

# INVESTOR PRESENTATION

H1 FY22 FINANCIAL RESULTS  
25 FEBRUARY 2022



01.

## Results Overview

Martin Barrett, MD

02.

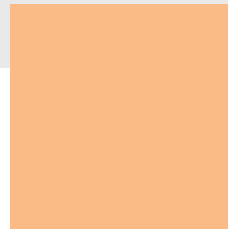
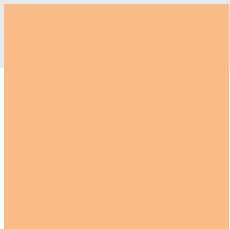
## Financial Overview

Bill Schafer, CFO

03.

## Strategy

Martin Barrett, MD





A photograph of a man with a beard and a baby crawling on a wooden floor. The man is wearing a dark blue long-sleeved shirt and is looking at the camera with a smile. The baby is wearing a colorful patterned shirt and is crawling towards the camera. A woman is partially visible in the background, sitting on the floor.

Small things. Big difference.

01.

## Results Overview

Martin Barrett, MD

# Auswide Bank

Small things. Big difference.

**56 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.



**STAFF ENGAGEMENT  
SCORE OF 98\***

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

## CORE OFFERINGS



Home Loans



Personal Loans



Credit Cards



Everyday Banking



Savings Accounts



Insurance

## FINANCIAL STATUS

**\$3.05b**  
CUSTOMER DEPOSITS

**\$3.75b**  
IN LOAN BOOK ASSETS

## AWARDS



## MAJOR STRATEGIC PARTNERSHIPS



**National Seniors**  
AUSTRALIA

## DISTRIBUTION



**INTERNET  
BANKING  
AND APP**



**STRONG  
BROKER NETWORK**



**PRIVATE  
BANKING**

**17**  
BRANCHES

# H1 FY22 Financial Highlights

Continuing strong performance with peer leading returns

STATUTORY  
NPAT  
**\$13.702m**

↑ 19.4%

LOAN BOOK  
**\$3.748b<sup>1</sup>**

↑ 8.7% ANNUALISED  
GROWTH,  
1.2x SYSTEM<sup>2</sup>

COST TO  
INCOME RATIO  
**59.1%**

↓ FROM  
59.6%

NET INTEREST  
MARGIN  
**199BPS**

↓ 1BP  
on FY21

UNDERLYING  
NPAT<sup>3</sup>  
**\$13.074m**

↑ 14.0%

CUSTOMER  
DEPOSITS  
**\$3.049b**

↑ 7.9% ANNUALISED  
GROWTH

EPS  
**31.8CPS**

↑ 4.8CPS

ROE  
**10.5%**

↑ FROM 9.4%

INTERIM DIVIDEND  
**21.0CPS**

↑ 2.0CPS

UNDERLYING ROE<sup>3</sup>  
**10.1%**

↑ FROM 9.4%

1. Including Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet
2. System growth of 7.2% per RBA Financial Aggregates December 21 - total credit growth
3. Difference between Statutory and Underlying NPAT and ROE is due to tax credits which the Bank previously underclaimed

# H1 FY22 Operational Highlights

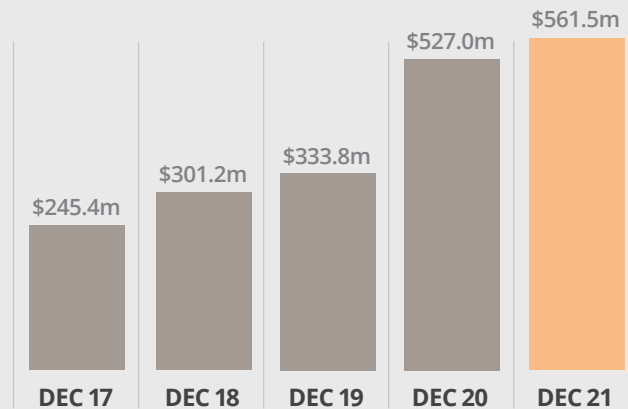


## Strong lending focus

- > Home loan settlements at record highs, totalling \$561.5m, an increase of 6.5% compared to prior corresponding period
- > Very strong growth and momentum is being seen in the Private Bank which continues to attract new customers with an increase of \$72.4m in the Private Bank loan book to \$291.9m



## SETTLEMENTS FIRST HALF OF FINANCIAL YEAR (\$m)



## Digital integration drawing growth

- > Growth in the loan book supported by significant flows through the broker channel:
  - Initiatives to further improve third party lending are being introduced to enhance the experience for broker relationships and speed of turnaround times for loan customers
  - Improvements in broker engagement, Verification of Identity services, auto-decisioning and internal dashboards are in progress with delivery expected in H2 FY22
- > A series of robotic processes has been successfully implemented in the operations and loan processing functions of the bank



## Deposit growth

- > Funding from customer deposits has continued to grow, now representing 75.0% of the total funding mix. Auswide has continued to build partnerships to achieve growth in customer deposits and funding of the loan book
- > Branch deposits up \$138.5m across H1 FY22 to \$2.267b



## Sustainability

- > Auswide has established an ESG Committee to develop an ESG management framework, policies, practices and disclosures

# Macro trends support sustainable growth

## Positive outlook as economy improves



### Improving Economic Outlook

- > Queensland economy strong, diversified and growing faster than the national average
- > Major QLD construction projects include Queen's Wharf Brisbane (\$3.6b), Cross River Rail (\$5.4b) and Paradise Dam improvement project (\$1.2b)
- > Headline CPI inflation annual change to December 2021 4.3% Brisbane, 3.5% Australia<sup>1</sup>
- > Retail Trade in Queensland increased 3.7% in the twelve months to December 2021<sup>1</sup>



### Arrears & COVID-19 Assistance

- > At 31 December 2021, less than 0.1% of Auswide's loan book still receiving assistance
- > \$1m overlay in provisions relating to COVID-19 remains in place
- > Arrears at historic lows, 0.2% of loan book



### Buoyant Housing Market

- > Regional QLD house values up 25.2% and Brisbane house values up 27.4% in 12 months to December 2021<sup>2</sup>
- > Housing activity buoyed by population growth which is being driven by interstate migration, government stimulus and low interest rates



### Brokers continue to capture market share

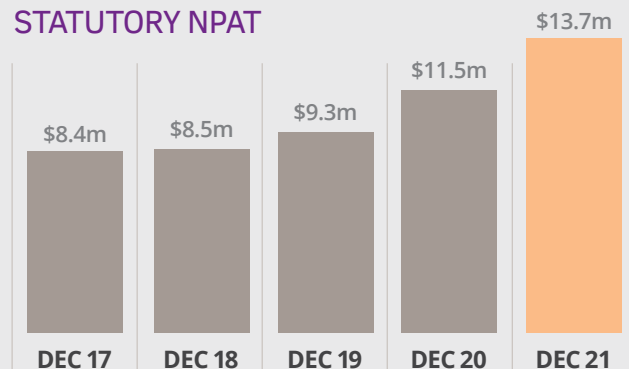
- > Brokers originated 66.9% of new residential home loans in September quarter 2021 (September Qtr 2020 60.1%)<sup>3</sup>
- > Post Royal Commission, shift in relationship between brokers and big 4 banks, creates opportunities for smaller banks

1. Queensland Government Statistician's office CPI & Retail Trade December quarter 2021
2. Corelogic monthly chart pack January 2022
3. Mortgage & Finance Association of Australia (MFAA) - Media release 29 November 2021

# Track record of delivering profitable growth

Above system loan book growth, stable NIM and cost management

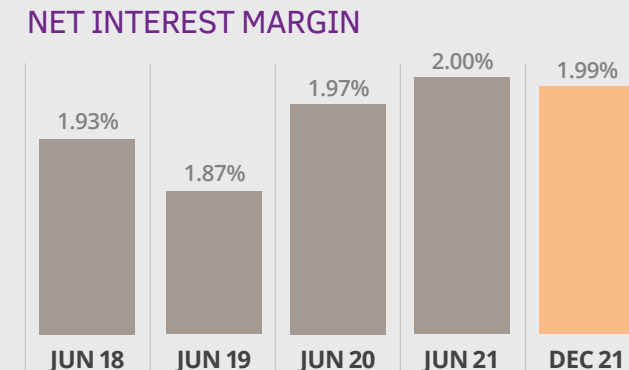
## STATUTORY NPAT



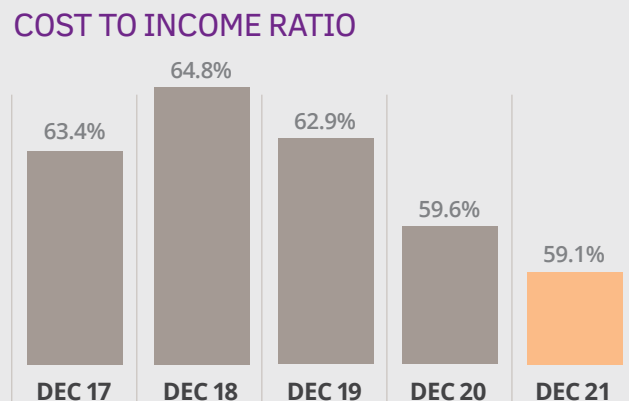
## NET INTEREST REVENUE



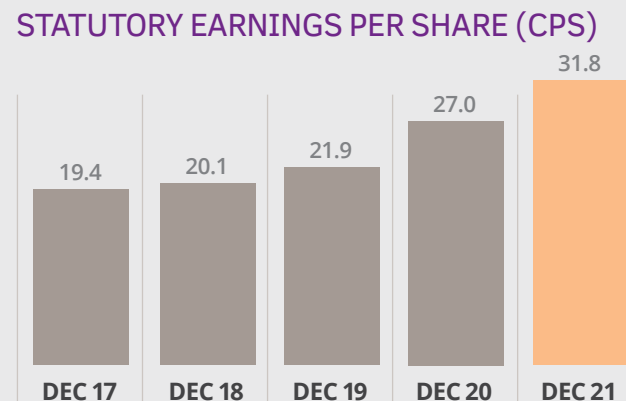
## NET INTEREST MARGIN



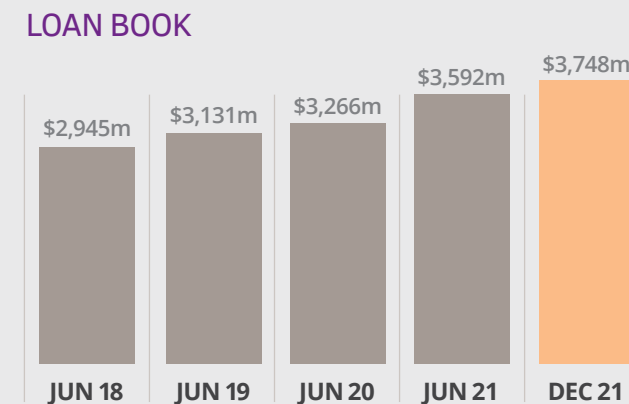
## COST TO INCOME RATIO



## STATUTORY EARNINGS PER SHARE (CPS)



## LOAN BOOK

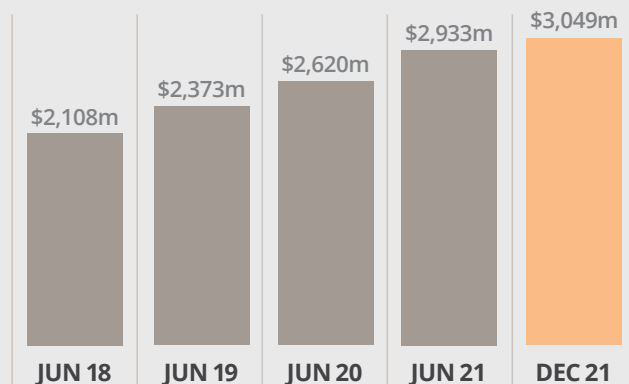




# Balance sheet strength

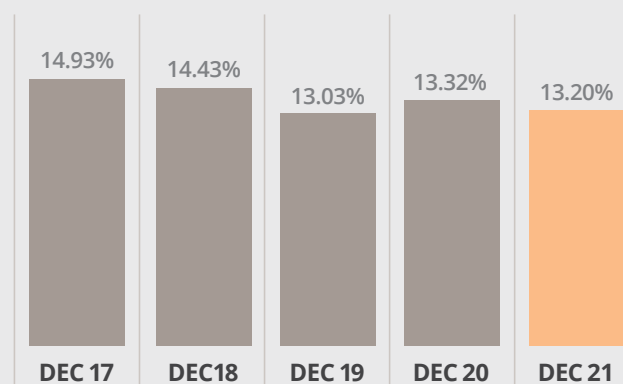
Strong deposit growth, RONTA ahead of strategic targets

## CUSTOMER DEPOSITS



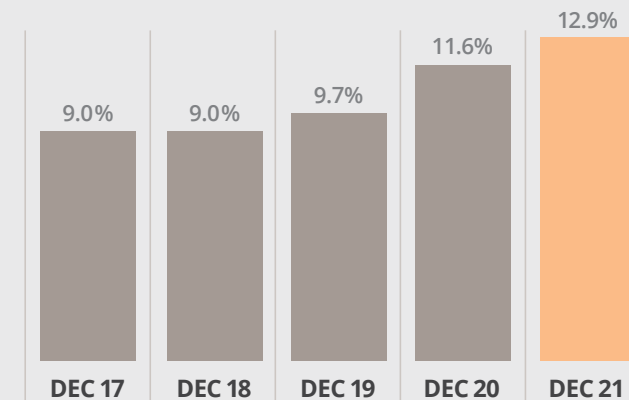
- > 7.9% annualised growth in deposits reflects strategic focus on cost effective funding lines
- > 75.0% of funding from customer deposits (H1 FY21: 74.4%)

## CAPITAL ADEQUACY RATIO

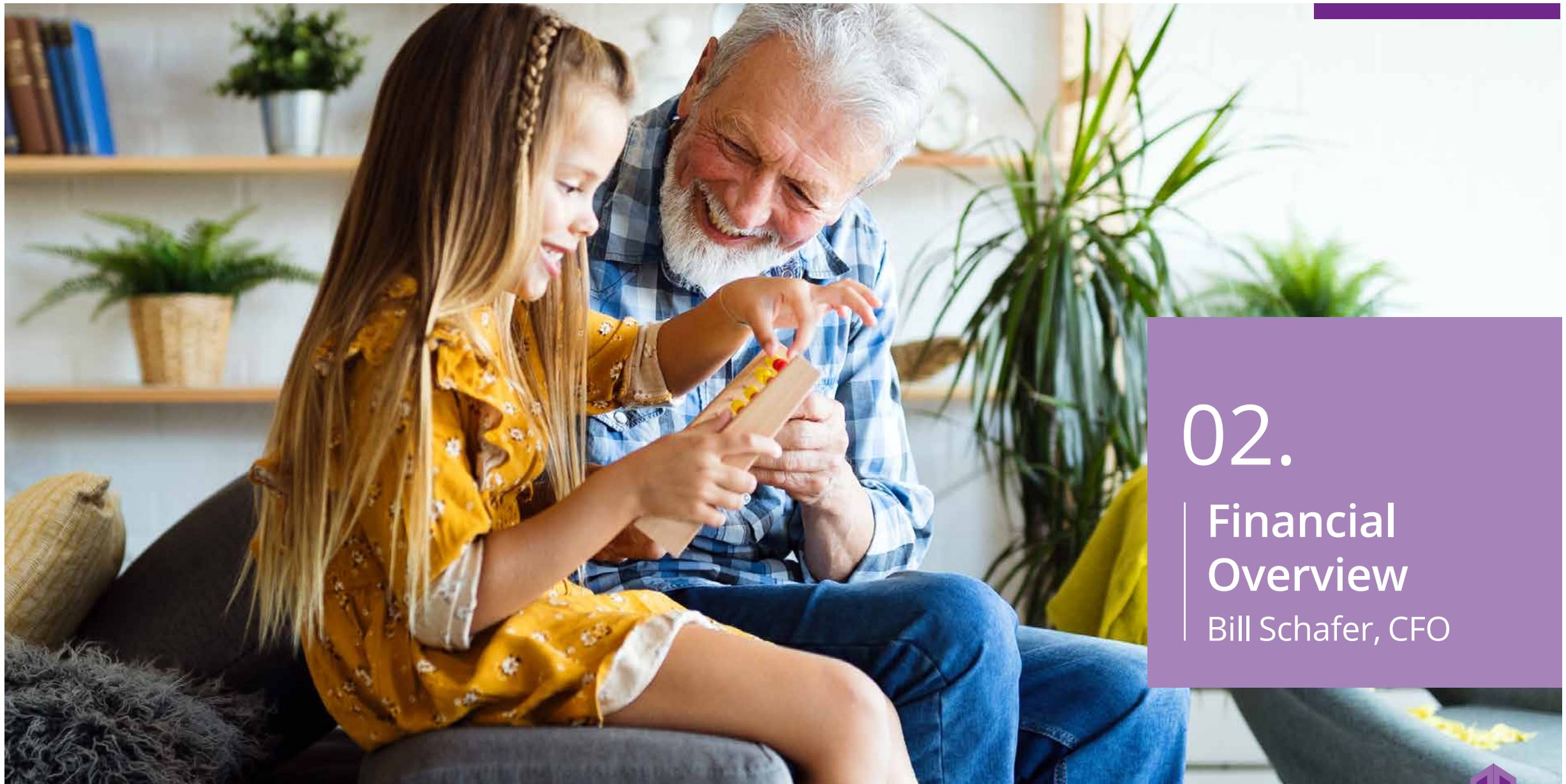


- > Capital remains strong at 13.20%
- > CET1 of 10.84%
- > Capital in excess of Board target

## STATUTORY RONTA



- > Return on Net Tangible Assets of 12.9% up from 11.6% on PCP
- > Ahead of strategic target of 10% and amongst the strongest in the ADI sector



02.

## Financial Overview

Bill Schafer, CFO

# Financial overview

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

	H1 FY22	H1 FY21	CHANGE
NPAT Statutory (Consolidated)	\$13.702m	\$11.472m	↑ 19.4%
NPAT Underlying (Consolidated) <sup>1</sup>	\$13.074m	\$11.472m	↑ 14.0%
Loan Book (billion) <sup>2</sup>	\$3.748b	\$3.485b	↑ \$263m
Net Interest Revenue	\$41.313m	\$38.262m	↑ 8.0%
Net Interest Margin (NIM) (Basis points)	199bps	201bps	↓ 2bps
Interim Dividend per share	21.0c	19.0c	↑ 2.0c
EPS Statutory (cents)	31.8c	27.0c	↑ 4.8c
EPS Underlying (cents) <sup>1</sup>	30.4c	27.0c	↑ 3.4c
ROE Statutory	10.5%	9.4%	↑ 1.1%
ROE Underlying <sup>1</sup>	10.1%	9.4%	↑ 0.7%
Cost to income Ratio	59.1%	59.6%	↓ 0.5%
Capital Adequacy Ratio	13.20%	13.32%	↓ 0.12%
Deposits	\$3.049b	\$2.791b	↑ \$258m

1. Difference between Statutory and Underlying NPAT, ROE and EPS is due to tax credits which the Bank underclaimed

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

- > NPAT of \$13.702m, up 19.4% reflects strong growth in net interest revenue and ongoing cost discipline (CIR of 59.1% vs 59.6% PCP)
- > Underlying NPAT of \$13.074m differs from Statutory NPAT of \$13.702m due to tax credits which the Bank underclaimed
- > Net interest revenue of \$41.313m, up 8.0% due to profitable loan book growth and stable NIM
- > Annualised loan book growth of 8.7% was 1.2x system growth
- > Net Interest Margin of 199bps, down 2bps on H1 FY21
- > Annualised deposits up 7.9%; now 75.0% of funding (H1 FY21: 74.4%)
- > Strong balance sheet, capital adequacy ratio of 13.20%
- > Statutory ROE of 10.5% and Underlying ROE of 10.1% up from 9.4% in PCP
- > Interim dividend of 21.0c reflects strong financial results and prudent payout ratio of 66.4%

# Consolidated NPAT reconciliation

## Strong NPAT growth

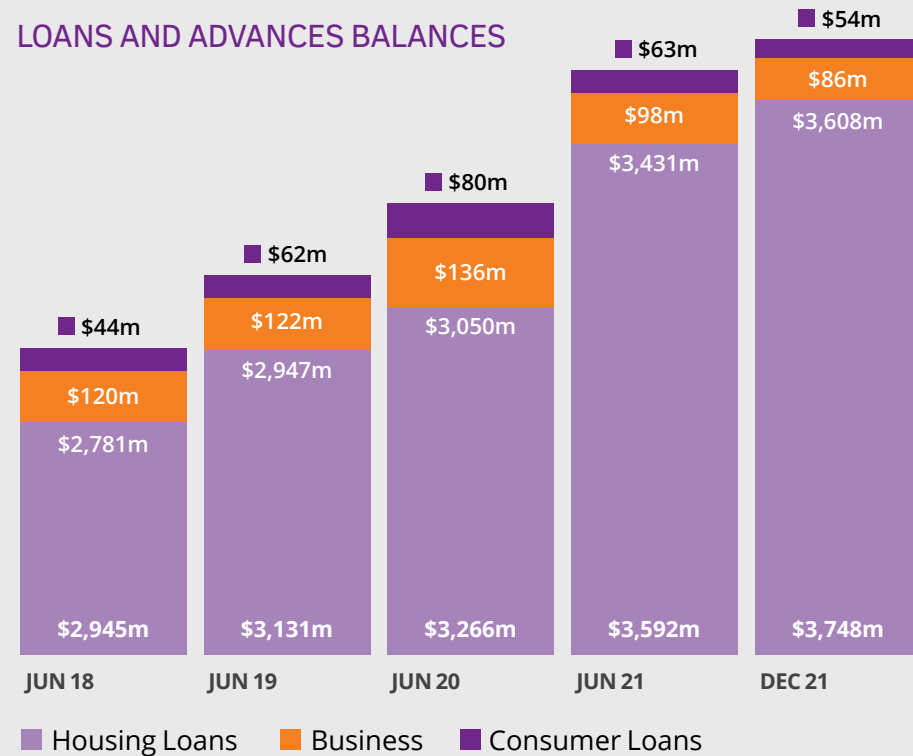
\$000's										
H1 FY21 Statutory NPAT \$11,472	Net interest revenue \$3,051	Non interest income \$1,562	Employee benefits expense (\$855)	Bad and doubtful debts expense Impairment to MIS investments \$1,094	Fees and commissions (\$599)	Occupancy, amortisation and general expenses (\$1,079)	Income tax expense (\$944)	H1 FY22 Statutory NPAT \$13,702	Tax credits unclaimed (\$628)	H1 FY22 Underlying NPAT \$13,074

- > Statutory NPAT of \$13.702m, up 19.4% on PCP amid competitive lending environment
- > A one-off credit of \$1.281m was received for tax credits which the Bank underclaimed. There was also a corresponding debit of \$384k for professional fees incurred. After adjustment for these items Auswide's underlying NPAT was \$13.074m, an increase of 14.0% on the \$11.472m NPAT reported in the PCP
- > Net interest revenue up 8.0% on the back of growth in the loan portfolio and management of NIM
- > Prudent approach to cost management with cost to income ratio of 59.1% (H1 FY21: 59.6%)

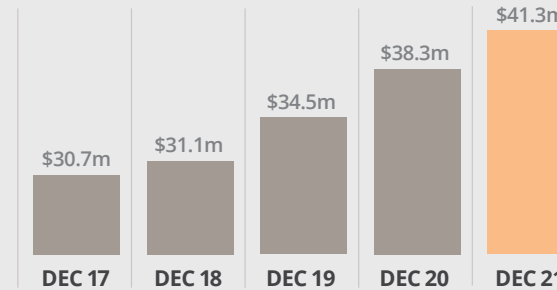
# Loan book

Strong growth in net interest revenue

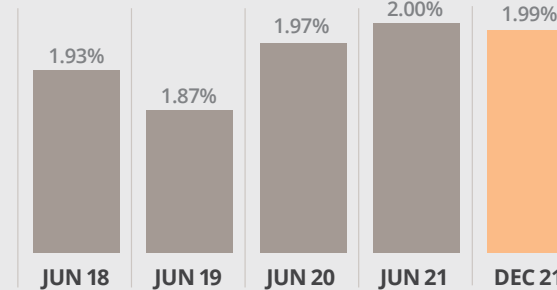
## LOANS AND ADVANCES BALANCES



## NET INTEREST REVENUE



## NET INTEREST MARGIN













- > Net interest revenue of \$41.3m, up 8.0% on PCP
- > Net interest margin of 1.99% (H1 FY21: 2.01%)
- > Annualised loan book growth of 8.7%, 1.2x system, reflecting strong broker flows and partnerships
- > Housing loans of \$3,608m, annualised growth of 10.1%, 96.3% of loan book
- > Business lending of \$86m with a pause in new lending after a change in strategy in FY21 (2.3% of loan book)



# Loan book distribution

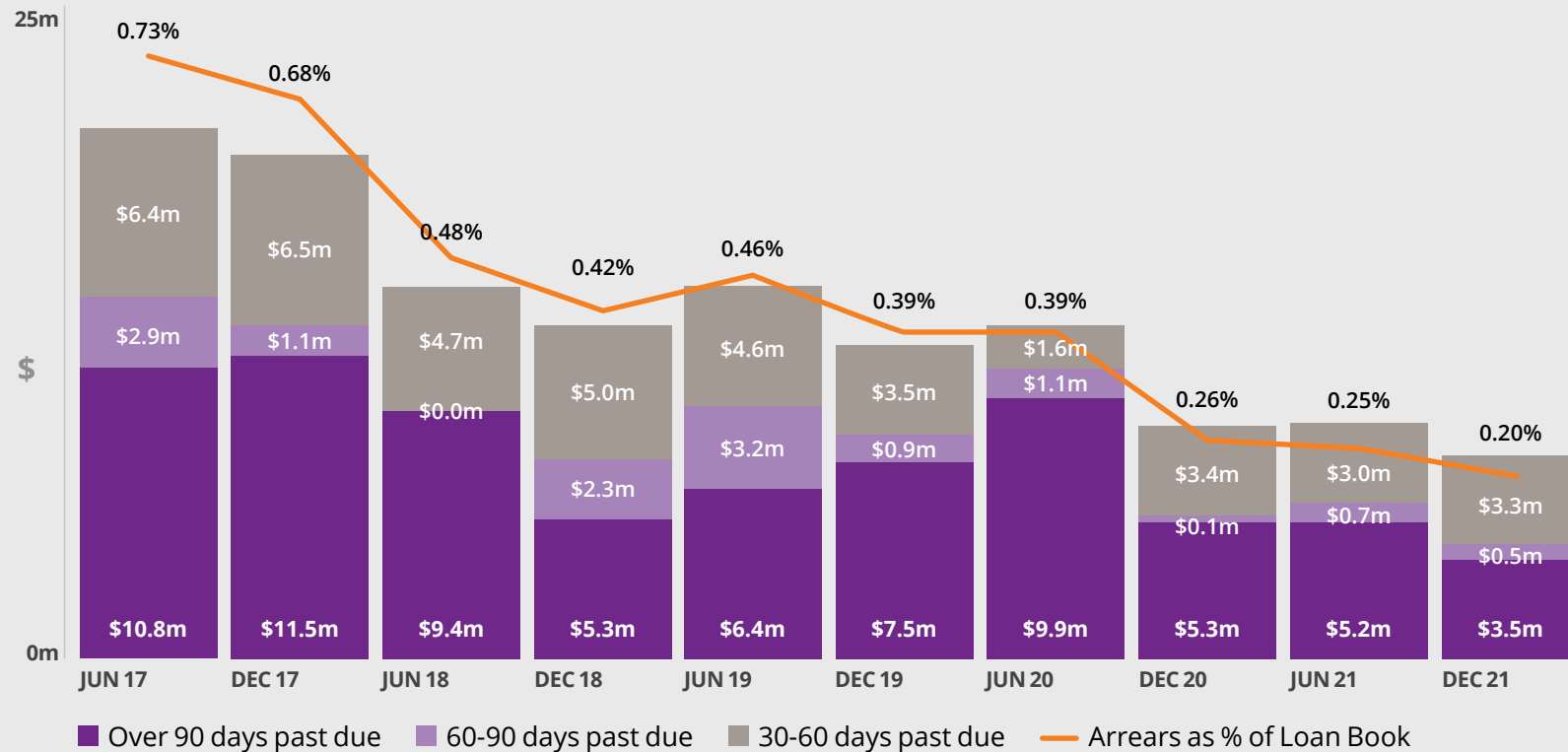
Loan diversification driven by strong broker flows and Private Bank

- > Strong broker flows accelerate growth in SE QLD, NSW and Victoria
- > 30.0% of loan book outside Queensland (H1 FY21: 28.6%)
- > In H1 FY22, continued high broker flows contributed to:
  - 6.7% increase on PCP Home Loan Approvals
  - 6.5% increase on PCP Home Loan Settlements
- > With over \$500m in Home Loan Approvals and Settlements for both H1 of FY21 and FY22, Auswide Bank has improved capacity and growth

		LOAN BOOK			% OF LOAN BOOK	
		DEC 20	DEC 21	GROWTH RATE	DEC 20	DEC 21
SOUTH EAST QUEENSLAND		\$1,303.5m	\$1,446.3m	10.96% 	38.0%	39.0%
QUEENSLAND OTHER		\$1,143.4m	\$1,148.7m	0.46% 	33.4%	31.0%
NSW		\$460.2m	\$523.6m	13.78% 	13.4%	14.1%
VICTORIA		\$320.0m	\$362.4m	13.25% 	9.3%	9.8%
AUSTRALIA OTHER		\$199.4m	\$224.6m	12.64% 	5.9%	6.1%
<b>TOTAL</b>		<b>\$3,426.5m</b>	<b>\$3,705.6m</b>	<b>8.15%</b>	<b>100%</b>	<b>100%</b>

# Loan book arrears

Arrears at historic lows and well below peers



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

	30 days past due (includes >90 days past due)	90 days past due
AUSWIDE	0.20	0.09
SPIN (Other)	0.81	0.45
SPIN (Regional)	1.09	0.59

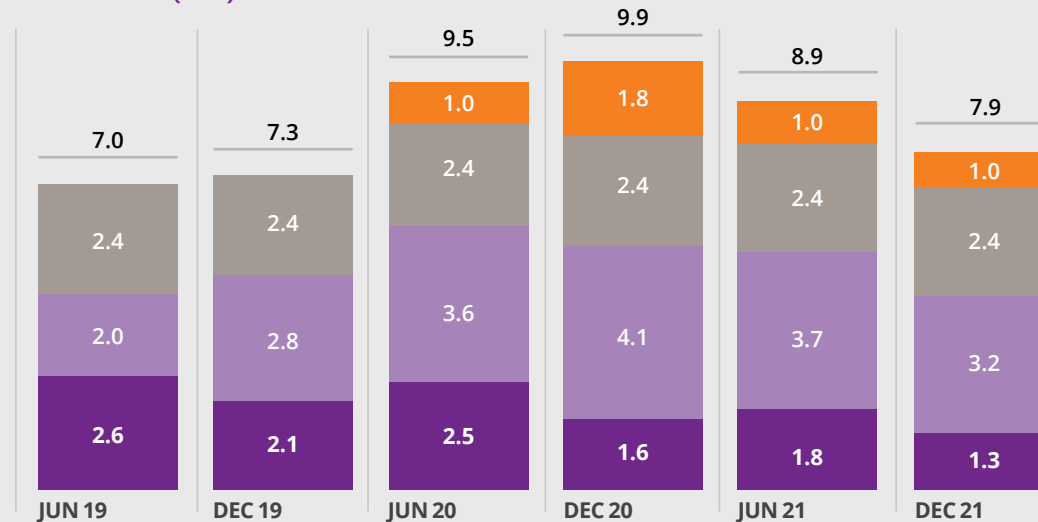
(Auswide figures: at 31 Dec 21) SPINs: at 30 Nov 21 (latest available at time of publication)

- > Arrears of 0.20% are at historic lows highlighting loan book quality
- > Current arrears of \$7.3m, down 53bps compared to June 2017

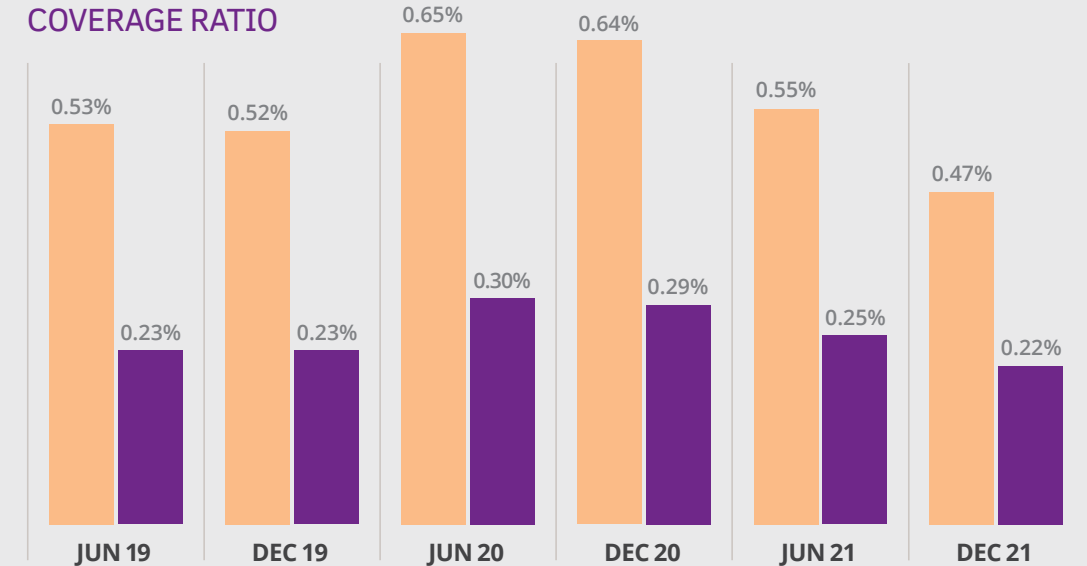
# Total provisions & coverage ratios

Board confidence in collective provisions

TOTAL PROVISIONS  
AND GRCL (\$M)



TOTAL PROVISION  
COVERAGE RATIO



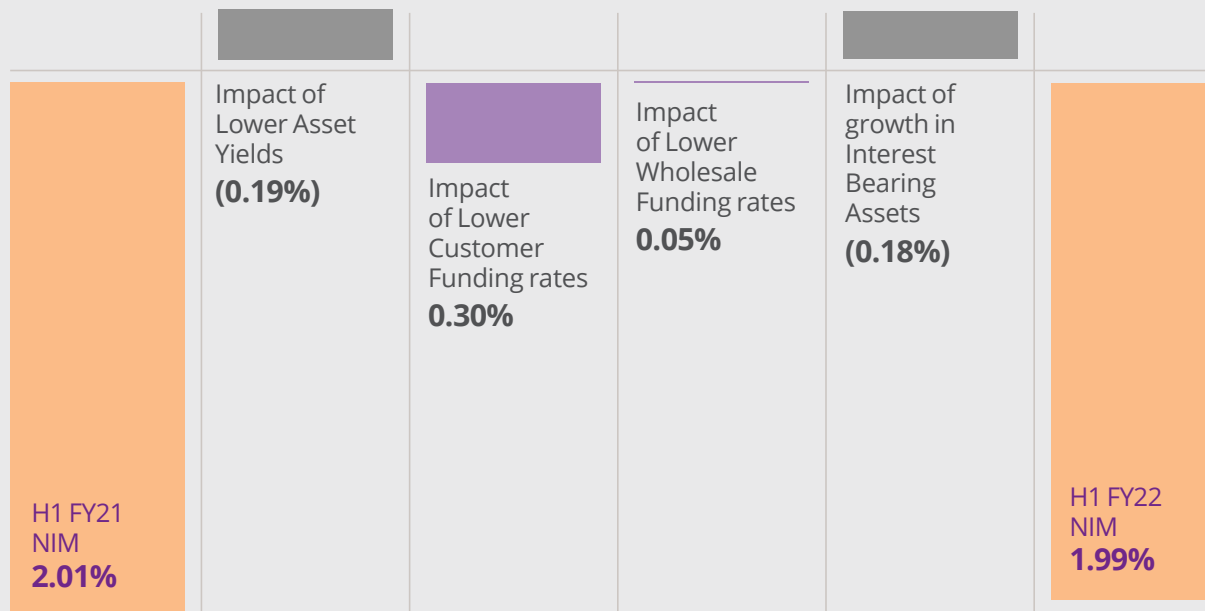
■ Collective Provisions 
 ■ Specific Provisions 
 ■ GRCL 
 ■ COVID-19 Overlay 
 ■ Provisions & GRCL as % of Credit RWA 
 ■ Provisions & GRCL as % of Total Loans

- > Total provisions and GRCL of \$7.9m provides confidence provisions are adequate based on economic outlook scenarios
- > \$1.0m COVID-19 overlay retained in provisions for volatility and economic uncertainty
- > Arrears remain at historically low levels

# Net interest margin progression

## Stable NIM

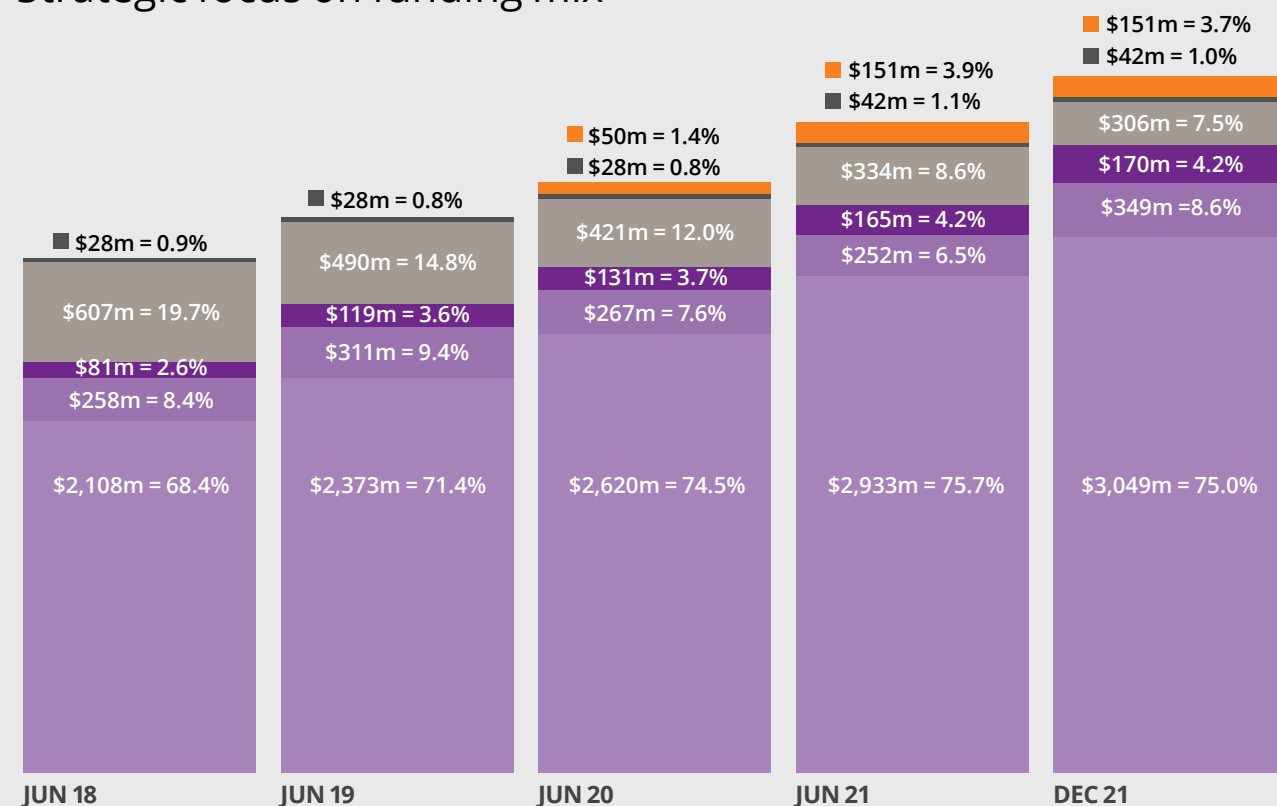
\$000's



- > NIM of 1.99% in a competitive falling interest rate environment, 2bps reduction on H1 FY21 and a 1bp decline on the NIM that was achieved for the full FY21
- > Highly competitive home loan pricing is now outweighing the reduction in funding costs as rates get closer to zero:
  - strategic focus on lower cost at call deposit accounts
  - reduction in funding from higher cost securitisation
  - increase in deposit funding from wealth management and controlled monies accounts

# Funding mix

Strategic focus on funding mix



- > Ongoing strategic focus on expanding customer deposits and tight management of funding costs
- > Annualised 7.9% growth in customer deposits to reach 75.0% of funding (June 18: 68.4%)
- > Growth in lower cost at call savings accounts from \$1.440b (Jun 21) to \$1.634b (Dec 21), 26.9% annualised growth
- > Branch deposits from at call savings and term deposits up \$138.5m across H1 of FY22
- > Reduced reliance on securitisation; 7.5% of funding in Dec 21 vs 19.7% in June 18
- > Maintained dual investment grade ratings from Fitch & Moody's of BBB+ and Baa2 respectively

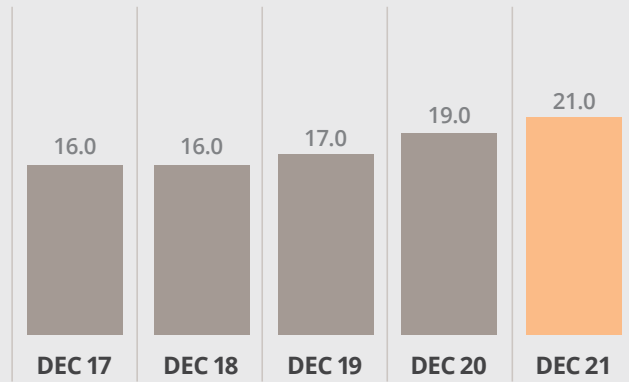
- Customer Deposits
- Securitisation
- NCDs
- Subordinated debt
- Senior unsecured FRNs
- RBA Term Funding Facility



# Interim dividend

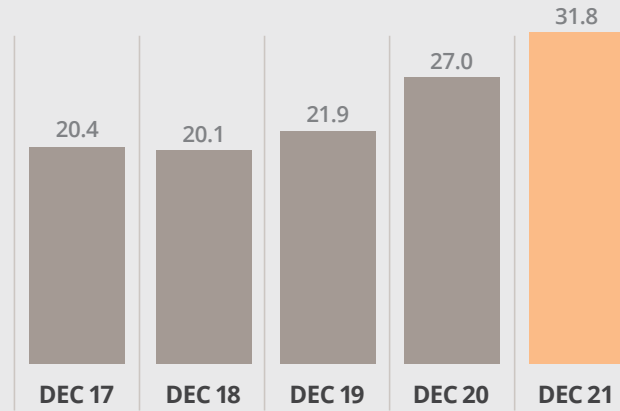
Interim dividend reflects very strong operational performance and prudent capital management

## INTERIM DIVIDEND (CPS)



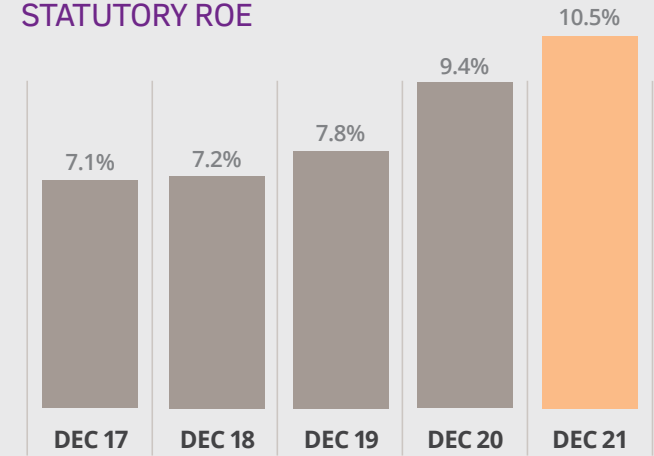
- > Interim fully franked dividend increase of 2.0 cents to 21.0 cents reflects balance between prudent capital management and providing strong returns to shareholders
- > Yield of 6.3% fully franked based on Dec 21 share price

## STATUTORY EPS



- > Interim dividend payout ratio of 66.4%; H1 FY21: 70.8%
- > Dividend payout ratio of 69.6% of underlying NPAT

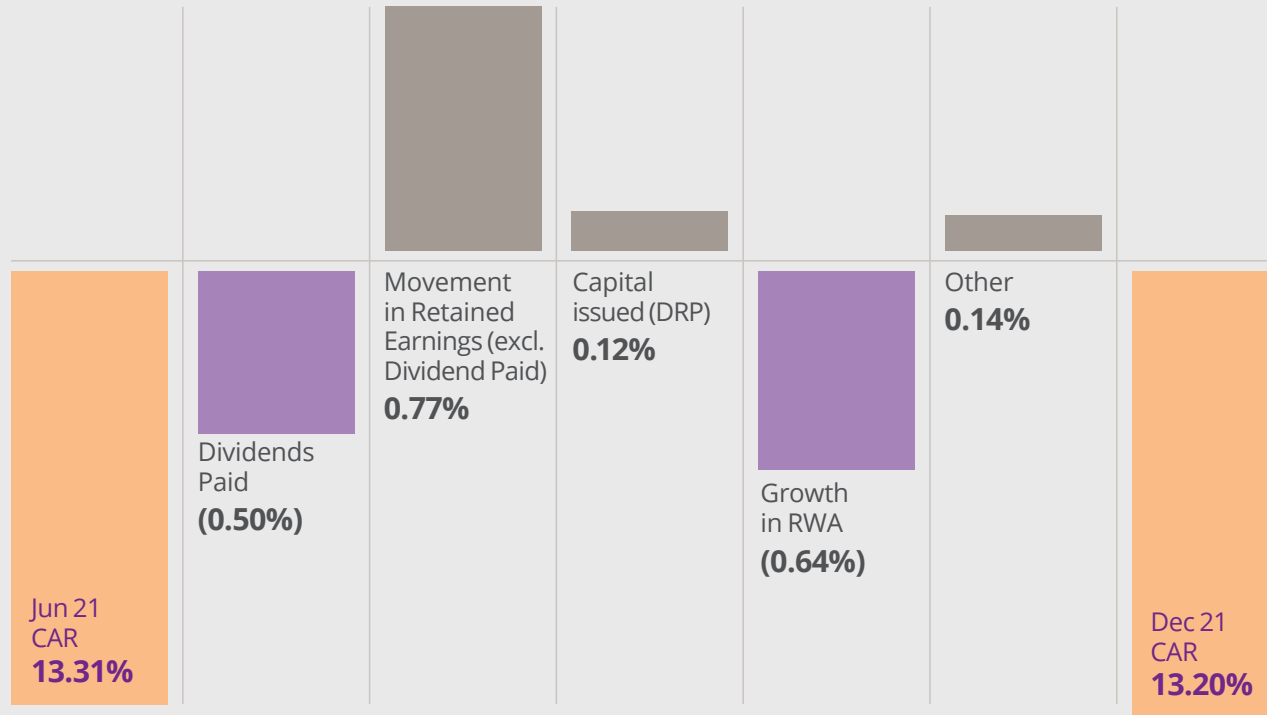
## STATUTORY ROE



- > ROE of 10.5% up from 9.4% in H1 FY21
- > Outperforming sector in growth of returns, above regional bank peers and matching big 4 banks

# Capital

Strong capital position supports above system loan book growth



- > Capital remains strong at 13.20% and comfortably meeting APRA's unquestionably strong requirement
- > CET1 of 10.84%
- > Capital ratio down marginally to 13.20% reflecting above system growth which has been supported by retained earnings from strong operating results
- > Capital supply drivers will include the operation of the Dividend Reinvestment Plan for the interim dividend



03.

Strategy

Martin Barrett, MD

# Environmental, Social and Governance (ESG) vision

Auswide Bank believes that our Environmental, Social and Governance (ESG) responsibilities and business objectives are connected.

- > Our goal is for Auswide Bank to be known as a healthy and sustainable organisation which generates positive and sustainable economic growth
- > Auswide has established an ESG Committee to develop an ESG management framework, policies, practices and disclosures
- > Initiatives aligned to the bank's ESG goals include:
  - Launch of the an eco-friendly banking card for customers
  - Electronic statements project to reduce paper wastage
  - Our community partnership with the QRL which supports the development of local football in the regional communities
  - Procurement guidelines for marketing materials to reduce printed material
- > Review and development of green loans for possible release in FY23



## AUSWIDE BANK'S SUSTAINABLE FRAMEWORK



### ENVIRONMENT

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



### SOCIAL

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



### GOVERNANCE

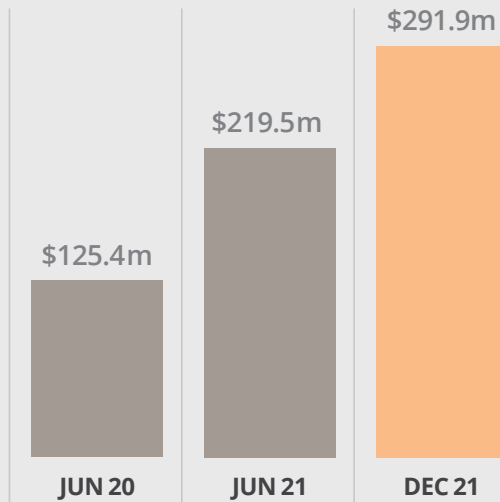
- > Responsible lending
- > Cybersecurity and data protection
- > Privacy
- > Fraud and financial crime prevention and protection
- > Governance and conduct

# Private Bank driving growth

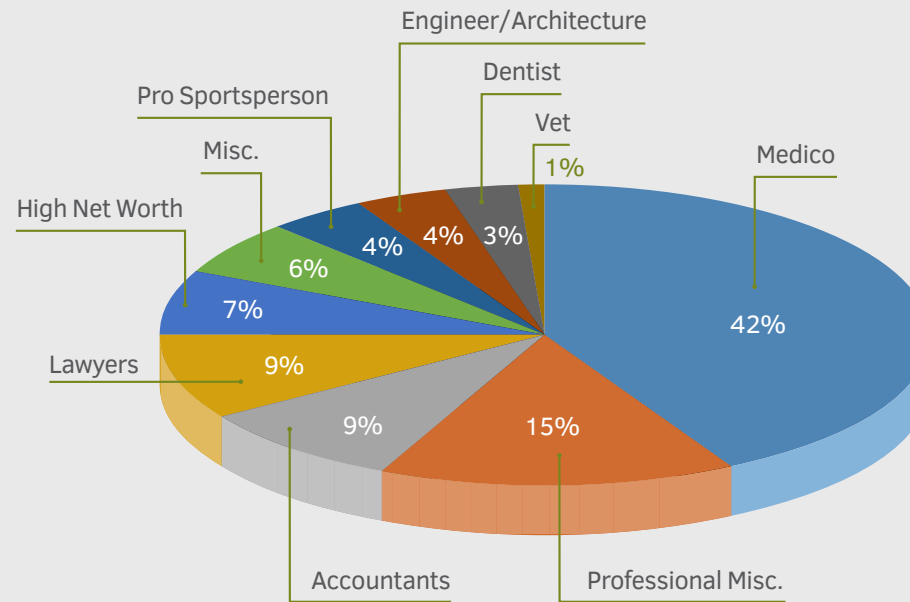
High Net Worth customers focusing on medical, professional and sporting with borrowing needs ideally over \$1m

## PRIVATE BANK PORTFOLIO

Material growth in Private Bank up from \$125.4m at June 20 to \$291.9m at December 21



## PORTFOLIO DISSECTION



- > 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 benefiting from advocacy
- > Solid referral base built on relationships and quality service proposition



# 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



# Transforming our business with technology

## DIGITAL TRANSFORMATION

### IMPROVING CUSTOMER EXPERIENCE

- > Improvement of customer experience supported by deployment of new Internet Banking and Mobile App.
- > Providing services for a younger demographic with digital payment choices and anytime-anywhere banking
- > Loan processing enhancements to maintain time-to-yes and turnaround times for loan customers in a highly competitive market
- > Additional investment to solve customer problems and broaden access to products and services
- > Reinforcing investment in cyber resilience and protections to customer data



## TECHNOLOGY TO SUPPORT LOAN ORIGINATION

### BUSINESS OUTCOMES

- > Digital advances for broker accreditation, support and communications
- > Enabling increased sales volumes with Verification of Identity services, auto-decisioning and internal dashboards
- > Adoption of robotic processes in loan processing and administration to enhance customer service, improving speed to approval
- > Investing in working and skill sets to build a digital culture, including transformation, project management and data strategy
- > Elevating the Auswide brand across digital platforms including mobile and website
- > Implementation of industry leading AI processes for the retention of credit assets



# FY22 outlook

Continued loan book growth driven by digital transformation across the business



## ALL 3-YEAR STRATEGIC TARGETS ACHIEVED WITHIN 3 YEARS

STRATEGIC TARGETS	H1 FY19	H1 FY20	H1 FY21	H1 FY22
Cost to Income Ratio (statutory)	64.8%	62.9%	59.6%	59.1%
NIM (Half Year)	1.88%	1.95%	2.01%	1.99%
RONTA	9.0%	9.7%	11.6%	12.9%
Annualised loan book growth	5.0%	5.4%	13.4%	8.7%



## LOOKING FORWARD

Target Reset focused on:

- > Best Regional Bank ROE 10%+
- > Defying scale cost challenges with CTI < 60%
- > Continued focus on margin management and growth to optimise customer outcomes and shareholder return
- > Above system loan growth with focus on Private Bank, Broker and Partnerships



# 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 25 February 2022.

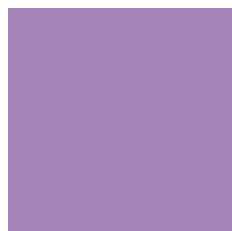
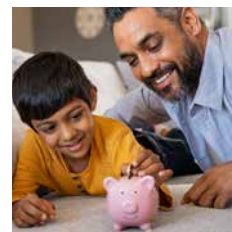
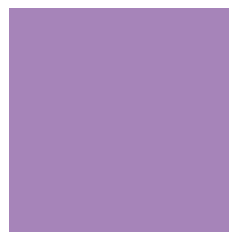
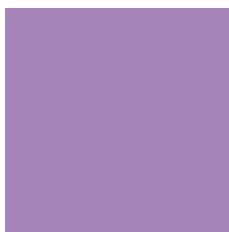
## FINANCIAL AMOUNTS

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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