



# INVESTOR PRESENTATION

FY22 FINANCIAL RESULTS  
29 AUGUST 2022



01.

## Results Overview

Martin Barrett, MD

02.

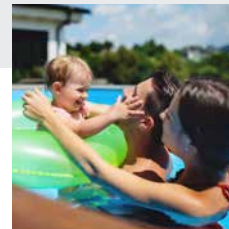
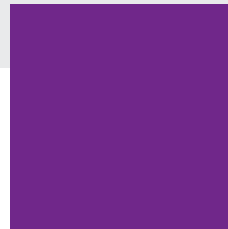
## Financial Overview

Bill Schafer, CFO

03.

## Strategy

Martin Barrett, MD





Small things. Big difference.

01.

## Results Overview

Martin Barrett, MD

# Why Auswide Bank



Commitment to our people, customers and communities as we deliver ethical banking



Operating to add value for our shareholders and communities



Focus on sustainability in our operations and growth



Strong service proposition for our customers



Focus on sustainable profitable growth



Strong risk management, quality credit practices, commitment to governance and cyber resilience



Investing in digital banking, lending capability and customer initiatives to make banking easier

# FY22 Financial highlights

Continued strength with profitable loan book growth

STATUTORY  
NPAT  
**\$26.132m**

↑ 8.2%

LOAN BOOK  
**\$3.855b<sup>1</sup>**

↑ 7.3% GROWTH<sup>2</sup>

COST TO  
INCOME RATIO  
**61.1%**

↑ 1.0%

NET INTEREST  
MARGIN  
**194BPS**

↓ 6BPS  
on FY21

NPAT EXCLUDING  
NON-RECURRING  
ITEMS  
**\$24.956m**

↑ 3.3%

CUSTOMER  
DEPOSITS  
**\$3.059b**

↑ 4.3% GROWTH

EPS STATUTORY  
**60.5CPS**

↑ 3.8CPS

ROE  
**9.8%**

↑ FROM 9.7%

TOTAL DIVIDEND  
**42.0CPS**

↑ 2.0CPS

ROE EXCLUDING  
NON-RECURRING  
ITEMS  
**9.4%**

↓ FROM 9.7%

1. Including Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet
2. The home loan book saw growth of 8.3% compared to RBA Financial Aggregates system growth of 7.8% for housing

3. Difference between statutory and excluding non-recurring items NPAT and ROE 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 collective provision (\$350k)



# Progress in key operational priorities



## Customers

### Enhancing customer experience

- > brand evolution journey and QRL
- > home loan support and retention focus for existing customers
- > Anytime Anywhere Banking – Face2face, Customer Hub & Digital

### Growth FY22

- > increased capacity – increased yoy approvals
- > our niches – Private Bank, First Home Owners scheme, Fixed Rate products
- > deposits through partnerships
- > enhanced broker offering

### Growth outlook

- > refinances as fixed rates mature
- > ongoing broker lending enhancement
- > Private Bank expansion

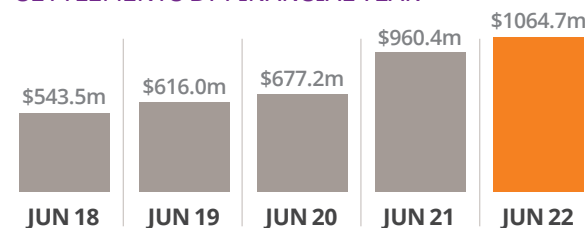


## Products

### High quality lending

- > home loan settlements at a record high \$1.065b, an increase of 10.9% on FY21

#### SETTLEMENTS BY FINANCIAL YEAR



- > sustained Private Bank momentum in customer and asset growth
- > total arrears at historic low of 0.18% of loan book at 30 June 22

### Customer deposits

- > customer deposits grew 4.3% (73.2% of total funding) across FY22
- > 21.4% growth in lower cost at call savings accounts from \$1.44b at June 21 to \$1.75b at June 22



## Strategy

### Digital capabilities delivered

- > improving digital experience through Internet Banking and Mobile App
- > loan processing enhancements for time-to-yes and turnaround
- > boosting cyber resilience and protections to customer data
- > robotic processes to enhance customer service

### Digital investments in action

- > a full digital experience including payment choices
- > improved loan experience: auto decisioned loans, digital documentation & robotic processes
- > industry leading AI to retain customers as we move into a period of customer volatility
- > delivering trusted data for decision making

### Sustainability

- > Sustainability Committee developing policies, targets and measures for ESG progress
- > pillars of framework – Customers, Our People, Community, Environment, Financial and Technology & Data

# Continued momentum in changing macro environment

## Economic outlook

- > Queensland economy remains buoyant with retail turnover up 0.7% in June 22 and 11.6% annually<sup>1</sup>
- > Population growth 1.4% in Qld to 31 Dec 21, 57.6% of national share, 0.5% national growth<sup>2</sup>

## Housing market

- > System growth 'total credit' 9.1% and 'housing' 7.8% to 30 June 22<sup>3</sup>
- > Auswide total loan book growth 7.3% and mortgage book 8.3% to 30 June 22

## House prices

- > 12 months to June 2022 dwelling values in Australia up 11.2% (19.9% in regionals and 8.7% in capitals)<sup>4</sup>
- > 12 months to June 2022 dwelling values up 21.9% in regionals and 25.6% in Brisbane
- > Brisbane dwelling values up 0.1% in June and 2.7% for the quarter
- > Projected Auswide loan book growth above system for Q1 of FY23

## Employment

- > Employment in Qld 219,400 above pre-COVID level at June 2022<sup>5</sup>
- > Unemployment Qld 4.0%, Australia 3.5% June 2022
- > 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
- > \$0.5m overlay for economic uncertainty retained in provisions

## Rising interest rates

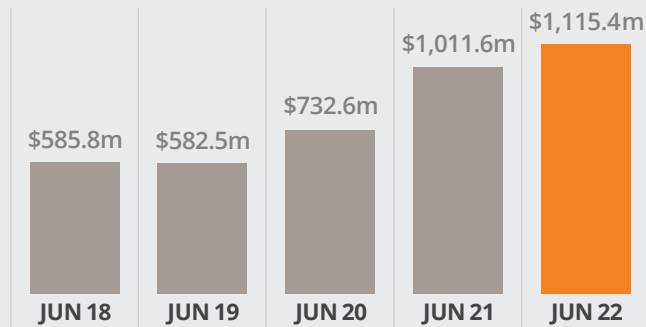
- > RBA cash rate increases are anticipated to provide support to NIM
- > Benefits may be offset by competition for deposits and elevated wholesale funding pricing
- > Funding strategy for FY23 to maintain a focus on deposit growth and managing wholesale funding

### Footnotes

1. Queensland Government Statistician's Office Retail trade June 22
2. Queensland Government Statistician's Office Population Growth December quarter 2021
3. RBA Financial Aggregates June 2022
4. CoreLogic RP data June 2022
5. Queensland Government Economic Strategy Division Labour Force June 2022

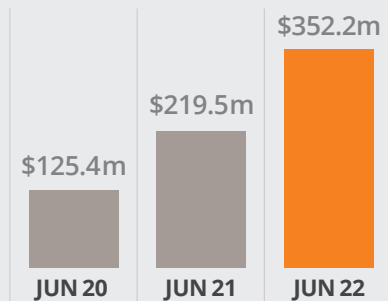
# Broker and Private Bank driving growth

## TOTAL HOME LOAN APPROVALS

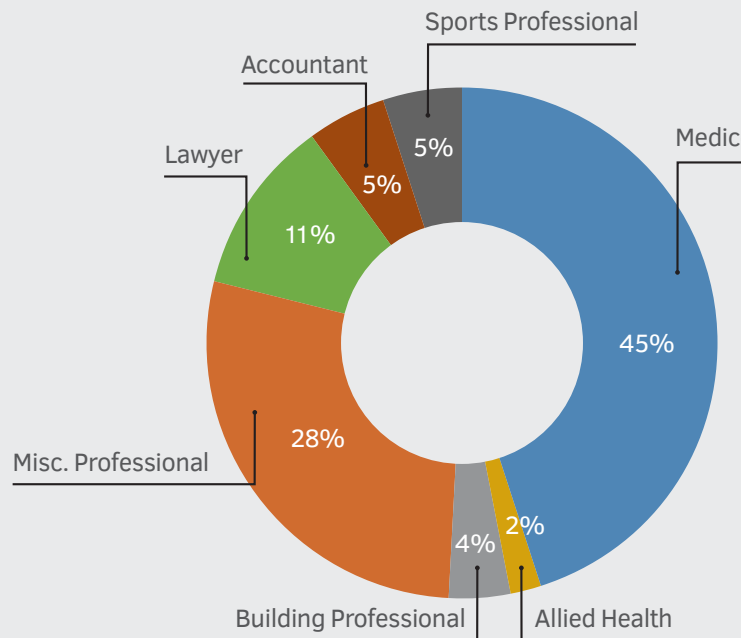


## PRIVATE BANK PORTFOLIO

Material growth in Private Bank up from \$219.5m at June 21 to \$352.2m at June 22



## PRIVATE BANK PORTFOLIO DISSECTION



## BROKER

- > Ongoing investment in broker lending to enhance broker and customer experience
- > Growth driven through the third party channel

## PRIVATE BANK

- > Portfolio driven by referral base and relationships built on quality service
- > Delivers lending and deposit solutions to high net worth individuals
- > Quick loan turnaround and high service model attracting customers



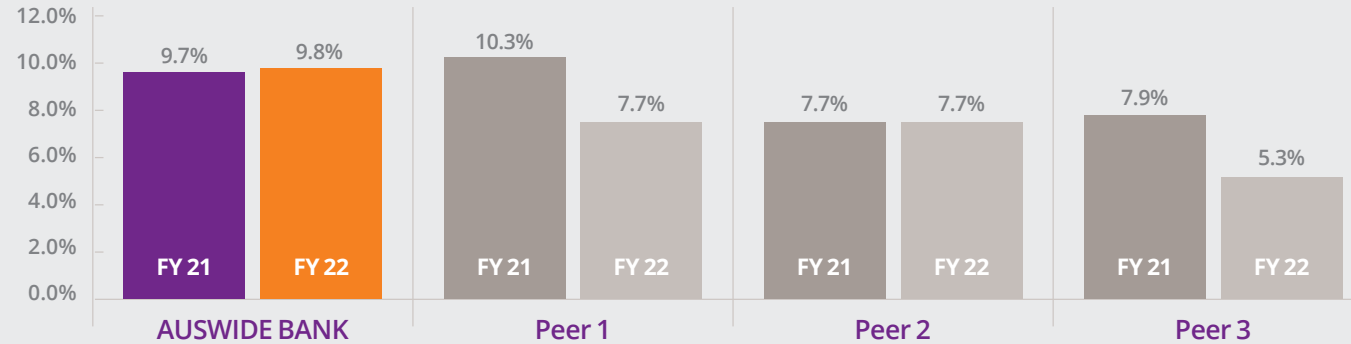
# Scale is not the advantage it once was

- > Ability to quickly seize opportunities
- > Technology is providing productivity and efficiency benefits
- > Technology is opening new distribution possibilities
- > 65% of Australian home loans are written by brokers, which is an efficient growth opportunity for smaller banks like Auswide that can service them
- > Industry top quartile for loan approval times
- > Quickly assess, acquire and integrate technology solutions at much lower cost than big rivals
- > A bank with a building society service proposition and empathy
- > Customers are looking for alternatives following royal commission and low service levels
- > Significant refinance opportunity from the big 4 in FY23



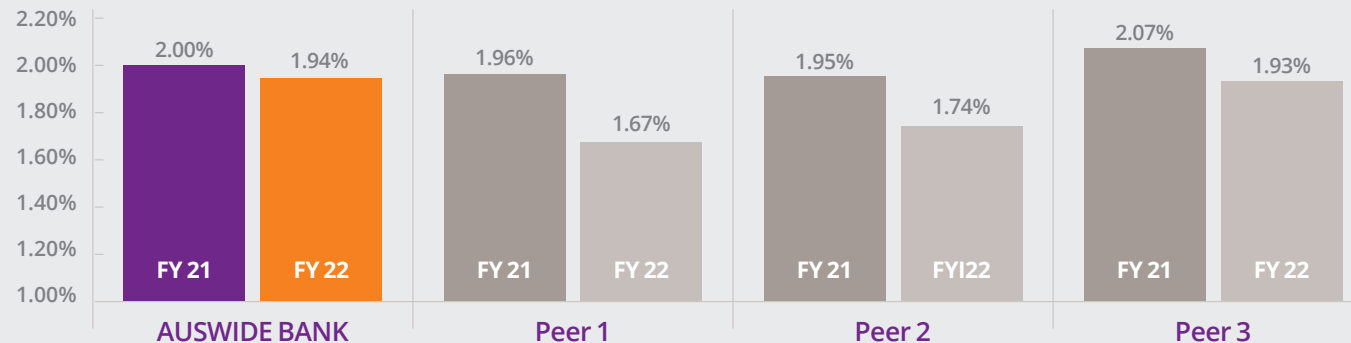
# Strength in ROE and NIM compared to regional peers

## STATUTORY ROE



Statutory ROE increased from prior year while regional peers are flat or falling

## NIM

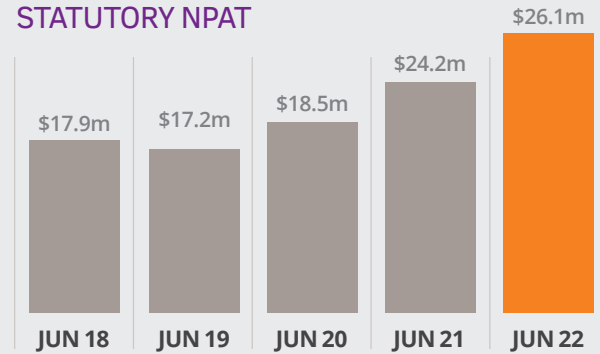


NIM reduction of 6bps significantly smaller reduction than peers

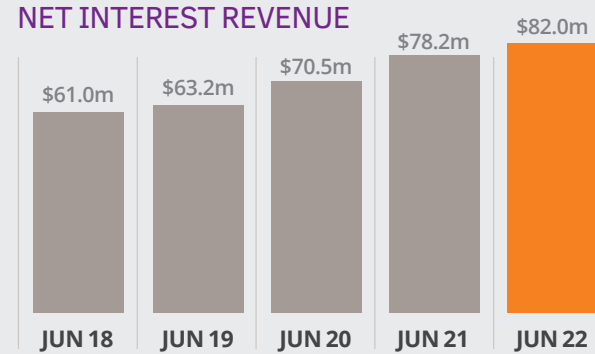
# Track record of delivering profitable growth

Loan book growth, NIM strength and cost management

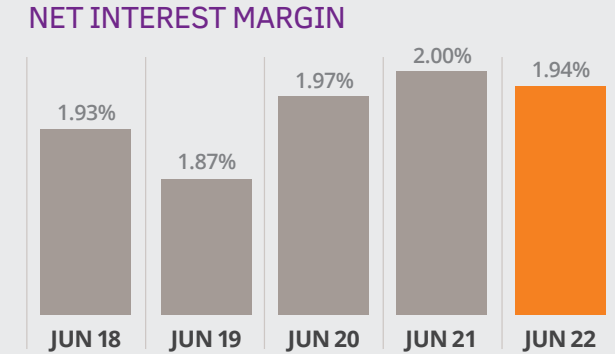
## STATUTORY NPAT



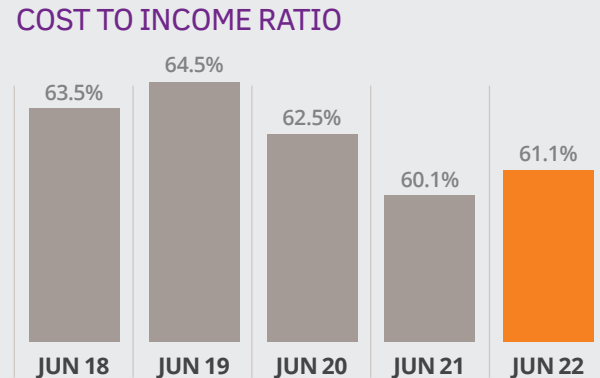
## NET INTEREST REVENUE



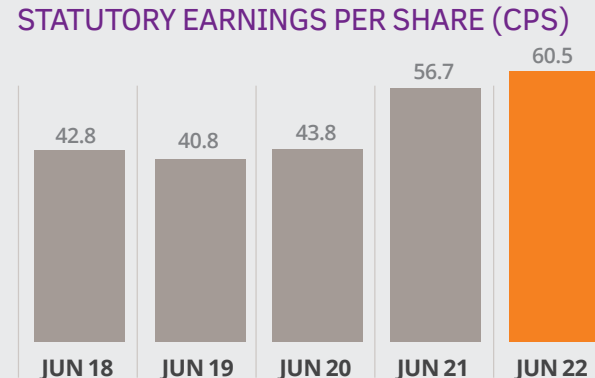
## NET INTEREST MARGIN



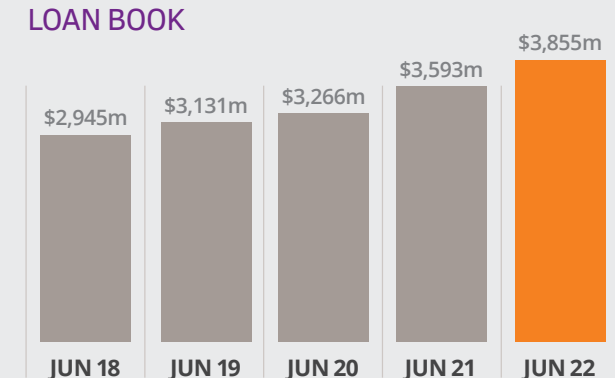
## COST TO INCOME RATIO



## STATUTORY EARNINGS PER SHARE (CPS)



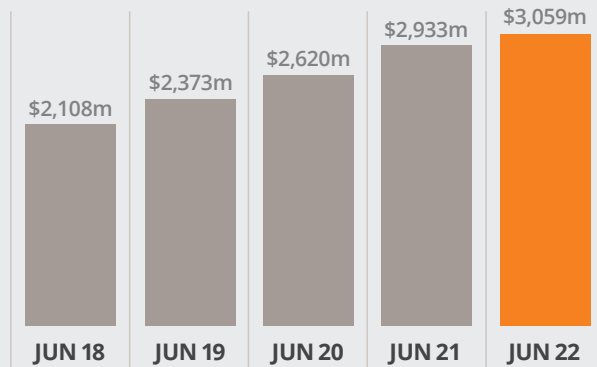
## LOAN BOOK



# Balance sheet strength

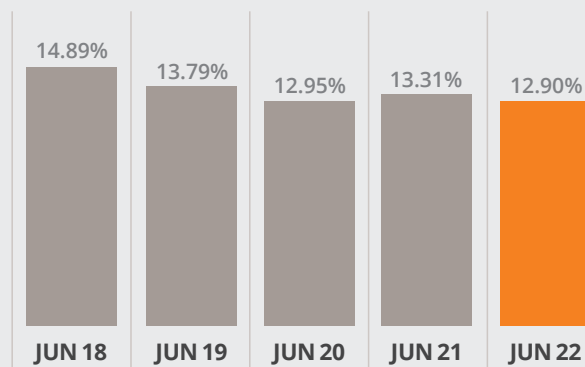
Strong deposit growth, RONTA ahead of strategic targets

## CUSTOMER DEPOSITS



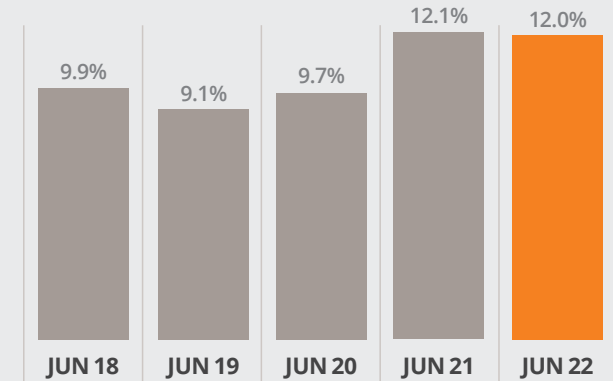
- > 4.3% growth in deposits reflects strategic focus on cost effective funding lines
- > 73.2% of funding from customer deposits (FY21: 75.6%)

## CAPITAL ADEQUACY RATIO



- > Capital remains strong at 12.90%
- > CET1 of 10.63%

## STATUTORY RONTA



- > Return on Net Tangible Assets of 12.0% up from 9.9% in June 18
- > Ahead of strategic target of 10%





02.

## Financial Overview

Bill Schafer, CFO

# Growth continues to drive profitability and shareholder returns

## Financial overview

	FY22	FY21	CHANGE
NPAT Statutory	\$26.132m	\$24.155m	↑ 8.2%
NPAT excluding non-recurring items <sup>1</sup>	\$24.956m	\$24.155m	↑ 3.3%
Loan Book (billion) <sup>2</sup>	\$3.855b	\$3.593b	↑ \$262m
Net Interest Revenue	\$82.044m	\$78.161m	↑ 5.0%
Net Interest Margin (NIM) (Basis points)	194bps	200bps	↓ 6bps
Final Dividend per share	21.0c	21.0c	→ 0.0c
Total Dividend per share	42.0c	40.0c	↑ 2.0c
EPS Statutory (cents)	60.5c	56.7c	↑ 3.8c
EPS excluding non-recurring items (cents) <sup>1</sup>	57.8c	56.7c	↑ 1.1c
ROE Statutory	9.8%	9.7%	↑ 0.1%
ROE excluding non-recurring items <sup>1</sup>	9.4%	9.7%	↓ 0.3%
Cost to Income Ratio	61.1%	60.1%	↑ 1.0%
Capital Adequacy Ratio	12.90%	13.31%	↓ 0.41%
Deposits	\$3.059b	\$2.933b	↑ \$126m

- > Loan book growth reflected in increased net interest revenue
- > NIM strength with loss of 6bps due to surge in funding costs
- > Total loan book growth 7.3%, home loans up 8.3%
- > Final dividend of 21.0c, prudent payout ratio of 73.1% on NPAT excluding non-recurring items
- > Cost to income ratio reflects strategic investments
- > Capital adequacy continues to support asset growth

### Footnotes

1. See NPAT excluding non-recurring items reconciliation page 5
2. Including investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet

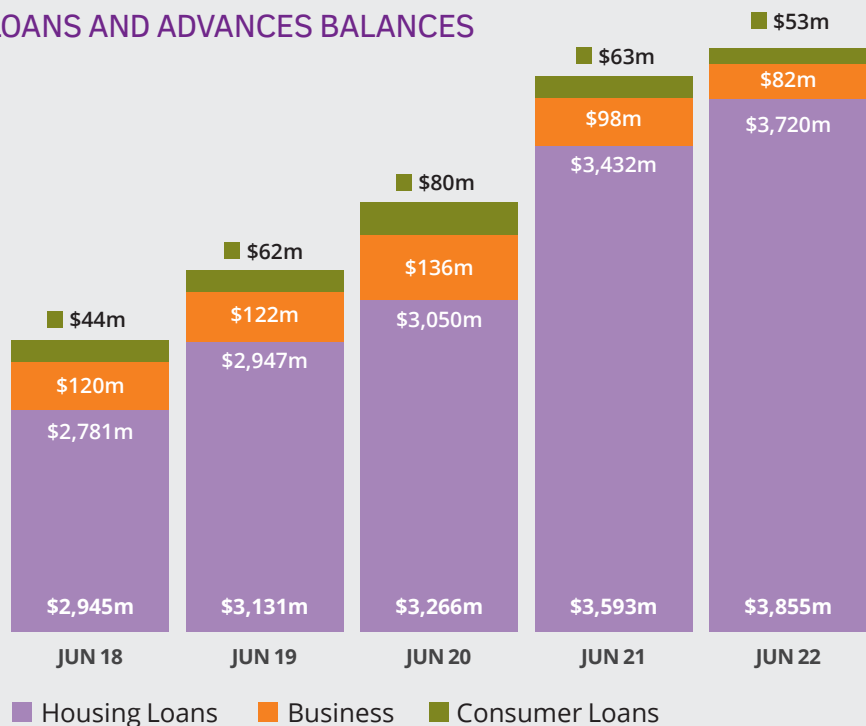




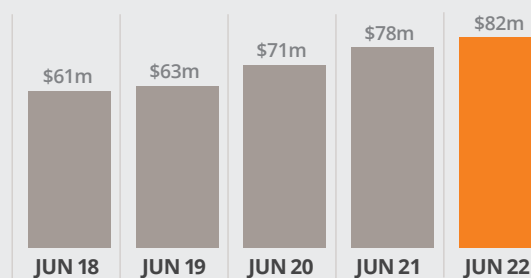
# Consistent loan book growth reflected in net interest income

## Loan book

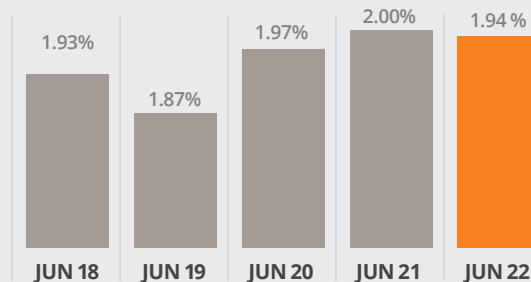
### LOANS AND ADVANCES BALANCES



### NET INTEREST REVENUE



### NET INTEREST MARGIN













- > Home loan book growth of 8.3% (above system)
- > Loan book growth reflected in net interest income, up 5.0% to \$82.0m
- > Net interest margin of 1.94% (FY21: 2.00%)

# Private Bank and broker driving diversification

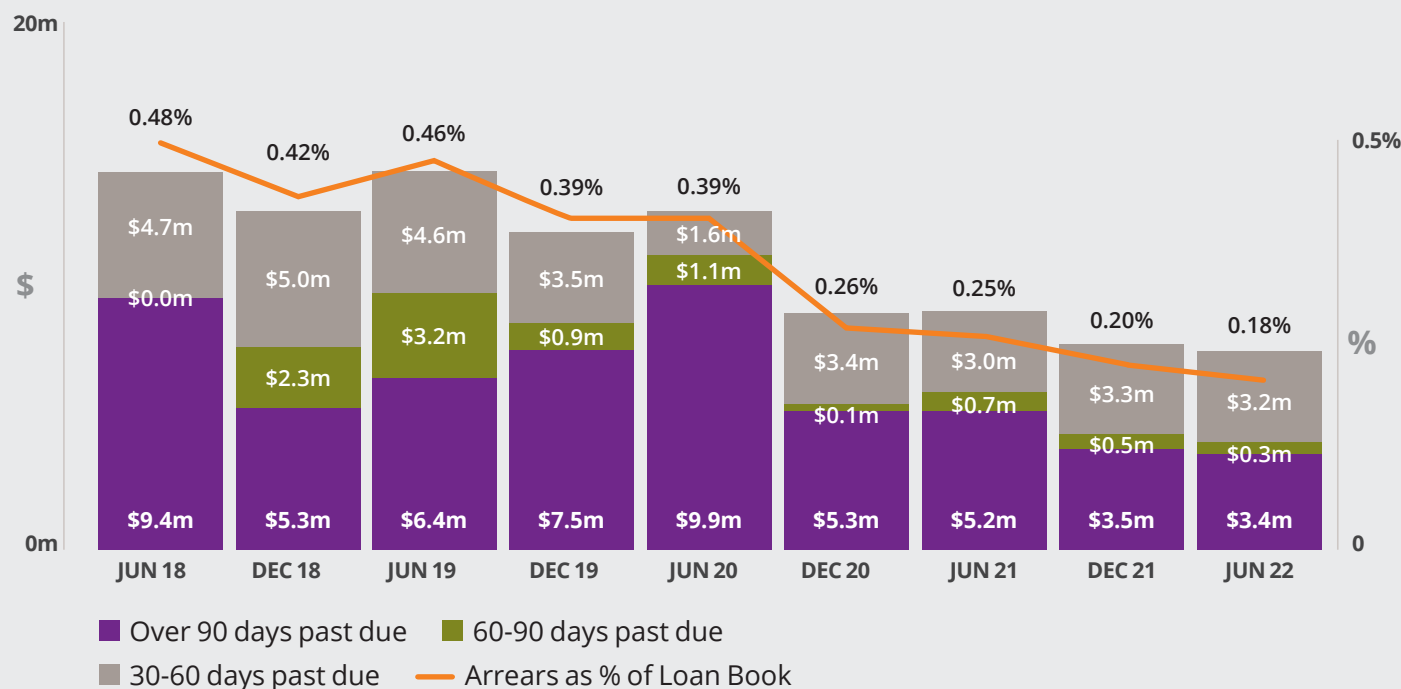
## Loan book distribution

- > Private Bank and broker lending is driving diversification of the loan book
- > NSW (Sydney) portfolio \$566.0m up 11.5% in FY22
- > Victoria (Melbourne) portfolio \$411.9m up 13.8% in FY22
- > SE Qld remains a key source of lending up 10.0% to \$1,514.4m in the FY
- > Loan book outside QLD now exceeds 30%

LOAN BOOK				% OF LOAN BOOK	
	JUN 21	JUN 22	GROWTH RATE	JUN 21	JUN 22
SOUTH EAST QUEENSLAND 	\$1,370.9m	\$1,514.4m	10.5% 	38.7%	39.7%
QUEENSLAND OTHER 	\$1,150.9m	\$1,139.0m	1.0% 	32.5%	29.9%
NSW 	\$507.8 m	\$566.0m	11.5% 	14.3%	14.8%
VICTORIA 	\$362.0m	\$411.9m	13.8% 	10.2%	10.8%
AUSTRALIA OTHER 	\$151.7m	\$183.2m	20.8% 	4.3%	4.8%
<b>TOTAL</b>	<b>\$3,543.3 m</b>	<b>\$3,814.5m</b>		<b>100%</b>	<b>100%</b>

# High quality credit and historic low arrears

## Loan book arrears



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

	30 days past due (includes >90 days past due)	90 days past due
AUSWIDE	0.18	0.08
SPIN (Other)	0.65	0.34
SPIN (Regional)	1.42	0.83

(Auswide figures: at 30 June 2022) SPINs: at 31 May 2022  
(latest available at time of publication)

- Monetary policy to tackle inflation results in uncertainty for the local economy
- Credit quality of loan portfolio is sound with a low level of arrears evident
- >30 days past due arrears at historic low of 0.18% of loan book
- >90 days past due arrears at 0.08% of loan book

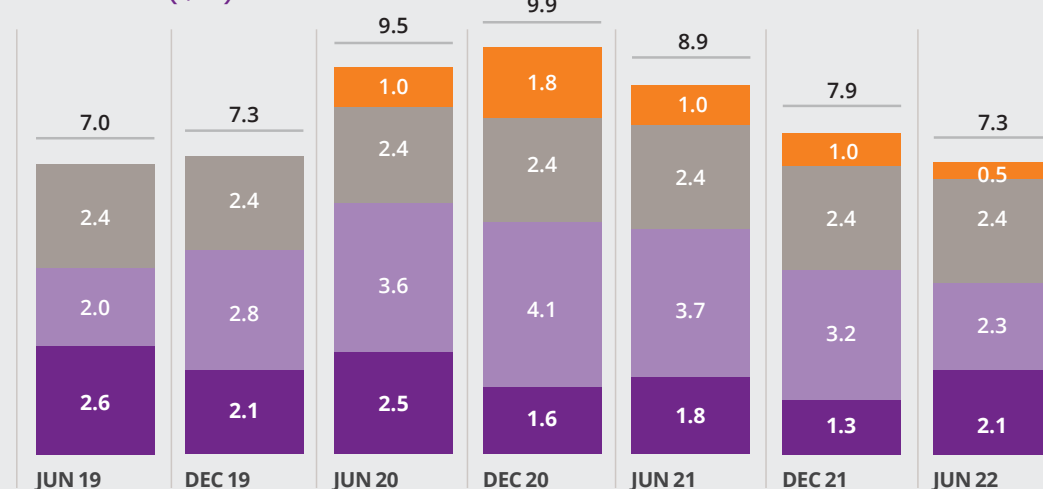
## ADVANCE PAYMENTS

- > Credit quality enhanced by advance payments
- > 60% of term loans have advance payments > \$1,000
- > Total advance payments of \$206m (5.5% of total loan book)

# Prudent loan provisioning

## Total provisions & coverage ratio

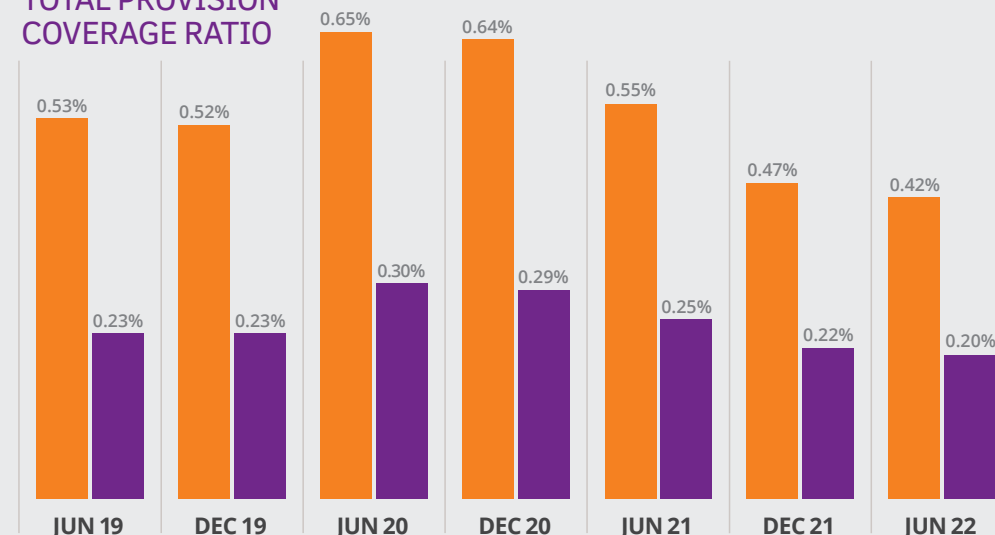
TOTAL PROVISIONS  
AND GRCL (\$M)



■ Collective Provisions ■ Specific Provisions ■ GRCL ■ COVID-19 Overlay

- > \$1.0m overlay provided during pandemic reduced to \$0.5m
- > \$0.5m overlay retained due to economic uncertainty
- > Collective provisions adequate based on low arrears, strong risk policy and economic overlay

TOTAL PROVISION  
COVERAGE RATIO



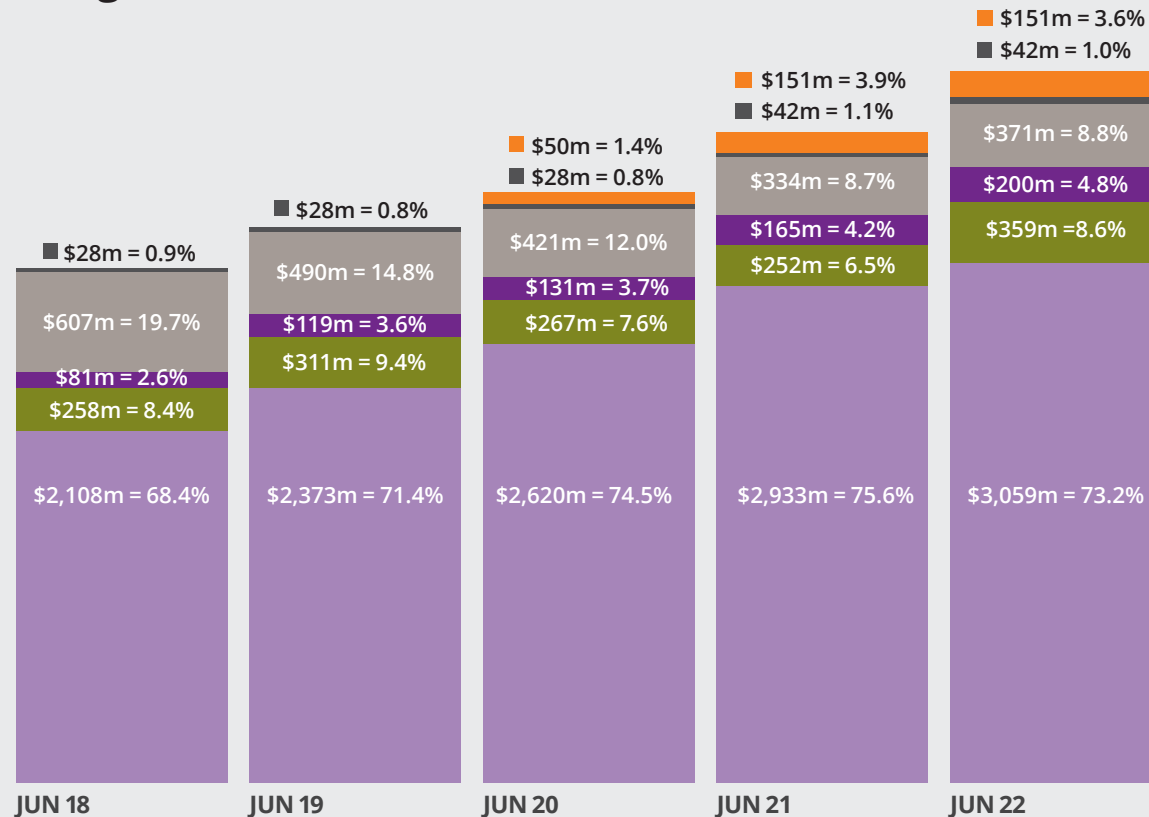
■ Provisions & GRCL as % of Credit RWA ■ Provisions & GRCL as % of Total Loans



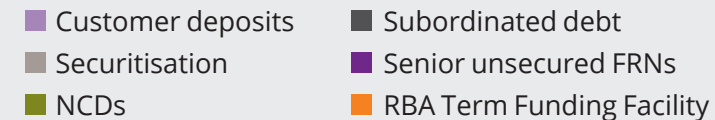


# Strategic approach to funding as interest rates rise

## Funding mix

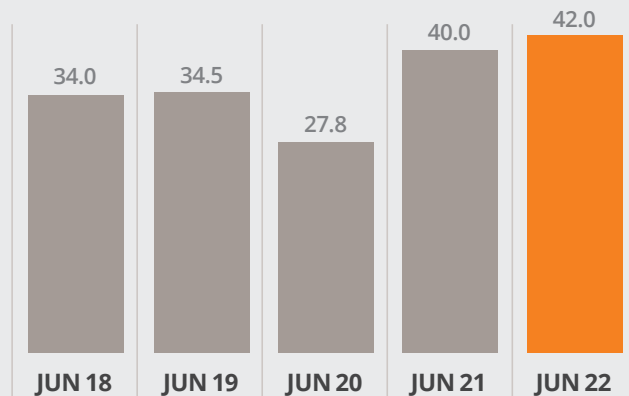


- > 4.3% growth in customer deposits (73.2% of total funding)
- > 21.4% growth in lower cost at call savings accounts from \$1.44b at June 21 to \$1.75b at June 22
- > Interest rates expected to continue rising before levelling off in 2023
- > Funding strategy to maintain focus on customer deposits and manage spreads on wholesale funding
- > Deposits to be originated from Qld branch network, deposit partnerships and online capabilities
- > Growth in deposits will provide funding for growth and repayment of RBA term funding in Q4 FY23



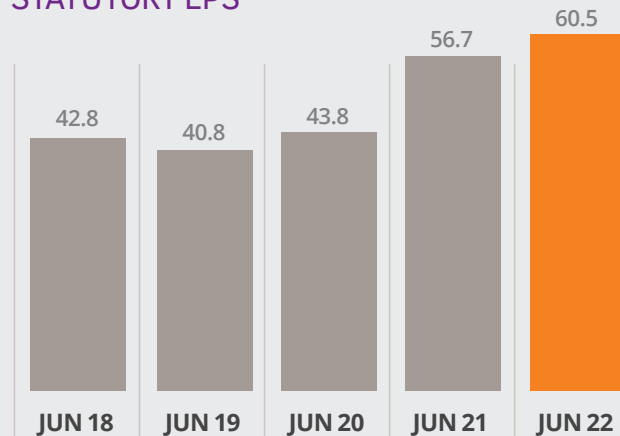
# Continued progress in operational results and shareholder returns

## TOTAL DIVIDEND



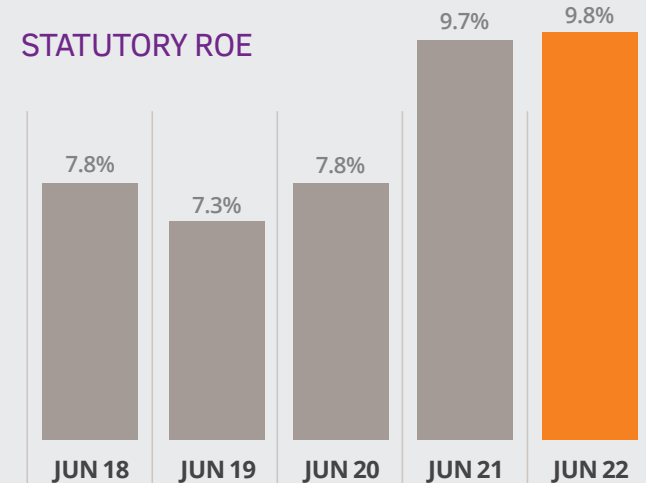
- > Final fully franked dividend of 21.0 cps
- > Total dividend of 42.0 cps for FY22 up from 40.0 cps for FY21
- > Capital managed to provide for loan book growth and strategic investments

## STATUTORY EPS



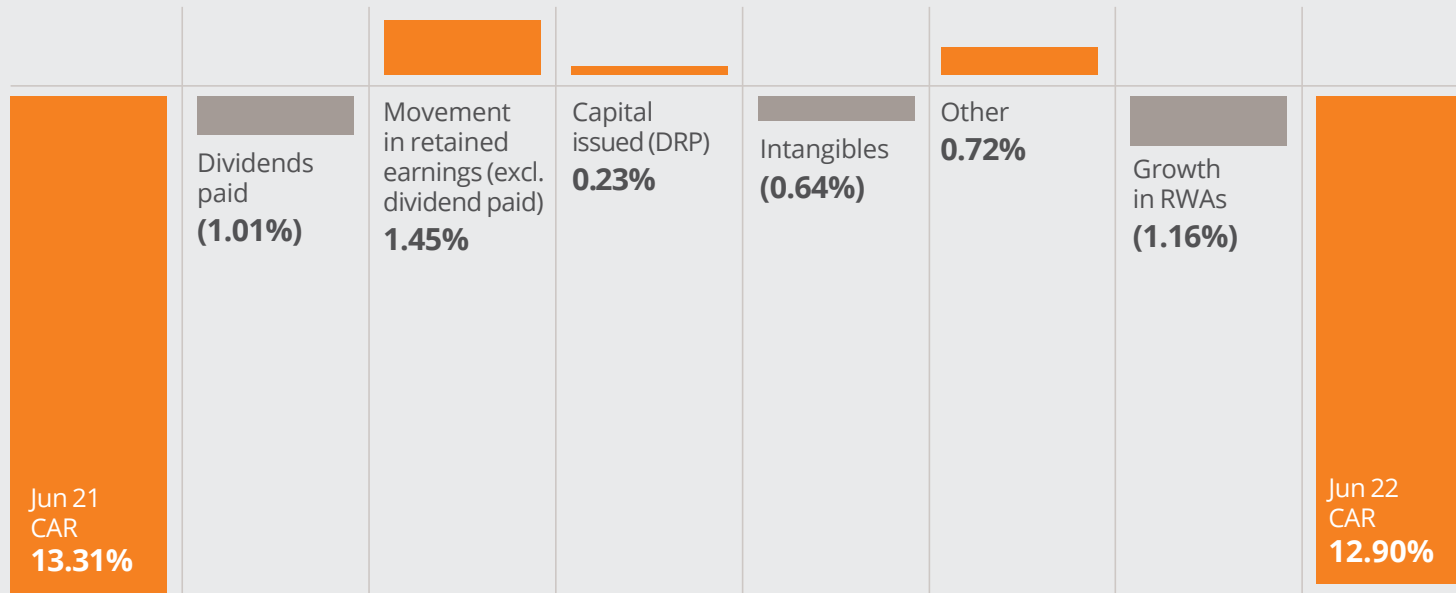
- > Final dividend payout ratio of 69.9% of statutory NPAT, compared to the Board target range of 70-80% (FY21: 70.9%)
- > Final dividend payout ratio of 73.1% of NPAT excluding non-recurring items, within the Board target range of 70-80% (FY21: 70.9%)

## STATUTORY ROE



- > ROE of 9.8% up from 9.7% in FY21

## Capital positioned for growth and digital bank investments



- > Capital remains strong at 12.90%, comfortably meeting APRA's "unquestionably strong" requirement
- > CET1 of 10.63%
- > Retained earnings has contributed to capital position for FY22
- > Capital ratio down from 13.31% at 30 June 2021 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 which is to be underwritten



03.

Strategy

Martin Barrett, MD

# Our sustainability strategy

Embedding ESG into our strategy and operations

Customer	Our People	Community	Environment	Financial	Technology and Data
<ul style="list-style-type: none"><li>&gt; Quality customer relationships built on trust</li><li>&gt; Helping achieve home ownership, create wealth, access banking and financial services that make their life easier</li><li>&gt; Help customers protect their assets and loved ones from financial loss or hardship</li><li>&gt; Provide transparency on fees and charges</li></ul>	<ul style="list-style-type: none"><li>&gt; An empowered, diverse and inclusive workforce</li><li>&gt; Recruit for a strong sense of purpose and ethics</li><li>&gt; Increase skills and capabilities of our people</li></ul>	<ul style="list-style-type: none"><li>&gt; Improve financial literacy wellbeing of the community</li><li>&gt; Support and encourage through community projects and initiatives that are good for the community and the economy</li><li>&gt; Increase access to financial services</li></ul>	<ul style="list-style-type: none"><li>&gt; Accountability of Auswide's impact on the environment</li><li>&gt; Contribute to a transition to a lower carbon economy</li></ul>	<ul style="list-style-type: none"><li>&gt; Capital reinvested for future growth</li><li>&gt; Returns to shareholders</li><li>&gt; Increase market share with identified markets</li></ul>	<ul style="list-style-type: none"><li>&gt; Data security, privacy and governance</li><li>&gt; Focus on customer experience through digital infrastructure</li><li>&gt; Data insights driving customer relationships</li></ul>





## Our sustainability goals

- > Workforce empowerment and capability
- > Community support and involvement
- > Climate change, sustainable finance and environmental accountability
- > Customer experience and product responsibility
- > Data protection and governance
- > Supporting economic and customer resilience
- > Innovation, transformation and execution
- > Leadership and governance



# Accelerating growth through investment in digital capabilities

## Focus areas

The strategic plan targeted investment in a digital framework that delivered distinctive digital capabilities across:

- > acquisition through partners
- > customer choice
- > digital uplift
- > automation

Supported by foundational investments in digital pillars including:

- > modular systems
- > security
- > cloud
- > APIs
- > data
- > culture



### Digital Niches (exploration)

- > Make specific targeted investments to improve the experiences of our brokers and our third party customers



### Digital Amplification (acceleration)

- > Amplify from a niche approach to reach across all customers through any channel



### Digital Optimisation

- > Scale using the advantages of digital
- > 3 to 5 year objectives

# Digital Niche investment complete as we move into Digital Amplification



## Digital Niches

### Phase 1: Complete

- > Foundational data capabilities for a data driven business
- > Digital experience through Internet Banking and Mobile App
- > Loan processing enhancements for time-to-yes and turnaround
- > Cyber resilience and protections to customer data
- > Broker accreditation, support and communications
- > Increased sales with digital Verification of Identity services
- > Robotic processes

### Phase 2: Now

- > A full digital experience, payment choices and Anytime Anywhere Banking
- > Improved loan experience through auto decisioned loans, digital documentation and robotic processes
- > Elevating the brand across digital platforms
- > Industry leading AI to retain customers during a period of customer volatility
- > Trusted data for decision making



## Digital Amplification

### Phase 3: Next

- > Integrations to speed up the connection of data, applications and devices
- > Best in class digitised end to end loan experience - open banking, streamlined refinancing, auto decisioning
- > Faster response supported by a 360-degree customer view
- > AI capability expanding across business, including next best offering
- > Digital Web/App experience that matches customer expectations

# Continuing profitable growth through loan book growth and strong NIM

## FY23 OUTLOOK

- > Loan book growth projected at 1.5x to 2.0x system for H1 of FY23
- > NIM trending above 200bps in H1 of FY23
- > Ensure NIM strength contributes to Net Interest Revenue (NIR)
- > Avoid loan book growth without NIR growth
- > Annualised ROE in H1 of FY23 of 9.5%
- > Enhancing capability through investment in digital bank
- > Delivering the new 3 year strategic plan in H1 of FY23



# 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 97\***

\*In 2022, 89% 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

**\$3.06b**   
CUSTOMER DEPOSITS

**\$3.85b**   
IN LOAN BOOK ASSETS

## AWARDS



## MAJOR STRATEGIC PARTNERSHIPS



**National  
Seniors**  
AUSTRALIA

## DISTRIBUTION



**INTERNET  
BANKING  
AND APP**



**STRONG  
BROKER NETWORK**



**PRIVATE  
BANKING**

 **17**  
BRANCHES

# 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 26 August 2022.

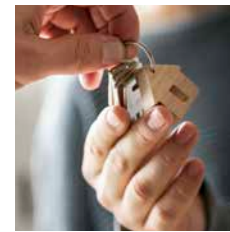
## FINANCIAL AMOUNTS

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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