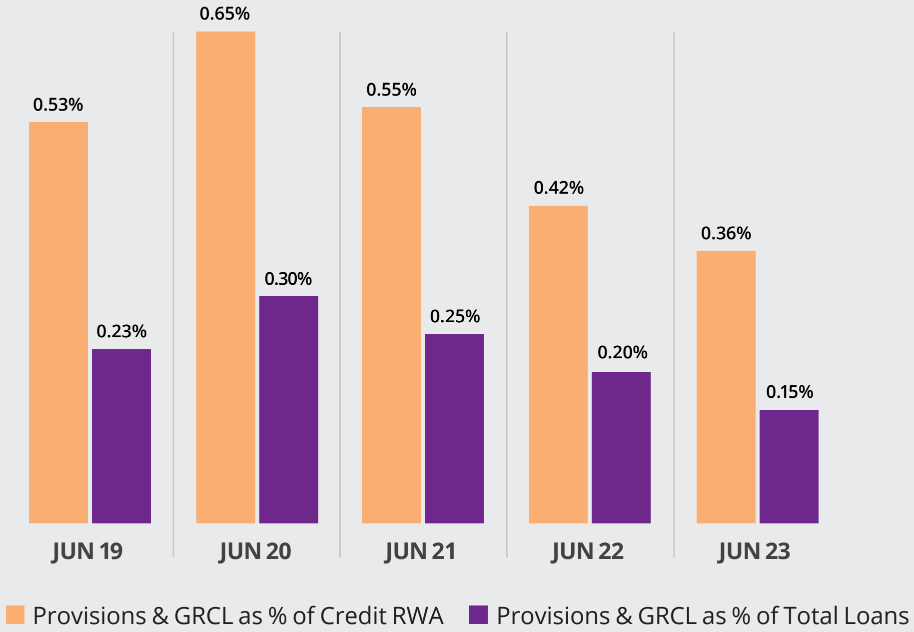
# Prudent loan provisioning

Total provisions and coverage ratio reflects low arrears levels

## TOTAL PROVISIONS AND GRCL ($M)



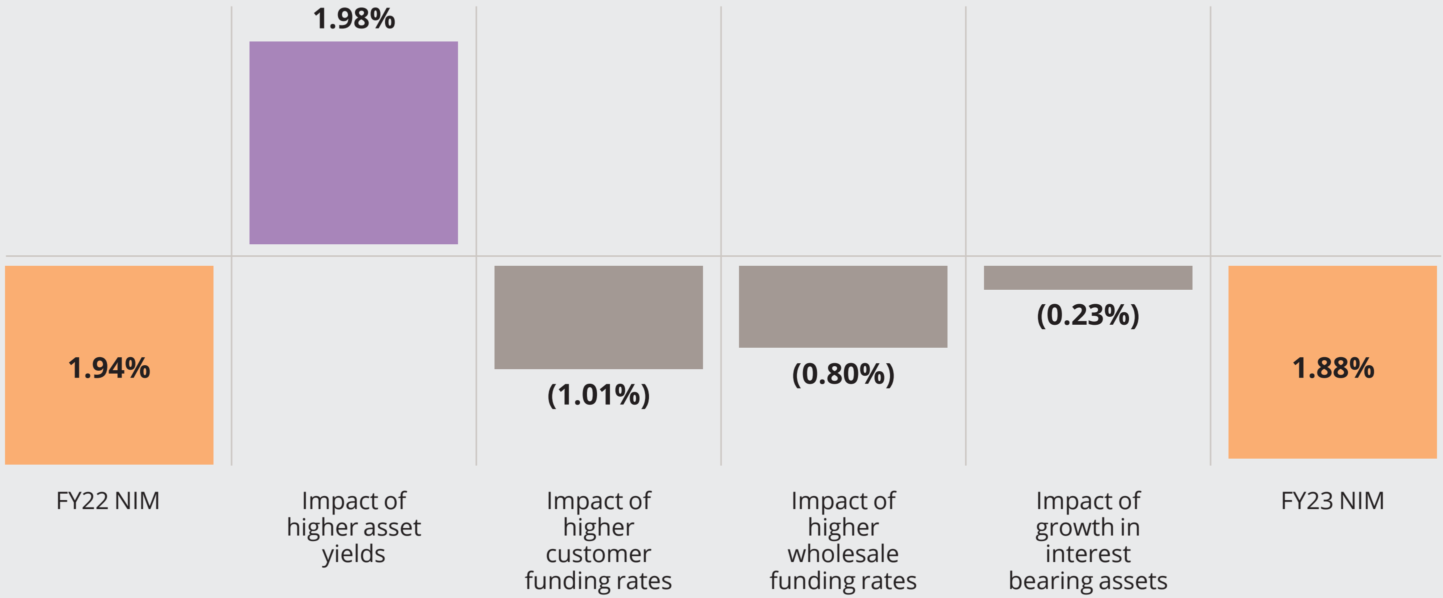

## TOTAL PROVISION COVERAGE RATIO




> Collective provisions adequate based on low arrears and strong risk policy
> Increase in collective provisions reflects conservative modeling scenarios

# Net Interest Margin progression

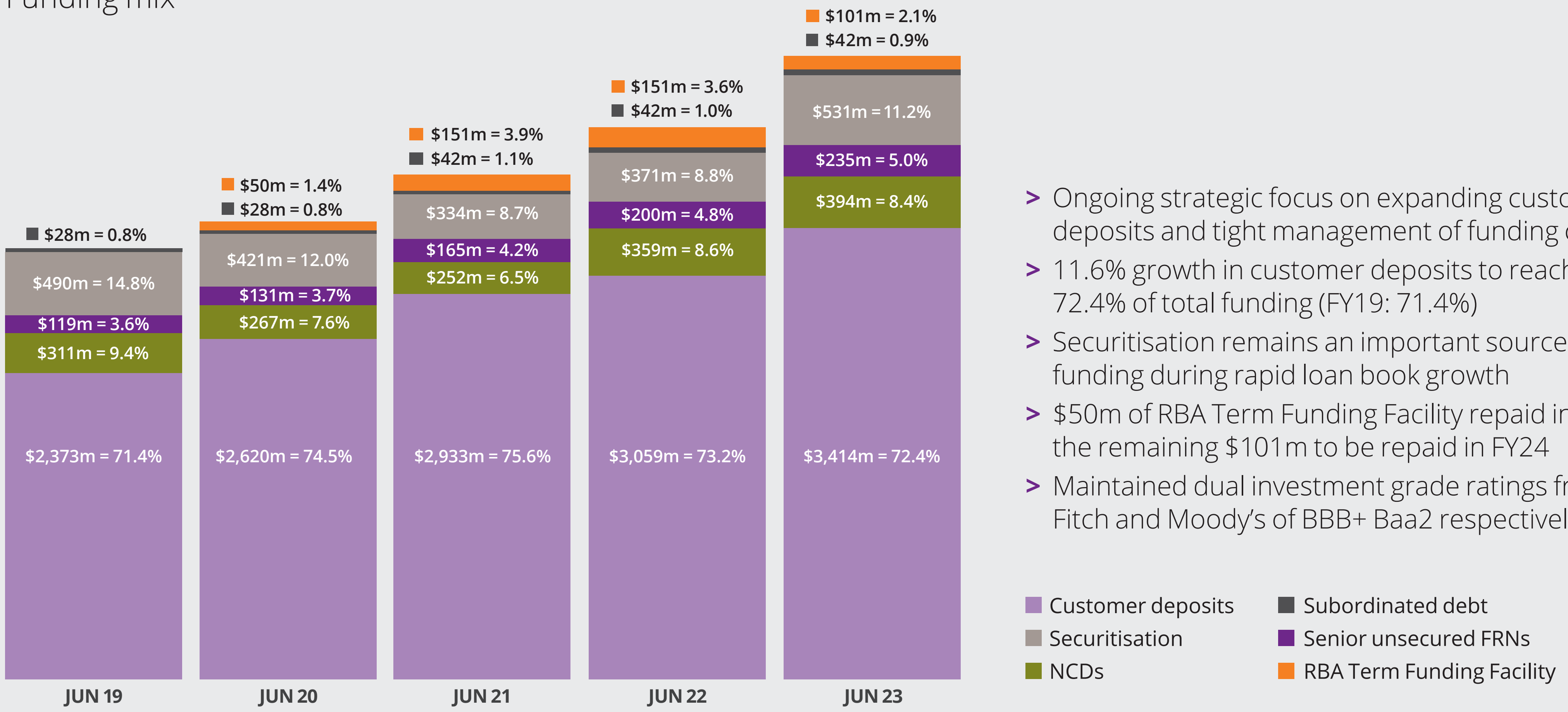
NIM pressure from competition for loans and deposits




- NIM declined 6bps in FY23 to 188bps in the rapidly rising interest rate environment
- Decline in NIM reflective of market competition
- Funding costs have been impacted by retail deposit competition
- Funding costs further elevated by the switch from cheaper transaction accounts to expensive term deposits

# Strategic approach to funding as interest rates rise

## Funding mix




> Ongoing strategic focus on expanding customer deposits and tight management of funding costs

> 11.6% growth in customer deposits to reach 72.4% of total funding (FY19: 71.4%)

> Securitisation remains an important source of funding during rapid loan book growth

> $50m of RBA Term Funding Facility repaid in FY23; the remaining $101m to be repaid in FY24

> Maintained dual investment grade ratings from Fitch and Moody's of BBB+ Baa2 respectively

# Wholesale funding

Funding gap met by higher cost wholesale funding

| | BALANCE | | | AVERAGE INTEREST RATE | | |
|---|---|---|---|---|---|---|
| | FY22 | FY23 | VARIANCE | FY22 | FY23 | VARIANCE |
| Securitisation | $371m | $531m | ↑ **$160m** | 2.43% | 4.38% | ↑ **1.95%** |
| NCDs | $359m | $394m | ↑ **$35m** | 0.29% | 3.20% | ↑ **2.91%** |
| Senior unsecured FRNs | $200m | $235m | ↑ **$35m** | 0.97% | 3.85% | ↑ **2.88%** |
| RBA Term Funding Facility | $151m | $101m | ↓ **$50m** | 0.19% | 0.19% | → **0%** |
| Subordinated debt | $42m | $42m | → **$0m** | 3.43% | 6.15% | ↑ **2.72%** |

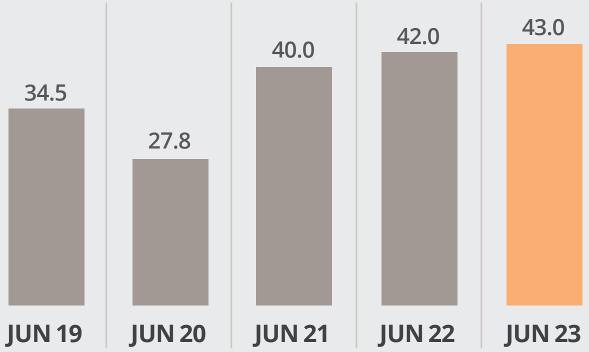
> Over 3x system loan book growth was supported by the wholesale funding program

> RMBS warehouses, NCD and Senior unsecured FRN programs were utilised to supplement deposit growth and assist repayment of RBA Term Funding Facility

# Shareholder metrics

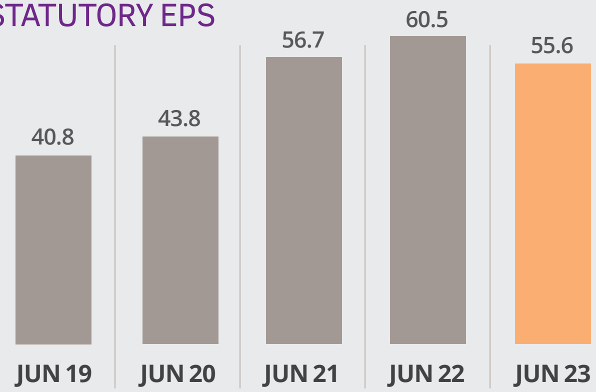
Continued progress in shareholder results as operational results plateau

### TOTAL DIVIDEND



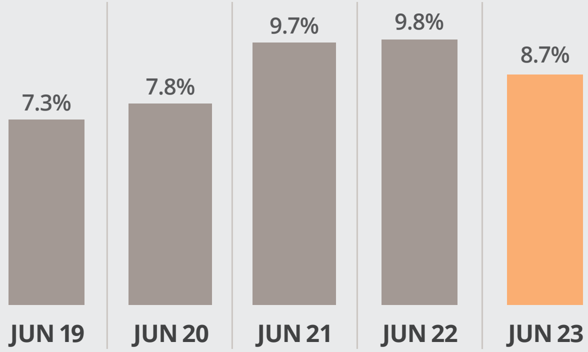

> Final fully franked dividend of 21.0cps
> Total dividend of 43.0cps for FY23 up from 42.0cps in FY22
> Capital managed to balance between prudent capital management and providing returns to shareholders

### STATUTORY EPS




> Final dividend payout ratio of 78.4% of statutory NPAT, within the Board target range of 70-80% (FY22: 73.1% underlying)

### STATUTORY ROE

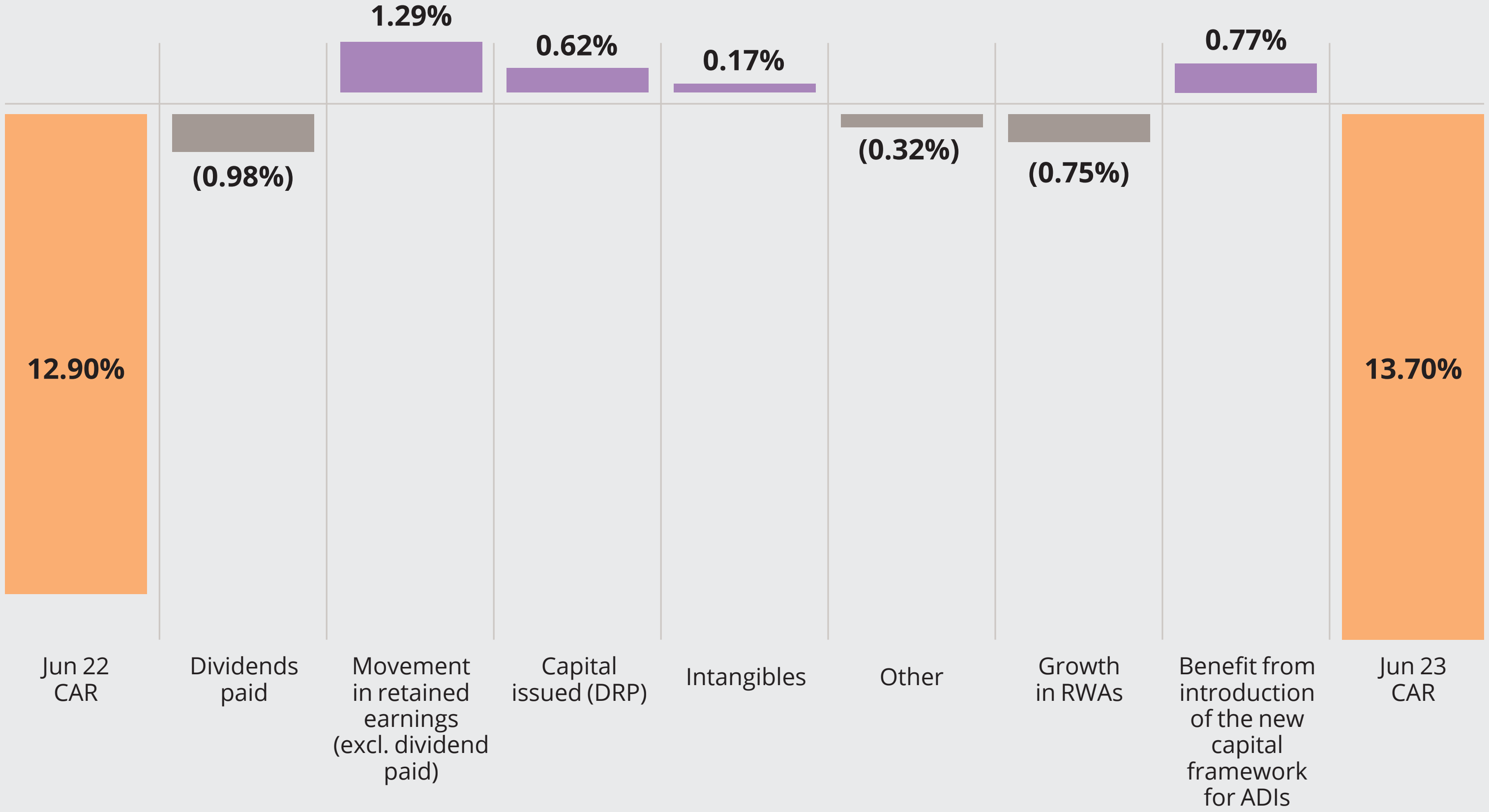



> ROE of 8.7%, up from 7.3% in FY19
> Underwritten DRP contributed additional capital to fund loan book growth
> ROE pressured by:
- increased competition in lending and deposit interest margins
- increased capital

> Remains in line with regional banks

# Capital supported asset growth

Further technology and security investments targeted




- Capital remains strong at 13.70%, comfortably meeting prudential requirements
- CET1 of 11.43%
- Capital ratio up from 12.90% at 30 June 2022 as the growing home loan portfolio contributes to the elevated risk weighted assets
- Capital supply drivers will include the operation of the Dividend Reinvestment Plan for the final dividend
- Impact of new capital framework for ADIs that came into effect January 2023 had a benefit of 0.77%

# 03.

## Strategy and Outlook

# Sustainability strategy

## Environmental, Social and Governance (ESG)

During the year the Environmental, Social and Governance Committee (ESG Committee), continued to evolve and develop the bank's Sustainability Strategy, focusing on six pillars including Customer, Our People, Community, Environment, Financial and Technology and Data

The key focus areas and achievements for the ESG Committee during the year were:

> we sought external expertise to review our ESG risk management framework as part of the Prudential Standard CPS 220 - this process allowed us to develop our approach to managing ESG risk through the organisation

> our first Sustainability Report was delivered to customers and shareholders as part of the annual reporting process for FY22 - the report focused on reporting against the six pillars

> our project work focused on scoping our climate change and emission strategy which is ongoing and scoped to be delivered over a 2–3 year period

> executive score card metrics were established with reporting and measurement indicators embedded into performance

As part of the ongoing charter of the ESG Committee the focus will be on the management of the environmental, social and governance (ESG) impacts of our business

In addition, we will continue to identify and elevate the issues that matter most to our stakeholders

# FY24 outlook

## TARGETS

- Quality and profitable lending
- Reversing downward pressure on the NIM
- Management of operational and administrative expenses
- Enhancing our customer satisfaction through service and technology
- Ensuring shareholders returns are maintained
- Seeking to add scale through M&A

# FY24 outlook

## ECONOMIC ENVIRONMENT

- Economic strengths include low unemployment and decreasing inflation
- Arrears remain at historic lows with increasing advance payments and offset balances
- Expected uplift in margin as fixed rates mature and competition in home lending and deposits normalise
- Cash back offers (offered by competitors) are being phased out to protect NIM and profitability
- AI technology employed to assist with retention activities

## HEADWINDS

- Inflationary pressures on wages and costs
- Regulatory demands on resources and consultancy expenses
- Significant opex and capex for technology and cybersecurity
- Competition remains fierce, although starting to moderate, in retail deposits and loans with maturing fixed rates
- NIM pressure remains significant for both funding and lending activities
- Uncertainty surrounding further OCR movements

# 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 30 August 2023.

## 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.

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1300 138 831
E: auswide@auswidebank.com.au
auswidebank.com.au

AUSWIDE BANK LTD ABN 40 087 652 060
Australian Financial Services & Australian Credit Licence 239686