

24 November 2023

Auswide Bank Ltd (ABA) - 2023 Annual General Meeting Address to Shareholders by Chair and MD

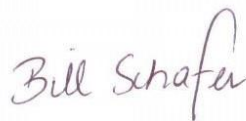
Auswide Bank Ltd's (ASX: ABA) 2023 Annual General Meeting will be held today at 11.00am Brisbane time. The meeting will be held at Auswide Bank Ltd, Level 3, 16 – 20 Barolin St, Bundaberg, Queensland, 4670 or online at <https://meetnow.global/MJDJUAJ>.

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

Authorised by:



Martin Barrett BA (Econ) MBA
Managing Director
+61 7 4150 4001
mbarrett@auswidebank.com.au



Bill Schafer BCom CA
Chief Financial Officer and Company Secretary
+61 7 4150 4075
bschafer@auswidebank.com.au

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
24 November 2023

Chair's Address – Ms Sandra Birkenleigh

I am pleased to report that Auswide Bank had a solid result for FY23. We met our commitments to customers and shareholders, drove positive change, all while navigating a challenging operating environment.

This year we faced inflationary pressure on wages and costs, regulatory demand on resources, significant operating cost for technology and cybersecurity, in combination with strong competition for retail deposits and loans. Through appropriate and measured responses to these challenges we were able to deliver our sound result.

Corporate Plan

January 2023 saw the start of a new strategic cycle. The next three years will be a period of growth and development at Auswide Bank. Our corporate plan reflects the commitment to our mission, core values, and to those we serve. During the formulation of the plan, we sought feedback from staff, customers, and other stakeholders. The four pillars of focus for our corporate plan are:

- > Focus on third party and private banking for loan book and deposit acquisition.
- > Actively pursue inorganic growth to improve our ability to scale or step change our capacity.
- > Provide exceptional customer experience across all channels to grow and ensure retention of customers.
- > Invest to grow and keep the promise by ensuring growth is aligned to financial metrics for stakeholders.

Retirement of Managing Director

In March 2023, our Managing Director Martin Barrett advised the Board of his intention to retire at the end of 2023. During his 10 years as our CEO Martin has been an inspirational leader, transforming the business, sharpening its focus, and creating a platform for sustained growth. Under Martin's leadership, together with his team, we:

- > Increased our loan book over the 10 years from \$2.229b to \$4.403b, while customer deposits grew from \$1.620b to \$3.414b over the same period.
- > Incrementally grew in profitability and shareholder returns culminating in a record underlying NPAT in FY23 of \$25.1m and a total dividend for the year of 43cps, which equated to a fully franked yield of 7.98%.

Small things. Big difference.

- > Gained our banking license on the 1st April 2015 and began our journey to rationalise and modernise the branch network to support improved customer service.
- > Acquired YCU in 2016, which provided a new customer base in Brisbane and was the first merger between a listed ADI and mutual in over a decade.
- > Grew our Private Bank, offering bespoke lending and deposit opportunities, with a portfolio of \$428m at 30 June 2023.

On behalf of my fellow board members and staff, I would like to thank Martin for his exemplary leadership, and his relentless focus on the Bank's mission of placing the customer at the heart of everything we do, while at the same time creating value for shareholders. We wish Martin all the best for his future endeavours.

Leadership and Board renewal

The year saw the appointment of two new Directors to the Auswide Bank Board.

In February, the Board appointed Mr Cameron Mitchell. Cameron is an experienced business leader with an executive career that spans more than 25 years in banking and financial services, both domestically and internationally. He has extensive experience working with regulators to ensure the highest levels of risk management and compliance.

In March, Ms Lyn McGrath was appointed to the Board. Lyn has extensive executive experience in the financial services sector, including retail banking, wealth management and retail distribution. Additionally, Lyn has significant experience in digital transformation and business turnarounds.

Mr Doug Snell will commence as the Company's new Managing Director and Chief Executive Officer in the coming year. As a Board we remain committed to delivering long term, sustainable and profitable growth to drive shareholder value. We are looking forward to the next chapter under Mr Snell's leadership and, on behalf of my fellow Directors, we welcome Mr Snell to the Board and look forward to working alongside him in the years ahead.

Acknowledgements

It has been an extraordinary effort from everyone in the Auswide Bank team. Our results are the outcome of hard work, flexibility, and determination. I would like to acknowledge the management and staff of Auswide for the contribution they continue to make to our business and our customers.

To my fellow directors, thank you for your commitment and wise counsel.

To our shareholders, customers, and partners, thank you for allowing us to stand with you and for your continued support.

Small things. Big difference.

Auswide Bank Limited
Annual General Meeting
24 November 2023

Managing Director's Address – Mr Martin Barrett

Good morning and welcome everybody.

My presentation this morning is a short one. As you know after nearly eleven years at the helm of Auswide Bank I retire next month. The new scruffy look is perhaps the first signs of what lies ahead for me!

I want to make a few brief points on the current market conditions then a few final comments on my departure.

I reflect that when I started my banking journey in the late 80's inflation was soaring, and interest rates rapidly rose to a high cash rate of 17.5%. It is therefore somewhat prophetic that I finish my banking career with inflation having again soared and rapidly rising interest rates. I do hope though that the years following the late 80's do not follow trend this time around.

In relation to Auswide Bank, we are in a sound position with strong capital, record low loan arrears, a substantially larger asset base and national distribution capability. Whilst this financial year is turning out to be a challenging one for us and the industry, I do believe it is transitory.

The period we have experienced of significant and rapid inflation and consequently 13 interest rises in 18 months is certainly not what was forecast. Interest rate rises have led to significant customer activity in securing the best rates possible for home lending and deposits. The speed of change, record interest rate rises, cost of living pressures and intense competition has tested our customer contentment on deposit and lending rates, hedging assumptions, expense and investment growth, and profitability of new lending. Competition has been fierce. I won't call it the least rationale I've seen but it's close and interestingly it's mostly been driven by the big banks trying to recoup market share.

Margin and cost pressures therefore have quickly become material headwinds.

However, we are not alone with numerous announcements by others on margins already made and I suspect more to come. I was particularly interested in the three big banks that have reported in November for FY23 end as at 30 September 2023. All experienced material margin falls and impacts on profitability in their retail banks. They have cited further margin pressures with one of the CEO's stating that new home lending margins were the thinnest he has ever seen and another suggesting a peer is heading for the biggest fall in margins in banking history!

Small things. Big difference.

A further element to home loan competition was the introduction of cash back offers as high as \$6,000 per refinanced home loan. This drove a substantial increase in customer churn across the industry as home borrowers chased these offers whilst demanding the lowest rates. Some borrowers switched several times collecting several cashbacks from different lenders in one year! Thankfully we have nearly, but not totally, seen the conclusion of these offers. One major and a few overseas banks persist. At the time, and in hindsight, I'm relieved Auswide Bank did not offer these inducements particularly recently when interest rates for new home borrowing have been, at times, less than 100bps above term deposit offers.

The home lending market does appear to be steadying however is yet to find equilibrium. New home lending margins have improved recently but are not at the levels they were in 2022.

Our expectation is that the worst is behind us on margins. Assisting us in this regard is circa \$600m of low-rate fixed rate loans that mature through to the end of financial year which will convert to today's higher rates providing for ongoing margin recovery. Additionally, the deposit book has settled, and it seems competition for deposits has also subdued.

With strong capital, a bigger high quality loan book and a period of strong investment in the business we are ready and able to grow again as profitable lending returns. Pleasingly recent loan flows have picked up and are looking positive for a good start to the second half.

Finally:

It has been my honour to work and lead Wide Bay Australia now Auswide Bank over almost eleven years. For a company with a 57-year history it still amazes me that my successor, Doug Snell will be only the third CEO of this place!

I can honestly say I believe we have to work harder in the small bank space to succeed than is necessary in the big brands. We have all the investment demands as well as growing regulatory and compliance obligations and significantly fewer resources and dollars. However, we make up for that with innovation, carefully investing in what makes a difference for our customers, a focus on efficiency, hard work, customer care and teamwork. I've been blessed with a great team that work hard every day and do truly care about our customers. It is what makes us different. I really can't thank everyone enough.

We have, I think, achieved some strong outcomes over the years together and I am thankful for my team's support.

I am also thankful to our customers that have continued to support us and have chosen Auswide Bank over others. They have many options but choose us which is a great honour. Today we have customers across the country, we have grown significantly in SEQ, Sydney and Melbourne over the years.

Small things. Big difference.

The Auswide Board has changed over the years as good governance demands. However, consistently I have been supported, challenged and able to perform at my best thanks to the Board's support and direction. We have a great mix of skills and experiences and have successfully navigated some difficult circumstances and grasped some great opportunities. I'd like to thank John Humphrey our retired Chair, Sandra, our excellent current Chair, and the Board for their support and guidance over the years.

And of course, I'd like to thank you, our shareholders, for your ongoing support. Businesses operate in varying conditions, some supportive, some less so. That has been our experience over the years. We have had some bumps along the way but have consistently emerged stronger and more capable.

We are and will continue to be a successful bank working through the short-term challenges. Something I'm particularly focused on and differentiates our bank is delivering fairly for all our stakeholders. Getting the balance right on our community, customer, staff and shareholder outcomes.

I wish my team, Doug and the Board all the success for the future and look forward to attending an Auswide AGM or two as a shareholder and a customer.

Thank you.

Small things. Big difference.