

23 November 2021

## Auswide Bank Ltd (ABA) - 2021 Annual General Meeting Address to Shareholders by Chair and MD

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 addresses to shareholders from the Chair and Managing Director which will be delivered at the Annual General Meeting are attached.

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.











# Auswide Bank Limited Annual General Meeting 23 November 2021

#### Chair's Address – Sandra Birkensleigh

While I have been a Director of Auswide Bank since 2015, this is my first AGM as your Chair, a position that I am privileged to hold. I consider it the Board's responsibility to establish an environment which supports our management team and our staff to successfully uphold our mission statement while delivering on our strategic goals.

Despite the continued impacts of the COVID-19 pandemic, we remained focused on our strategy of innovating and improving the services we provide to our customers for today and in the future. During the 2021 financial year, Auswide Bank experienced record growth and strong performance across all key financial metrics.

I am very proud of how the business responded in the pandemic, acting quickly to support our customers and staff while continuing to adapt. Ongoing improvement in customer attraction, service delivery and building broker networks have assisted in creating outstanding growth in lending, while a concentrated approach to directing our funding mix towards expanding customer deposits further lowered the cost of funding. The exceptional performance of our branch network, particularly regional branches in Northern and Central Queensland generated an increase in customer deposits of 14%.

#### **FY21 Financial Highlights**

Strong management of funding costs, material loan book growth and effective control of operational expenses have culminated in a record Net Profit after Tax (NPAT) of \$24.155m, an increase of 30.5% on the prior year.

Underpinning this result was a record 10% increase in our loan book and 3.2x system growth. For the first time in our history, loan approvals exceeded \$1b, despite operating in a highly competitive market. We continue to manage risk well with prudent loan underwriting standards and sound controls in place that enable us to grow our loan book while maintaining total arrears at historic lows.

Net Interest Revenue grew to \$78 million, an increase of 10.8% due to the growth in the loan book coupled with a three-basis point increase in the Net Interest Margin to 2%.

One of our three-year strategic targets was to achieve a Cost to Income Ratio of 60%, I'm pleased to report that we achieved this goal in just 18 months which reflects our commitment to increasing revenue, careful cost management and a disciplined approach to investment in online capabilities.

The final, fully franked dividend of 21 cents per share represented a payout ratio of 70.9%. The total FY21 dividend of 40 cents per share demonstrates shareholder returns that are reflective of our strong operational performance combined with prudent capital management.

Auswide Bank is committed to being a responsible, sustainable business that has a positive impact on its people, customers and the communities in which it operates. We are conscious of our impact on the environment, and recognise our responsibility to be transparent about our environmental approaches and performance. Our social responsibilities extend not only to the way we treat our



customers and our staff, but also influencing the way others treat their stakeholders, and we take our governance responsibilities very seriously; operating ethically is the foundation of stakeholder trust in Auswide Bank. During our long history we have built our business on strong principles and values that guide our behaviour.

Over the past year we have identified key areas of focus for the organisation which include the development of an ESG Management System framework and the establishment of an ESG Management Committee to provide ongoing implementation, monitoring and oversight of the framework. Our goal is to be a sustainable organisation which generates positive and sustainable economic growth while demonstrating shareholder value. We believe this approach will integrate and connect our business objectives with our ESG responsibilities.

#### **FY22 Outlook**

Auswide is focused on building and strengthening partnerships that support retail banking growth across platforms as we extend our reach through both digital and physical offerings. Initiatives to support retail growth include enhancing our service to brokers and targeting niche markets through our Private Bank.

We are committed to the development of our digital integration strategy. Improving customer experience further supports the transition from branch to digital which provides flexibility, multichannel digital capability and offers a broader appeal for our customer base. Key business outcomes include leveraging digital to support mortgage broker growth, improving efficiencies to generate increased sales volumes and building a digital culture by creating fully digitised operational workflows and enhancing digital skill sets. The investment in our digital framework aims to align digital investments to growth accelerators and will deliver capabilities in the following focus areas; acquisition through partners, customer choice, digital uplift and automation. Ongoing investment is being made to ensure consistently strong cyber resilience and robust protections to customer data as we continue to develop Auswide's digital offerings.

In this year of outperformance I would like to acknowledge our former Chairman, John Humphrey. John's leadership together with our CEO, Martin Barrett, has given us the platform for ongoing success. I am privileged to lead a talented and enhanced Board. During this year two new Directors have joined us, Grant Murdoch and Jackie Korhonen. Between them they build out our corporate finance, IT and digital capabilities which sets us up for the future. We continue to be well served by Barry Dangerfield and Greg Kenny through their extensive banking experience.

In closing, I would like to thank the staff and management of Auswide Bank for their continued commitment and contribution to creating value for all.

And finally, to our shareholders, thank you for your ongoing support as we work to further consolidate our track record of delivering profitable and sustainable returns.



#### Managing Director's Address – Martin Barrett

Good morning everyone. May I also welcome you here today whether in person or joining us virtually.

As Sandra has highlighted, FY21 was a very successful year for Auswide Bank. This was despite the ongoing impacts of the pandemic and intense competition in our sector. I am very proud of the team across Auswide, who are continuing to deliver and are working harder than ever to ensure our future prosperity as a Company. I'm fortunate to lead such a team of capable and dedicated people. I'd like to, upfront, thank everyone for their ongoing support, hard work and resilience during these challenging times.

Today I will give you an overview of our strategy which is underpinning our growth, and provide an overview of our channels of Broker, Private Bank, Retail Branches and of course digital. I'll highlight our positive financial trends, cover our ESG focus and conclude with some comments on our outlook before passing across to Bill for a more detailed review of our financial performance.

#### Strategic Plan FY19-22

Turning to slide 6 on our strategic plan.

Our strategy comprises of 6 core elements, each providing focus on actions to grow our business sustainably and compete in a highly competitive market. We have made material progress in extending our brand awareness, with Queenslanders and brokers more aware of who we are and why we are an attractive alternative to our main competitors. We have built strong partnerships to support our funding and lending, overcoming some of the distribution challenges we may have experienced in the past.

We believe we are now the most efficient Tier 3 bank, with a Cost to Income ratio currently below 60%. We also stack up well against much bigger Tier 2 banks as we are driving forward with innovation to support our offering. We continue to explore ways of improving our speed to customers, of which a few are automation, including the use of Robotics, process improvement, investment in improved technology and data insights and, of course, improving the skills of our people.

We are always mindful of risk and everything we do is considered through this lens. We will continue to manage risk in a disciplined thorough way, which includes ongoing diversification of our loan book and funding sources backed by healthy capital levels.

#### **Brokers, Private Bank and Branches**

Turning to slides 7-9 on our distribution of Brokers, Private Bank and Branches.

Home Loan brokers now represent approximately 60% of all home loan applications in Australia. It is a critical lending channel and we are determined to continue to harness the potential of this substantial market. Whilst price is a very important factor we're finding that another important driver for broker referral is our consistently quick loan turnaround times. Our capability continues to improve, and we have identified an exciting range of initiatives to deliver over the year ahead that will continue to build our reputation, attractiveness and growth through this channel.



Our niche, high-service level Private Bank is a success story for us. Within 4 years we have built a very strong portfolio which is continuing to gain more momentum. We are winning in this space on service, attracting customers from numerous professional sectors and other HNW individuals. We continue to experience a strong pipeline, today our loan portfolio stands at over \$260m and we expect to see this exceed \$300m in the second half of the year.

Bank Branches are under scrutiny across the industry with ongoing closures occurring. The sector wide move to digital banking continues and foot traffic in branches continues to decline. Today Auswide has 17 branches and transaction volumes through this channel continue to decline. However we view our branches as important and successful, supporting our lending growth via deposits. In financial year 21 branch based deposits grew over 11%. Importantly the cost of these deposits has been supporting our margins. We are finding that branch-based deposits are lower cost than online only deposits and are stickier. We see this as a channel that is here to stay, and we're encouraged further as branch based lending is being assisted by improving conditions across most regional Queensland cities and towns.

#### Digital

Turning to slides 10 and 11 on our digital journey.

Whilst our branches are performing well, customer demands are changing and strong digital offerings that make things easier for customers are essential. We are continuing to invest in both customer interface offerings such as our mobile app and internet banking as well as our online product suite and payments options. We are also investing in technology that allows us to respond to home loan opportunities faster and continues to allow us to expand capacity whilst controlling our costs. Our core banking system is the latest version and our suite of software services continues to expand and remain very modern.

Our approach is a responsible one improving our delivery to customers and assisting our staff to better serve our customers. Manual, time consuming processes are being reviewed and digital solutions identified and implemented.

It is not our strategy to be a digital only bank, but to use digital to elevate our offering. Our strategy is to win customers via our home lending capability, our private bank and via our branches as well as digitally and to offer them the digital banking services they need.

#### **Financial Progress**

Turning to slides 12 and 13 our financial performance continues to improve.

We continue to grow and to improve shareholder returns. Ours has been a nearly uninterrupted growth story over the past 5 years with balance sheet growth translating to profit growth and thus improving shareholder returns. We are working hard to continue this despite the significant competitive challenges and the pressures on costs from substantial increased regulatory and compliance requirements.

#### **ESG**

Turning to slides 14 and 15 ESG

We have always been strongly community minded and engaged in supporting our communities. Our Environment, Social and Governance responsibilities are embedded in our organization and part of



our culture. We are a very low emitter and we do not lend to industries that are known high emitters. We continue to explore ways to reduce further our environmental footprint. Our new Eco-Card is a great example. Replacing PVC cards, it is made from plant-based material, requires significantly less energy to make and is bio-degradable.

Support of our communities and our people as well as managing our Governance to high standards remain strong focus areas.

We have a range of initiatives in place and we will continue to expand on these initiatives in the year ahead.

#### **FY22 Outlook**

Finally, slide 16 highlights that we achieved our 3-year targets on CTI, NIM, RONTA and loan growth materially ahead of target. We expect to continue to grow our loan book above system whilst managing our net interest margin. We have achieved a ROE of 10% which is better than many of our peers including much larger ones. Going forward we are focused on keeping our ROE in double digits.

We are well placed to continue our growth and, as has been our callout, to do this profitably.

I'd like to now pass across to Bill our CFO to provide an overview of our strong financial performance.

Thank you.