

27 November 2019

Manager of Company Announcements  
Australian Securities Exchange Ltd  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

### **Auswide Bank Ltd (ABA) – 2019 AGM Presentation**

Please find attached the 2019 AGM 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. These overviews will be presented at today's Annual General Meeting.

Yours faithfully



**Martin Barrett**  
Managing Director

*Small things. Big difference.*



# 2019 ANNUAL GENERAL MEETING

27 NOVEMBER 2019

# CHAIRMAN'S ADDRESS



# BOARD OF DIRECTORS & COMPANY SECRETARY

DIVERSE MIX OF SKILLS AND DEEP INDUSTRY EXPERIENCE



**John Humphrey**

Chairman

**Other Directorships:**

Non-Executive Director  
of Spotless Group  
Holdings Ltd

Non Executive Director  
of Lynas Corporation  
Ltd



**Martin Barrett**

Managing Director

**Other Directorships:**

Non-Executive  
Director of Impact  
Community Services



**Sandra Birkenleigh**

Non-Executive Director

**Other Directorships:**

Non-Executive Director of  
MLC Insurance Limited, the  
National Disability  
Insurance Agency

Non-Executive Director of  
Horizon Oil Limited, 7-11  
Holdings & its subsidiaries



**Barry Dangerfield**

Non-Executive Director

**Other Directorships:**

Director of Bundaberg  
Friendly Society Medical  
Institute



**Greg Kenny**

Non-Executive Director

**Other Directorships:**

None



**Bill Schafer**

Company Secretary and  
CFO

# FY19 FINANCIAL HIGHLIGHTS

UNDERLYING NPAT OF

**\$17.201m**

↑ 0.5%

LOAN BOOK

**\$3.131b**

↑ 6.3%, 1.9 x SYSTEM

TOTAL DIVIDEND

**34.5c**

↑ 0.5c, YIELD 6.73%

CAPITAL ADEQUACY RATIO

**13.79%**

STRONG CAPITAL  
SUPPORTS GROWTH

NET INTEREST REVENUE

**\$63.185m**

↑ 3.5%

CUSTOMER DEPOSITS

**\$2.373b**

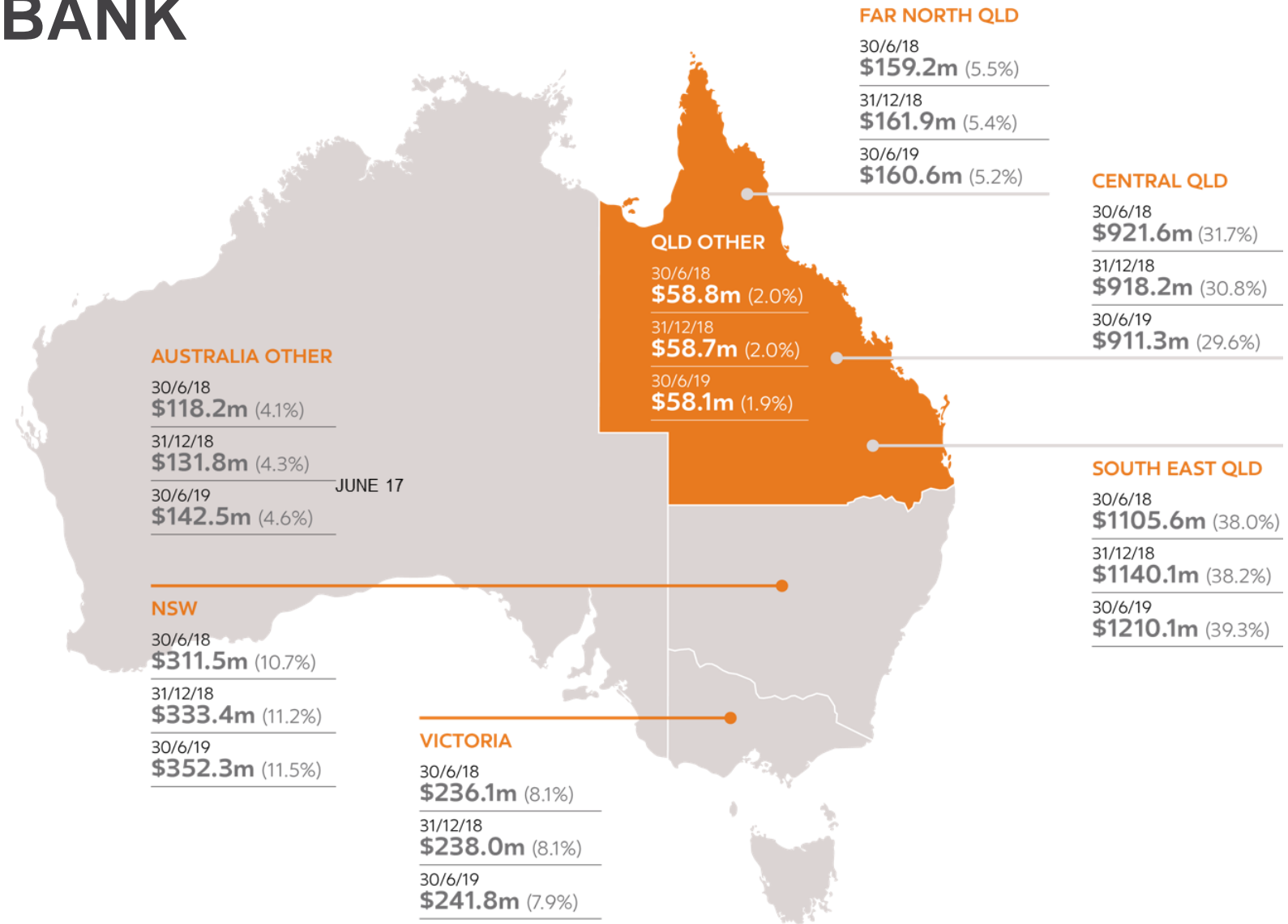
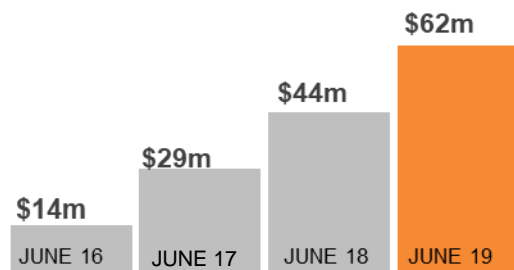
↑ 12.6%, 71.4% SELF FUNDING

# ABOUT AUSWIDE BANK

SMALL THINGS. BIG DIFFERENCE.

- Omni-channel distribution of banking products and services
- High quality loan book with over \$3b in assets
- Strong legacy in regional Qld, growing presence in SE Qld, NSW and Victoria
- Partnership with Queensland Rugby League and jersey sponsor of Qld Maroons
- Market capitalisation circa \$230m

## CONSUMER LOAN GROWTH



# CFO'S ADDRESS



# FY19 FINANCIAL OVERVIEW

UNDERLYING NPAT GROWTH DUE TO ABOVE SYSTEM LOAN BOOK GROWTH

## UNDERLYING / CONTINUED OPERATIONS

|                      | FY19      | FY18      | Change |      |
|----------------------|-----------|-----------|--------|------|
| NPAT (Consolidated)  | \$17.201m | \$17.108m | ↑      | 0.5% |
| EPS (cents)          | 40.8c     | 41.0c     | ↓      | 0.2c |
| RONTA <sup>1</sup>   | 9.1%      | 9.5%      | ↓      | 0.4% |
| Cost to Income Ratio | 64.5%     | 63.3%     | ↑      | 1.2% |

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

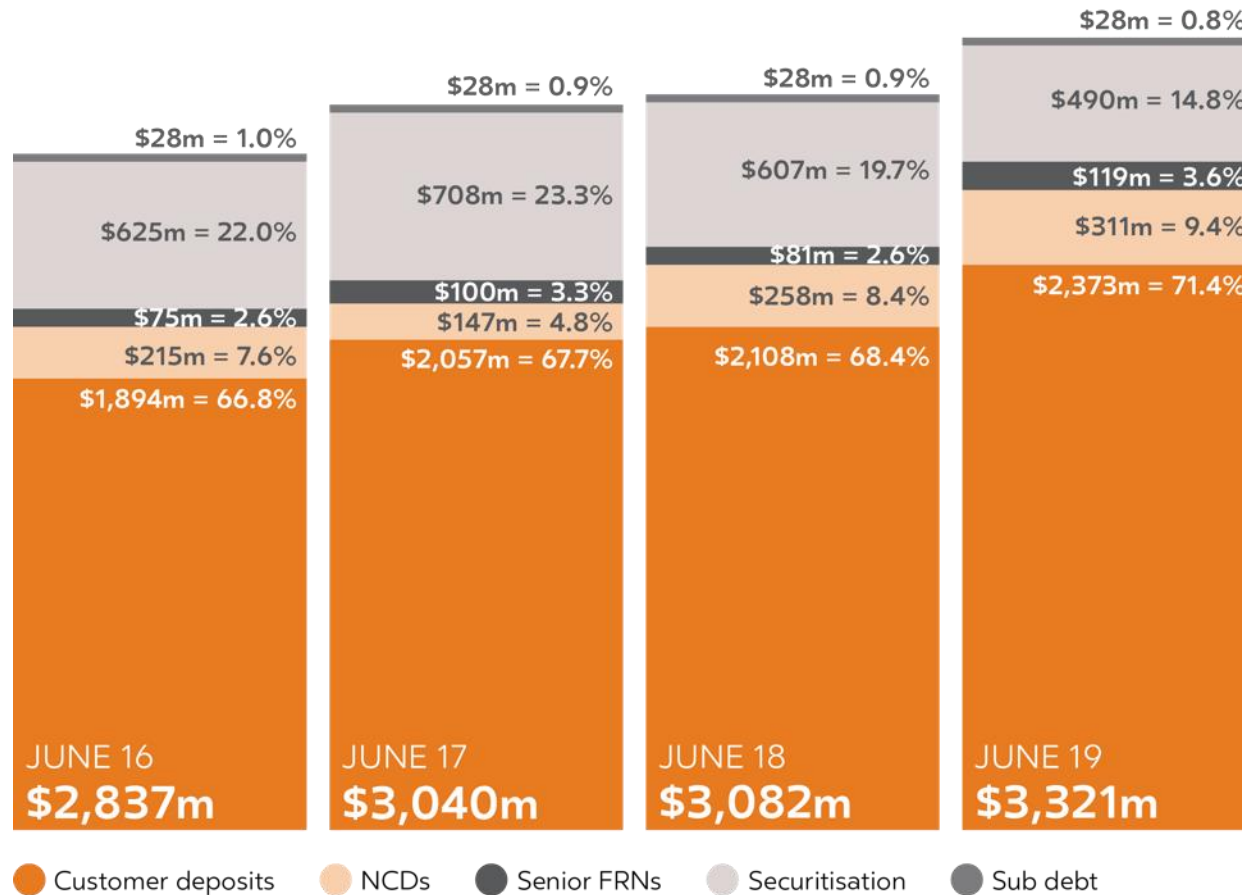
2. Grossed up for Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet. There was also a change in Accounting Policy in FY19 (which also affected FY18 comparative) to include Accrued Interest and Prepaid Brokers Fees in the Loans and Advances balance.

## STATUTORY (INCL. DISCONTINUED)

|  | FY19      | FY18      | Change |       |
|--|-----------|-----------|--------|-------|
| NPAT (Consolidated)                      | \$17.201m | \$17.886m | ↓      | 3.8%  |
| Loan Book <sup>2</sup>                   | \$3.131b  | \$2.945b  | ↑      | 6.3%  |
| Net Interest Revenue                     | \$63.185m | \$61.020m | ↑      | 3.5%  |
| Net Interest Margin (bps)                | 187bps    | 193bps    | ↓      | 6bps  |
| Final dividend per share (fully franked) | 18.5c     | 18.0c     | ↑      | 0.5c  |
| Total dividend per share (fully franked) | 34.5c     | 34.0c     | ↑      | 0.5c  |
| EPS (cents)                              | 40.8c     | 42.8c     | ↓      | 2.0c  |
| RONTA <sup>1</sup>                       | 9.1%      | 9.9%      | ↓      | 0.8%  |
| Capital Adequacy Ratio                   | 13.79%    | 14.89%    | ↓      | 1.1%  |
| Deposits                                 | \$2.373b  | \$2.108b  | ↑      | 12.6% |

# FUNDING MIX

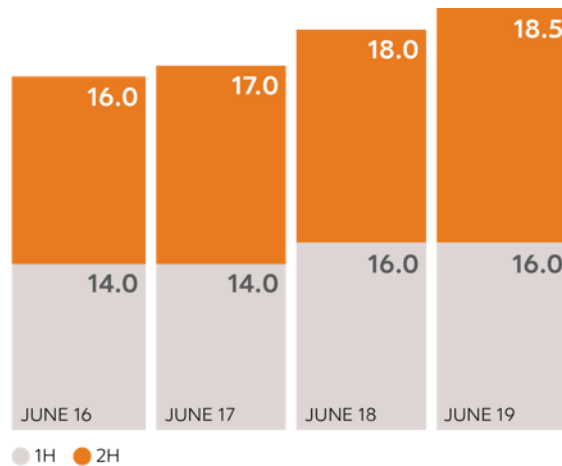
## INCREASED CUSTOMER DEPOSITS



- Volatile BBSW levels across the year resulted in reduced reliance on securitisation: 14.8% of funding mix in FY19 (FY16: 22.0%)
- Ongoing strategic focus on building customer deposits in FY20
- Customer deposits rose by 12.6% YOY to \$2,373m, representing 71.4% of funding mix (FY16: 66.8%)
- 17.0% growth in At Call deposits of \$128m to \$881m
- Maintained dual investment grade ratings from Fitch & Moody's of BBB+ and Baa2 respectively

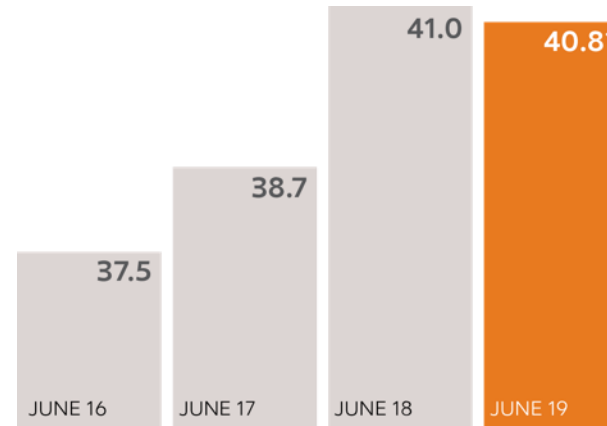
# DIVIDEND AND EPS

## FURTHER GROWTH IN DIVIDEND RETURNS



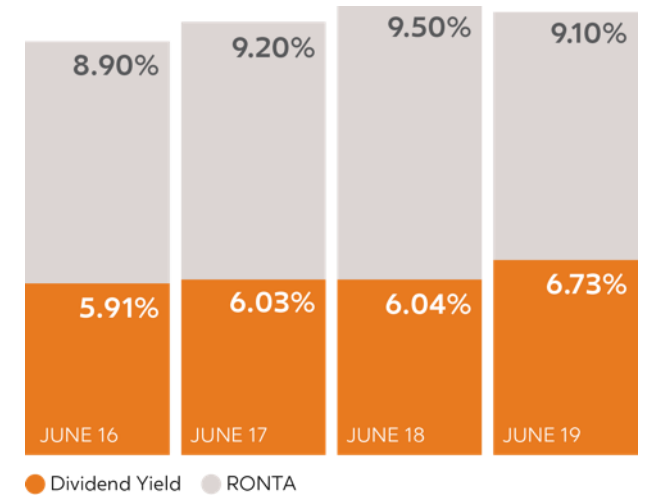
### DIVIDEND

- FY19 fully franked dividend of 34.5 cents per share (final dividend of 18.5 cps)
- Dividend yield of 6.73% (fully franked)



### EPS PERFORMANCE (UNDERLYING)

- Further improvement and growth in dividend returns to shareholders
- Return on Net Tangible Assets 9.10%



### RONTA (UNDERLYING) AND DIVIDEND YIELD

- DRP suspended for final dividend for FY19 due to capital strength

<sup>1</sup>DRP occurred part way through FY18, leading to higher denominator for full FY19

# KEY FINANCIALS

## STRONG LOAN BOOK AND DEPOSIT GROWTH

- Consistent underlying NPAT growth despite competitive lending environment and volatile funding costs
- Strong loan book growth diversifying total lending portfolio with 24% of loan book now outside QLD
- Low level of arrears highlight sound credit quality of lending portfolio
- Capital materially ahead of Board target, excess capital being utilised to drive loan book growth
- Track record of delivering returns to shareholders. FY19 Dividend yield of 6.73% fully franked

|  | FY15      | FY16      | FY17      | FY18      | FY19      |
|--|-----------|-----------|-----------|-----------|-----------|
| NPAT (Underlying)                        | \$13.655m | \$14.041m | \$15.636m | \$17.108m | \$17.201m |
| Loan Book                                | \$2.330b  | \$2.666b  | \$2.773b  | \$2.945b  | \$3.131b  |
| Deposits                                 | \$1.664b  | \$1.894b  | \$2.057b  | \$2.108b  | \$2.373b  |
| Capital Adequacy Ratio                   | 15.15%    | 14.31%    | 14.42%    | 14.89%    | 13.79%    |
| Total dividend per share (fully franked) | 30.0c     | 30.0c     | 31.0c     | 34.0c     | 34.5c     |
| EPS (underlying) (cps)                   | 37.1c     | 37.5c     | 38.5c     | 41.0c     | 40.8c     |

# FY20 OUTLOOK – H1 FINANCIAL RESULTS



## Loan Book

Strong loan book growth continuing

Credit quality consistent with FY19

Year to date growth of 5.1% (annualised)

Capital remains strong and in excess of board target



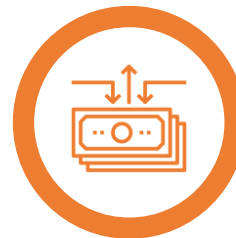
## Net Interest Margin

Growth in net interest margin to 191 bps (4 months to 31 October 2019)

Up 4 bps on FY19 NIM of 187 bps

BBSW's returned to normalised levels

NIM expected to be stable across remainder of H1 FY20



## Expense Management

Strong management of operating expenses

Expenses maintained within board approved budget

Additional capital investment in technology and cyber security

Cost to income ratio of 64.9% (4 months to 31 October 2019)

Marginal increase on FY19 cost to income ratio of 64.5%



## Funding

Strategic focus on growing customer deposits and managing wholesale funding mix

Customer deposits now 72.6% of funding (at 31 October 2019)

Self funding ratio up from 71.4% at 30 June 2019

Customer deposits rose by 10.0% (annualised – 4 months to 31 October 2019)

# MANAGING DIRECTOR'S ADDRESS



# CHANGING DOMESTIC BANKING LANDSCAPE

## BANKING OLIGOPOLY UNDER INCREASING COMPETITIVE THREAT

### SLUGGISH DOMESTIC ECONOMY



- Low wage growth
- Low inflation
- System housing growth at historic lows
- Household debt at historic highs
- Global economic uncertainty

### INTEREST RATES AT HISTORIC LOWS



- Weak consumer confidence
- Faster debt amortisation
- Lower spending
- Refinancing / churn accelerating

### REPUTATION



- Substantial and ongoing reputational damage from Royal Commission
- Cultural challenges and increased pressure for change
- Remediation, Remediation, Remediation
- Brokers increasing market share and reducing flows to the big 4

### TECHNOLOGY



- Data and information exposing limits of big bank value proposition
- Technology impacting segments and products





### REGULATION



- ACCC and Government push for improved competition – new probe announced
- Capital overlays eroding advantages of Basel III
- Responsible lending challenges
- Enlivened and active regulators

# STRATEGIC PRIORITIES

DRIVING EFFICIENCIES THROUGH BRAND, PARTNERSHIPS AND TECH

|   |  |
|---|--|
|    | Build brand awareness  |
|    | Develop partnerships that support retail and business banking growth |
|    | Improve customer experience through digital and customer hub         |
|    | Improve efficiencies through automation and simplification           |
|   | Enhance staff capabilities   |
|  | Review M&A, Fintech and other partnering opportunities               |



Auswide is the official bank of the Queensland Maroons from 2019, jersey representation and naming rights for the Mal Meninga Cup

**9.537m**

viewers watched the 2019 State of Origin series. All 3 games most watched 2019 programs to date

**258,083**

total website views during campaign period (13.06% increase on last year).

# FY20 OUTLOOK



## Targeting:

- Cost to Income ratio of 60%
- Return on Net Tangible Assets of 10%
- Above system loan growth across home, personal and business lending



Improving cyber security and fraud protection capabilities



Growth opportunities will continue to present from the ongoing reputation challenges, regulatory capital increases, remediation and regulatory focus particularly on the big four banks

Further growth across partnerships



Remaining proactive and vigilant in meeting all regulatory compliance obligations



Continuing to improve overall customer experience



Improving brand awareness with particular focus on South East QLD

# 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 27 November 2019.

## 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.