

18 November 2024

Auswide Bank Ltd (ABA) - 2024 Annual General Meeting Address to Shareholders by Chair and MD

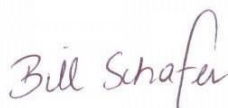
Auswide Bank Ltd's (ASX: ABA) 2024 Annual General Meeting will be held today at 11.00am Brisbane time. The meeting will be held at Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 or online at <https://meetnow.global/MSKJDZM>.

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

Authorised by:



Doug Snell
Managing Director
+61 0414 887 659
dsnell@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.

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Chair's Address – Ms Sandra Birkenleigh

Good morning everyone and welcome to our 2024 AGM. Let me start by acknowledging that the performance of the Bank fell short of all our expectations across FY24 but particularly those of our shareholders.

Our performance however followed the trends both in global and domestic retail banking, where interest rates rose rapidly through 2022/23 to combat inflationary pressures that resulted from central bank stimulus during the COVID period. The result of these activities impacted our net interest margins and profitability, flowing through to our dividend payouts and our share price performance.

Rapidly rising interest rates significantly increased our funding costs, especially against the fixed rate loan portfolio. Our assumptions regarding deposit funds were challenged as customer behaviour shifted; many customers moved their deposits from low-cost savings and transactional accounts to higher-cost term deposits. This shift led to a marked increase in our funding costs, resulting in a substantial reduction in Net Interest Margin (NIM) and overall profitability. Whilst this explains the cause it does not diminish the disappointment felt by shareholders, management and the board.

The good news is that margins are expected to improve as the fixed rate portfolio matures and we are working hard to increase our lower cost deposit channels. We expect to see an improved NIM over 2025/26.

Over the course of the year, Auswide maintained a strong focus on home lending retention, which included new activities, the use of data and AI to improve the customer experience, amidst historically high refinancing activity across the industry. It is expected that the Private Bank and the broker channel will continue to provide growth opportunities as the industry experiences declining system growth and the maturity of a material volume of fixed rate loans.

The Bank's approach to achieve diversification in funding markets involves developing new banking connections by targeting Partnerships to drive deposit acquisition and provide further growth in customers.

Cost management remains a priority, while ensuring capital and operating expenses align with regulatory compliance, improved productivity, risk management, customer experience, and key investments.

This year, our ESG Committee concentrated on navigating the International Financial Reporting Standards to ensure our financial reporting remains consistent, reliable, and aligned with global best practice.

Small things. Big difference.

In August, Auswide Bank acquired SelfCo, a vehicle and equipment finance company operating nationally via a network of accredited finance brokers. The acquisition allowed Auswide to expand into the SME funding market and offers portfolio and revenue diversification, reducing our reliance on home loans and expanding our geographic footprint.

Despite market uncertainties and evolving regulations, we are well-positioned to achieve our goals and navigate future opportunities with confidence.

Merger Announcement

Subsequent to the end of the financial year, Auswide Bank and Tasmanian-based MyState Bank announced their intention to merge, creating a bank that will span the Eastern seaboard of Australia.

This merger is aimed at increasing market presence and enhancing service offerings. By combining the strengths and resources of two successful regional banks, we anticipate significant opportunities for future growth and improved customer experiences.

The Scheme Booklet, which contains important information to enable shareholders to decide whether or not to approve the Scheme, was released to the ASX on 23 October 2024. The Scheme Booklet explains the terms of the Scheme, being the proposed acquisition of Auswide Shares by MyState Bank, the reasons to vote for and against the Scheme, and the manner in which the Scheme will be considered and implemented. Any updates to the process will be announced via ASX. I encourage shareholders to read the scheme Booklet and the accompanying Independent Expert's Report in full before deciding whether to vote in favour of the Scheme.

Acknowledgements

This year has seen an extraordinary effort from everyone in the Auswide Bank team. I would like to acknowledge the hard work and determination of the management and staff of Auswide for the contribution they continue to make to our business and our customers.

I would especially like to acknowledge Greg Kenny, a fellow director, who stepped in as CEO for 4 months and our new CEO Doug Snell who has been tireless in the pursuit of the objectives of the Bank since taking the seat in April this year. Between them they have made a number of important new senior appointments which will benefit the Bank.

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

To our shareholders, customers, and partners, thank you for your continued support and trust and we look forward to achieving new milestones in the coming year.

Small things. Big difference.

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Managing Director & CEO's Address – Doug Snell

Thanks Sandra and Bill for your statements, and Bill for adding the detail into what has been a challenging 24 months in the banking environment.

I would like to extend my welcome to those here today and those joining us on-line. My name is Doug Snell, I am the CEO and MD of Auswide Bank.

As mentioned by Sandra and Bill, the results of 2024 were challenging for the staff, management and board and the resultant impact on the dividend and share performance was disappointing. As discussed, the speed with which interest rates moved through 2022/23 was unexpected, and with a book concentrated on home loans and a more diversified customer deposit base, the movement of interest rates and customer behaviour challenged hedging assumptions.

Bill discussed the maturity profile of our fixed rate loans and how we would see this drag on NIM dissipate, with the majority having matured by March 2025. Bill discussed the importance of retention of the maturing fixed rate loans, which we are focussed on, investing in and expending energy to ensure we maximise same.

In 2022 Auswide Bank released a 3-year strategic plan, the core initiatives of the plan included:

1. Focus on 3rd Party and Private Bank,
2. Excellent customer experience,
3. Invest in digital where it makes sense, and
4. Look for M&A opportunities.

We believe the strategy and strategic imperatives hold true in this environment, and we continue to drive to deliver the plan. Some of the deliverables this year include:

- Our Broker website including application tracking,
- Digital documentation for direct and 3rd party clients and partners,
- Digital end to end payments,
- Expanded Partnership offerings for both lending and deposits,
- Expanded use of data and robots to assist clients with insights and opportunities,
- RFI and RFP undertaken for transformational loan processing, and
- Mergers and acquisitions undertaken or examined for growth and expansion.

Small things. Big difference.

Acquisition announcement

In August 2024 we were proud to announce the acquisition of SelfCo. SelfCo is an experienced financier in the equipment leasing sector. Their assets are predominantly cars, utes, trucks and heavy portable machinery and SelfCo finance business customers only. SelfCo has a conservative lending strategy, similar to Auswide, resulting in a historically low arrears profile for the asset class.

The SelfCo management team have been involved in leasing finance and banking for many years and have experienced cycles, which is important in this sector. The relationship is mutually beneficial with Auswide bringing new and diverse funding lines and SelfCo introducing diversification in assets, revenue and geography. Auswide will continue to nurture the current broker channels that SelfCo have today. We are pleased to welcome the SelfCo team into the Auswide family.

Merger Announcement

Sandra has discussed the Auswide Bank and Tasmanian-based MyState Bank intention to merge. This is an exciting opportunity and more information can be found in the Scheme Booklet announced on 23 October 2024.

Summary

If I can leave you with some comments:

- 2024 performance was a result of unusual market behaviour and most retail banks felt similar impacts to us.
- Our arrears position is strong, and the Queensland market including GDP, immigration and house prices are outperforming the national average.
- While employment remains strong, we are confident our book will continue to perform.
- On page 19 we call out some of our forward looking initiatives, with the key message that we continue to invest in our people, systems and processes to improve our customers experience and attract new customers.

Acknowledgements

It has been a tough year with many unexpected moving parts. I am proud of the support and effort the staff have applied, and the support of the Board, specifically our Chair Sandra, as we have navigated acquisitions, a merger discussion, a changing regulatory landscape and unprecedented competition.

And in closing I would like to thank our shareholders and customers who continue to support Auswide as we grow and adapt.

Small things. Big difference.