



## SCHEME BOOKLET

In relation to a proposal from **MyState Bank Limited**  
ACN 067 729 195 to acquire all of the ordinary shares  
in **Auswide Bank Ltd** ACN 087 652 060

# VOTE IN FAVOUR

The Auswide Directors unanimously recommend that you **vote in favour** of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders

**FLAGSTAFF**

Financial Advisers

**ORD MINNETT**

**KING & WOOD  
MALLESONS**  
金杜律师事务所

Legal Adviser



**This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.** If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all your Auswide Shares, please ignore this Scheme Booklet. Auswide has established a Shareholder Information Line which you should call if you have any questions in relation to the Scheme. The telephone number for the Shareholder Information Line is 1300 271 819 (within Australia) and +61 3 9415 4812 (outside Australia). The Shareholder Information Line is open between Monday and Friday (excluding public holidays in Australia) from 8.30am to 5.00pm (AEDT) until 25 December 2024.

# Important Notices

## General

This Scheme Booklet is important. Auswide Shareholders should carefully read this Scheme Booklet in its entirety before deciding how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your broker or financial, tax, legal or other professional adviser.

## Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme, being the proposed acquisition of all Auswide Shares by MyState Bank, and the manner in which the Scheme will be considered and implemented (if all the Conditions Precedent to the Scheme are satisfied or, if permitted, waived). This Scheme Booklet also provides the information as is prescribed or otherwise material to the decision of Auswide Shareholders whether or not to approve the Scheme and includes the explanatory statement required to be sent to Auswide Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme. A copy of the Scheme is set out in Annexure C.

This Scheme Booklet does not constitute or contain an offer to Auswide Shareholders, or a solicitation of an offer from Auswide Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Subsection 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under subsection 411(1) of the Corporations Act. Instead, Auswide Shareholders asked to vote on an arrangement at such a meeting, being the Scheme Meeting, must be provided with an explanatory statement as referred to above.

If you have sold all of your Auswide Shares, please disregard this Scheme Booklet.

## Responsibility for information

The information contained in this Scheme Booklet, other than the MyState Information, the Independent Expert's Report (or references to the Independent Expert's analysis or conclusions), the Investigating Accountant's Limited Assurance Report and any other report or opinion prepared by an external adviser of Auswide, has been prepared by Auswide and is the responsibility of Auswide. None of MyState, its directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Auswide Information.

The MyState Information has been prepared by MyState and is the sole responsibility of MyState. None of Auswide, its directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the MyState Information. The MyState Information, including the intentions, views and opinions of MyState, has been prepared by MyState and is the responsibility of MyState.

Kroll Australia Pty Ltd has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of Auswide, MyState and their respective directors, officers, employees and advisers (which, to avoid doubt, excludes the Independent Expert) assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except in the case of Auswide and MyState, in relation to the information which it has respectively provided to the Independent Expert for the purposes of preparing the Independent Expert's Report.

The Investigating Accountant has prepared the Investigating Accountant's Limited Assurance Report in relation to the Scheme contained in Annexure B and takes responsibility for that report. None of Auswide, MyState and their respective directors, officers, employees or advisers, (which to avoid doubt, excludes the Investigating Accountant) assume any responsibility for the accuracy or completeness of the Investigating Accountant's Limited Assurance Report.

No person consenting to be named in this Scheme Booklet has withdrawn their consent to be named before the date of this Scheme Booklet.

## ASIC and ASX

A copy of this Scheme Booklet (including the Independent Expert's Report and the Investigating Accountant's Limited Assurance Report) was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

## Court

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

## Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views of Auswide and the Auswide Directors or, in relation to the MyState Information, MyState and the MyState Directors, held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimated", "potential", or other similar words and phrases. Similarly, statements that describe Auswide's, MyState's or the Merged Group's respective objectives, intentions, plans, goals or expectations are or may be forward-looking statements. The statements in this Scheme Booklet about the impact that the Scheme may have on the results of the Merged Group's business and operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

Any forward-looking statements included in this Scheme Booklet and made by Auswide or by MyState (as applicable) have been made on reasonable grounds and reflect present intentions as at the date of this Scheme Booklet and may be subject to change, and no assurance can be given that such views will prove to have been correct.

These forward-looking statements may not be based on historical facts, and they involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Merged Group's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements (whether or not the Scheme is implemented). Such risks, uncertainties, assumptions and other factors include, among other things, general economic conditions, exchange rates, interest rates, commodity prices, competitive pressures, selling price, market demand and changes to the operational and regulatory environment of Auswide, MyState and the Merged Group. These forward-looking statements and information are based on numerous assumptions regarding present and future business strategies, and the environment in which the Merged Group will operate in the future, including anticipated costs and the ability to achieve objectives and strategies.

Deviations as to future results, performance and achievements are both normal and to be expected. Auswide Shareholders should note that the historical financial performance of Auswide is no assurance of the future financial performance of Auswide (whether or not the Scheme is implemented) or the Merged Group.

The forward-looking statements included in this Scheme Booklet are made only as at the date of this Scheme Booklet. Other than as required by law, none of Auswide, MyState or any of their respective directors, officers, employees or advisers give any representation, warranty, assurance or guarantee to Auswide Shareholders that any forward-looking statements will actually occur or be achieved. Auswide Shareholders are cautioned not to place undue reliance on such forward-looking statements.

All subsequent written and oral forward-looking statements attributable to Auswide or MyState, or any person acting on their behalf, are qualified by this cautionary statement.

Subject to any continuing obligations under law or the Listing Rules, Auswide and MyState do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

#### No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any individual Auswide Shareholders or any other person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Auswide Shares. Before making an investment decision in relation to the Scheme or your Auswide Shares, including any decision to vote for or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives, taxation position and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your Auswide Shares.

#### Foreign jurisdictions and Auswide Shareholders outside Australia

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

See section 9.8 for further information.

Financial information in this Scheme Booklet has been prepared in accordance with Australian International Financial Reporting Standards (AIFRS) and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

Australian disclosure requirements and AIFRS may differ from those applicable in other jurisdictions.

#### Financial information

Investors should be aware that financial information in this Scheme Booklet includes "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC.

Auswide and MyState have included this non-IFRS financial information because they believe that it provides Auswide Shareholders with additional relevant information. The non-IFRS financial information does not have a standardised meaning prescribed by the Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS) and therefore may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. You are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Scheme Booklet.

#### Taxation implications of the Scheme

Section 8 provides a general outline of the Australian income tax, CGT, GST and stamp duty consequences for Auswide Shareholders who dispose of their Auswide Shares to MyState in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Auswide Shareholders.

Auswide Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

#### Privacy and personal information

Auswide and the Auswide Share Registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details and security holdings of Auswide Shareholders and the contact details of persons appointed by Auswide Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act.

The primary purpose of collecting this personal information is to assist Auswide in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Auswide in the manner described in this Scheme Booklet. The personal information may be disclosed to MyState's Share Registry, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, Auswide may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Auswide Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Auswide Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) if they wish to exercise these rights.

Auswide Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

The Privacy Policy of Auswide and the Auswide Share Registry are available at <https://www.auswidebank.com.au/> and [www.computershare.com](http://www.computershare.com) and contains information about how an individual may access personal information about the individual that is held by Auswide and the Auswide Share Registry, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

# Important Notices

## Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure E. The proxy form for the Scheme Meeting also accompanies this Scheme Booklet.

The purpose of the Scheme Meeting is to consider and, if thought fit, pass the Scheme Resolution by the Requisite Majorities.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the *Corporations Act 2001* (Cth) in relation to the Scheme are contained in this Scheme Booklet, of which the notice forms part. The explanatory statement contains important information on the Scheme, to enable Auswide Shareholders to make an informed voting decision.

## Notice of Second Court Hearing

The date of the Second Court Hearing is currently expected to be at 9.15am (AEDT) on 6 December 2024. The hearing will be at the NSW Supreme Court located at 184 Phillip St, Sydney NSW 2000.

Any Auswide Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing.

If you wish to appear in this manner, you must file and serve on Auswide a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the Second Court Hearing. The notice of appearance and affidavit must be served on Auswide at its address for service at least one day before the Second Court Date.

The address for service for Auswide is:  
Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000 (Attention: Alexander Morris).

## Auswide and MyState websites

The content of Auswide and MyState's respective websites do not form part of this Scheme Booklet and Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

## Supplementary information

Auswide will issue a supplementary document to this Scheme Booklet if it becomes aware, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- that a material statement in this Scheme Booklet is false or misleading in a material respect;
- that there is a material omission from this Scheme Booklet;
- of a significant change affecting a matter included in this Scheme Booklet has occurred; or
- of a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

Depending on the nature and timing of the changed circumstances, and subject to compliance with any relevant laws and/or obtaining any relevant approvals, Auswide may circulate and publish any supplementary document by:

- making an application to the Court for a direction as to what is appropriate in the circumstances;
- making an announcement to the ASX;
- posting a statement on Auswide's website at [www.auswidebank.com.au](http://www.auswidebank.com.au);
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- sending the supplementary document to Auswide Shareholders at their address shown on the Auswide Register, or by email for Auswide Shareholders who have elected to receive communications electronically.

## Questions

Auswide has established an Auswide Shareholder Information Line which you should call if you have any questions or require further information. The telephone number is 1300 271 819 (within Australia) or +61 3 9415 4812 (outside Australia). The Auswide Shareholder Information Line is open between Monday and Friday (excluding public holidays in Australia) from 8.30am to 5.00pm (AEDT). Auswide Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

## Interpretation

Any diagrams, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet.

All numbers are rounded unless otherwise indicated.

The financial amounts in this Scheme Booklet are expressed in Australian currency, unless stated otherwise. Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency, unless otherwise stated.

## Times and Dates

All references to times in this Scheme Booklet are references to Australian Eastern Daylight Time (**AEDT**), unless otherwise stated. All dates following the Scheme Meeting referred to in this Scheme Booklet are indicative only and, among other things, are subject to the satisfaction or (if permitted) waiver of the Conditions Precedent prior to 8.00am (AEDT) on the Second Court Date.

## Date

This Scheme Booklet is dated 23 October 2024.

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For personal use only



# Important Dates

11.00am (AEDT) (10.00am Queensland time), Saturday, 30 November 2024	<b>Proxy Forms for Scheme Meeting</b> Latest time and date for receipt of proxy forms for Scheme Meeting (including proxies lodged online), power of attorney or certificates of appointment of body corporate representatives received by the Auswide Share Registry for the Scheme Meeting
11.00am (AEDT) (10.00am Queensland time), Saturday, 30 November 2024	<b>Eligibility to Vote at Scheme Meeting</b> Time and date for determining eligibility to vote at the Scheme Meeting
11.00am (AEDT) (10.00am Queensland time), Monday, 2 December 2024	<b>Scheme Meeting</b> Shareholders' meeting to vote on the Scheme. Further details relating the Scheme Meeting are set out in the Notice of Scheme Meeting in Annexure E

## If the Scheme is approved by Auswide Shareholders

Friday, 6 December 2024	<b>Second Court Date</b> Second Court Hearing for approval of the Scheme
Monday, 9 December 2024	<b>Effective Date</b> Court order is lodged with ASIC and Scheme takes effect and last day of trading in Auswide Shares
Close of trading on Monday, 9 December 2024	<b>Suspension from Trading</b> Suspension of Auswide Shares from trading on ASX
Tuesday, 10 December 2024	<b>New MyState Shares commence trading on a deferred settlement basis</b> New MyState Shares expected to commence trading on a deferred settlement basis
7.00pm (AEDT) (6.00pm Queensland time) on Wednesday, 11 December 2024	<b>Record Date</b> Record date for determining entitlement to receive Scheme Consideration
Wednesday, 18 December 2024	<b>Implementation Date</b> Date the Scheme will be implemented and Scheme Consideration will be paid to Scheme Participants
Thursday, 19 December 2024	<b>New MyState Shares commence trading on a normal settlement basis</b> First day of trading in New MyState Shares on ASX on a normal settlement basis
Friday, 20 December 2024	<b>Dispatch of holding statements for New MyState Shares</b> Issue of holding statements (or equivalent documents) to Scheme Participants (other than Ineligible Foreign Shareholders) <sup>1</sup>
By no later than Monday, 20 January 2025	<b>Ineligible Foreign Shareholders</b> Payment of Proceeds to Ineligible Foreign Shareholders

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier Second Court Hearing) will be announced through ASX and notified on <https://www.auswidebank.com.au/corporate/shareholder-information/share-price-and-asx-announcements/>. All references to time in this Scheme Booklet are references to Australian Eastern Daylight Time (AEDT) unless otherwise indicated.

1. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

# Chair's Letter

23 October 2024

## Dear Auswide Shareholder,

On behalf of the Auswide Directors, I am pleased to write to you regarding the exciting opportunity presented by the proposed merger between Auswide and MyState, which will combine two complementary banking groups to create a Merged Group that is better positioned to pursue future growth.

On 19 August 2024, Auswide announced that it had entered into a Scheme Implementation Agreement with MyState Bank and MyState under which, subject to Conditions Precedent including Auswide Shareholder approval, 100% of the Auswide Shares will be acquired by MyState Bank under the Scheme.

If the Scheme is implemented, Auswide Shareholders (other than Ineligible Foreign Shareholders<sup>2</sup>) will be entitled to receive 1.112 New MyState Shares for each Auswide Share held by them on the Record Date, which will result in Auswide Shareholders owning approximately 33.9%<sup>3</sup> of the Merged Group on a fully diluted basis.

The Merged Group will be led by Brett Morgan as Managing Director and CEO. Brett will be supported by an experienced board of directors, including myself as Chair of the Merged Group, in addition to a strong management team comprising of members from both Auswide and MyState.

This Scheme Booklet (including the Independent Expert's Report in Annexure A) sets out details of the proposed transaction and important matters relevant to your vote in relation to the Scheme.

The Auswide Board believes the Scheme represents an opportunity to build scale and position the Merged Group to deliver better outcomes for customers, staff and shareholders. By merging two high-quality, complementary banks with aligned operating models, the Auswide Board believes that there is the potential to unlock efficiencies, synergies and growth opportunities which may in turn deliver a positive return to shareholders.

## Auswide Board Recommendation

The Auswide Directors **unanimously recommend that you vote in favour of the Scheme**, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders.

Subject to the same qualifications, each Auswide Director intends to vote, or procure the voting of, all Auswide Shares which they hold or control in favour of the Scheme. As at the Last Practicable Date, each of Gregory Kenny, Grant Murdoch and Cameron Mitchell hold Auswide Shares and will be receiving Scheme Consideration, as Scheme Participants, in respect of those Auswide Shares. The interests of the Auswide Directors, including the number of Auswide Shares held or controlled by them, is set out in section 9.2 of this Scheme Booklet. Auswide Shareholders should be aware that, if the Scheme is implemented, it is intended that Jacqueline Korhonen, Gregory Kenny (who as noted above will be receiving Scheme Consideration, as a Scheme Participant) and myself will be appointed to the MyState Board (including myself as Chair), as detailed in section 6.4(b) of this Scheme Booklet.

The Auswide Directors have conducted an assessment of the merits of the Scheme and recommend you vote in favour of the Scheme for reasons set out in section 1.1 of this Scheme Booklet. These reasons include:

- the Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal;<sup>4</sup>
- Auswide Shareholders will have the opportunity to become shareholders in a larger and more diversified Merged Group;
- there are potential cost synergies to be realised by the Merged Group;
- benefits are expected from the increased market capitalisation of the Merged Group relative to Auswide Group as a standalone group;

2. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

3. Based on the assumptions that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to Ineligible Foreign Shareholders), the total Auswide Shares on issue on implementation of the Scheme will be 51,800,677 Auswide Shares and the total MyState Shares on issue (pre-Scheme Consideration) will be 110,942,598 MyState Shares.

4. See section 1.1(b) for further details on the basis of the Independent Expert's opinion.





- no proposal has emerged as at the date of this Scheme Booklet, which the Auswide Board considers to be a Superior Proposal;
- no brokerage or stamp duty will be payable by Auswide Shareholders on the transfer of Auswide Shares;
- Scheme Participants that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for capital gains arising on the disposal of their Auswide Shares; and
- if the Scheme does not proceed, Auswide Shareholders will continue to be exposed to risks associated with Auswide's business.

In recommending that you vote in favour of the Scheme, the Auswide Directors have also considered reasons why an Auswide Shareholder may choose to vote against the Scheme, including:

- you may disagree with the Auswide Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Auswide Shareholders;
- you may believe that a Superior Proposal for Auswide may emerge in the future, if the Auswide Group were to continue operating as a standalone group;
- you may not wish to have exposure to MyState's portfolio, business, or risk profile;
- you may believe it is in your best interests to maintain your current investment and risk profile;
- the implied value of the Scheme Consideration is not certain and will depend on the price at which MyState Shares trade on ASX after the Implementation Date;
- you may consider that the Scheme Consideration is too low and does not fully capture the long-term intrinsic value of Auswide;
- there is no payment of a 'control premium' given this is a 'merger' transaction;
- the dividend income received on MyState Shares may be lower than the dividend income received by Auswide Shareholders historically;
- you may believe the risks associated with the integration of Auswide and MyState and realisation of synergies could exceed the potential benefit of the Scheme; and
- the potential tax consequences of disposing your Auswide Shares pursuant to the Scheme may not suit your current financial position or tax circumstances.

Further information on the possible reasons to vote against the Scheme is set out in section 1.2. In addition, section 7 sets out specific and general risks associated with implementation of the Scheme and the Merged Group, including risks relating to business integration, funding and liquidity, and regulatory, legal and compliance matters in the banking and financial services sectors.

You should carefully read the Scheme Booklet in its entirety before making any decision in relation to the Scheme.

### **Independent Expert**

The Auswide Directors appointed Kroll Australia Pty Ltd as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal.<sup>5</sup>

A complete copy of the Independent Expert's Report is included in Annexure A.

5. See section 1.1(b) for further details on the basis of the Independent Expert's opinion.

## Chair's Letter

### How to Vote

The Scheme will only be implemented if approved by Auswide Shareholders by the Requisite Majorities at the Scheme Meeting to be held at 11.00am (AEDT) (10.00am Queensland time) on Monday, 2 December 2024 at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 or via the online platform <https://meetnow.global/MQDTYD7>, and approved by the Court.

Your vote is important and I strongly encourage you to vote on this significant transaction. You may vote by attending the Scheme Meeting, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf. If you do not wish or are unable to attend the Scheme Meeting in person or online, I encourage you to vote by completing the enclosed personalised proxy form and returning it to the Auswide Share Registry so that it is received no later than 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024.

#### Mail to:

Computershare Investor Services Pty Limited  
GPO Box 242, Melbourne VIC 3001  
using the reply paid envelope.

#### Fax to:

1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

#### Sent electronically:

Visit [www.investorvote.com.au](http://www.investorvote.com.au) and quote the 6-digit control number found on the front of your proxy form. Intermediary Online subscribers (custodians) can lodge a proxy online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

### Further Information

This Scheme Booklet sets out important information about the Scheme, including the key advantages and disadvantages of the Scheme and the Independent Expert's Report. Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before deciding how to vote at the Scheme Meeting. You should also seek independent legal, financial, taxation or other professional advice before making an investment decision regarding your Auswide Shares.

If you have any questions regarding the Scheme or this Scheme Booklet, you should contact the Auswide Shareholder Information Line on 1300 271 819 (within Australia) or +61 3 9415 4812 (outside Australia) on Monday to Friday (excluding public holidays in Australia) between 8.30am and 5.00pm (AEDT) or visit [www.auswidebank.com.au](http://www.auswidebank.com.au).

On behalf of the Auswide Directors, I thank you for your ongoing support and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



**Sandra Birkenleigh**  
Chair

# Key information about the Scheme

## What is the Scheme?

The Scheme is a scheme of arrangement between Auswide and Scheme Participants. If the Scheme becomes Effective, MyState Bank will acquire all Auswide Shares and Auswide will become a wholly owned indirect subsidiary of MyState.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by the Requisite Majorities of Auswide Shareholders at a meeting of Auswide Shareholders as well as Court approval.

Unless you are an Ineligible Foreign Shareholder, if you are an Auswide Shareholder on the Record Date you will receive 1.112 New MyState Shares for each Auswide Share held as at the Record Date.

If you are an Ineligible Foreign Shareholder, any New MyState Shares that you would have otherwise been entitled to will be issued to the Sale Agent and sold through the Sale Facility and your pro rata share of the Proceeds will be remitted to you.

The resolution approving the Scheme must be passed by Auswide Shareholders by the Requisite Majorities, being:

- a majority in number (more than 50%) of Auswide Shareholders who are present and voting either in person, online or by proxy, attorney or, in the case of corporate shareholders, by corporate representative; and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Auswide Shareholders present and voting (either in person, online or by proxy, attorney or, in the case of corporate Auswide Shareholders, body corporate representative).

The Scheme is also subject to the satisfaction or waiver of the conditions summarised in section 3.14 and set out in full in clause 3.1 of the Scheme Implementation Agreement, and approval by the Court.

The terms of the Scheme are set out in full in Annexure C.

## What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on the following page.

Answers to various frequently asked questions are set out on pages 22 to 31. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your legal, financial or other professional adviser or call the Auswide Shareholder Information Line on 1300 271 819 (within Australia) and +61 3 9415 4812 (outside Australia) between Monday and Friday (excluding public holidays in Australia) from 8.30am to 5.00pm (AEDT).

## What are the conditions to the Scheme?

The implementation of the Scheme is subject to a number of conditions as set out in clause 3.1 of the Scheme Implementation Agreement and summarised at section 3.14.

## How do I vote?

If you are registered on the Auswide Register at 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024 as an Auswide Shareholder, you will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting. Registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

If Auswide Shares are jointly held, each of the joint Auswide Shareholders is entitled to vote. However, if more than one joint Shareholder votes in respect of jointly held Auswide Shares, only the vote of the shareholder whose name appears first on the Auswide Register will be counted.

# Key information about the Scheme

## How to vote in person

To vote in person at the Scheme Meeting, Auswide Shareholders must attend the Scheme Meeting to be held at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 on Monday, 2 December 2024 at 11.00am (AEDT) (10.00am Queensland time).

Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry, and are asked to bring the proxy form enclosed with the Notice of Scheme Meeting set out in Annexure E to assist with registration.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless it has already been noted by Auswide.

## How to vote online

Auswide Shareholders who wish to attend and vote at the Scheme Meeting online can join the meeting through the Computershare online platform (via computer) by entering the following URL into their browser: <https://meetnow.global/MQDTYD7>, or via a smartphone, tablet or other online device. The latest version of Chrome, Safari, Edge or Firefox is required when using the online platform.

## How to vote by proxy

Your personalised proxy form for the Scheme Meeting accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the Notice of Scheme Meeting set out in Annexure E. If your proxy is signed by an attorney, please also enclose a certified photocopy of the Power of Attorney under which the proxy is signed.

Proxy forms may be lodged as follows:

**Mail** the completed proxy form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 using the reply paid envelope.

**Fax** the completed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

**Sent electronically** by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and quoting the 6-digit control number found on the front of your proxy form. Intermediary Online subscribers (custodians) can lodge a proxy online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024 (48 hours prior to commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Scheme Meeting.

If an Auswide Shareholder decides to attend the Scheme Meeting after appointing a proxy to do so on their behalf, the proxy's authority to speak and vote for the Auswide Shareholder at the Scheme Meeting will be suspended while the Auswide Shareholder is present at the meeting. The Auswide Shareholder will therefore need to vote at the Scheme Meeting even if they have already appointed a proxy to vote at the Scheme Meeting on their behalf.

## Corporate Representatives

Corporate Auswide Shareholders will need to submit an "Appointment of Corporate Representative" form in order to appoint a representative of a corporate Auswide Shareholder or proxy to participate in the Scheme Meeting. A form may be obtained from Computershare or online at [www.investorcentre.com/au](http://www.investorcentre.com/au) and select "Printable Forms".

Further instructions on how to vote at the Scheme Meeting is contained in the Notice of Scheme Meeting set out in Annexure E.

### What is the Directors' recommendation?

The Auswide Directors believe that the Scheme is in the best interests of Auswide Shareholders and unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders, Auswide Shareholders vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, the Auswide Directors have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme, as set out in this Scheme Booklet and Auswide's current strategic plans.

Each of the Auswide Directors intends to vote the Auswide Shares that they own or control, and will direct any Auswide proxies placed at their discretion in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders.<sup>6</sup>

If a Superior Proposal emerges after the date of this Scheme Booklet, the Auswide Directors will carefully reconsider the Scheme and advise you of their recommendation.

6. See section 9.2 for details on Auswide Directors who hold interests in Auswide Shares and section 6.4(b) for details on the Auswide Directors who will be appointed to the MyState Board. Auswide Shareholders should be aware that, if the Scheme is implemented it is intended that Sandra Birkenleigh, Jacqueline Korhonen and Gregory Kenny (who will be receiving Scheme Consideration, as a Scheme Participant) will be appointed to the MyState Board.

1.

**MATTERS RELEVANT  
TO YOUR VOTE ON  
THE SCHEME**



# 1. Matters relevant to your vote on the Scheme

## REASONS TO VOTE FOR THE SCHEME

- ✓ The Auswide Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders
- ✓ The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal
- ✓ Auswide Shareholders will have the opportunity to become shareholders in a larger and more diversified Merged Group
- ✓ There are potential cost synergies to be realised by the Merged Group
- ✓ Benefits are expected from the increased market capitalisation of the Merged Group relative to the Auswide Group as a standalone group
- ✓ No proposal has emerged as at the date of this Scheme Booklet, which the Auswide Board considers to be a Superior Proposal
- ✓ No brokerage or stamp duty will be payable by Auswide Shareholders on the transfer of Auswide Shares
- ✓ Scheme Participants that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for capital gains arising on the disposal of their Auswide Shares
- ✓ If the Scheme does not proceed, Auswide Shareholders will continue to be exposed to risks associated with Auswide's business

Reasons to vote for the Scheme are discussed in more detail in section 1.1 of this Scheme Booklet.

## 1. Matters relevant to your vote on the Scheme

### REASONS NOT TO VOTE FOR THE SCHEME

- |   |   |
|---|---|
| X | You may disagree with the Auswide Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Auswide Shareholders |
| X | You may believe that a Superior Proposal for Auswide may emerge in the future, if the Auswide Group were to continue operating as a standalone group  |
| X | You may not wish to have exposure to MyState's portfolio, business, or risk profile   |
| X | You may believe it is in your best interests to maintain your current investment and risk profile   |
| X | The implied value of the Scheme Consideration is not certain and will depend on the price at which MyState Shares trade on ASX after the Implementation Date                                  |
| X | You may consider that the Scheme Consideration is too low and does not fully capture the long-term intrinsic value of Auswide   |
| X | There is no payment of a 'control premium' given this is a 'merger' transaction   |
| X | The dividend income received on MyState Shares may be lower than the dividend income received by Auswide Shareholders historically  |
| X | You may believe the risks associated with the integration of Auswide and MyState and realisation of synergies could exceed the potential benefit of the Scheme                                |
| X | The potential tax consequences of disposing your Auswide Shares pursuant to the Scheme may not suit your current financial position or tax circumstances                                      |

Reasons why you may not want to vote for the Scheme are discussed in more detail in section 1.2 of this Scheme Booklet.



## 1.1 Reasons to vote for the Scheme

The Auswide Directors believe that Auswide Shareholders should vote in favour of the Scheme for the following reasons:

### (a) The Auswide Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders

The Auswide Directors believe that the Scheme Consideration recognises the value of both Auswide's existing business, and its medium and longer-term potential (including through the acquisition of Selfco).

In the absence of a Superior Proposal and provided that the Independent Expert does not change its conclusion that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, the Auswide Directors believe that the Scheme is in the best interests of Auswide Shareholders and unanimously recommend that Auswide Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders.

In reaching their decision and providing their recommendation, the Auswide Directors:

- have made various judgements and assumptions based on estimated future business conditions, circumstances, and events; and
- as part of that analysis, have formed the view that the potential benefits the Scheme is expected to deliver are likely to outweigh the potential risks arising from it (including those outlined in sections 7.2 and 7.3) and that the merger between Auswide and MyState has the potential to deliver greater benefits to Auswide Shareholders than any other alternative proposal currently available (including Auswide continuing as a standalone group),

although none of these matters can be predicted with certainty and these conclusions may prove to be inaccurate.

Subject to the same qualifications expressed above for the Auswide Directors' unanimous recommendation, each Auswide Director intends to vote all Auswide Shares held or controlled by them in favour of the Scheme. The interests of the Auswide Directors in Auswide Shares are set out in section 9.2 and the Auswide Directors who will be appointed to the MyState Board are set out in section 6.4(b).

### (b) The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders in the absence of a Superior Proposal

The Auswide Directors appointed Kroll Australia Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Auswide Shareholders.

The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal.

The Independent Expert has come to this conclusion by assessing the Scheme on the basis of a 'merger of equals' analysis. The Independent Expert has stated that while the Scheme cannot be precisely categorised as a 'merger of equals', as the proposed ownership shares in the Merged Group are outside the outer bounds of what has thus far been considered a 'merger of equals', in the Independent Expert's opinion the better view, on balance, is that a merger analysis is the appropriate basis on which to undertake an evaluation. While the Independent Expert does not consider it to necessarily be the appropriate basis of evaluation, the Scheme can also be considered to be a takeover/change of control transaction. If considered on this basis, the Independent Expert has concluded that the Scheme is not fair, however there are compelling reasons that despite not being fair, the Scheme is reasonable and therefore still in the best interests of Auswide Shareholders (see section 3.3.2 of the Independent Expert's Report).

A copy of the Independent Expert's Report in relation to the Scheme is set out in Annexure A. The Auswide Directors encourage you to read the Independent Expert's Report in its entirety.

### (c) Auswide Shareholders will have the opportunity to become shareholders in a larger and more diversified Merged Group

Following the Scheme, Auswide Shareholders can participate in any future growth of the Merged Group. On a pro forma basis, the Merged Group would have a combined loan book of \$12.5 billion, customer deposits of \$9.6 billion, and total revenue of \$265 million for the financial year ended 30 June 2024. Please refer to section 6.8 for the pro forma historical financial information of the Merged Group.

# 1. Matters relevant to your vote on the Scheme

The Merged Group is expected to have a larger capital base, greater level of liquidity, stronger ability to invest in and fund growth (due to benefits from efficiency), and a more diversified loan portfolio and funding mix. This is anticipated to enhance financial resilience and prudential stability, and to result in a robust financial base from which the Merged Group will be able to accelerate and sustain its growth strategy, and to potentially increase future dividends through stronger capital generation (noting that the payment of dividends is dependent on a range of factors and there is no guarantee of similar dividend income following implementation of the Scheme, as discussed in sections 1.2(h) and 7.4(c)).

The increased scale of the Merged Group in comparison to Auswide on a standalone basis, may also enable the Merged Group to benefit from a positive credit re-rating in the future, which will improve access to funding markets and reduce wholesale funding costs.

The Scheme will also establish a geographically diverse group and benefit from MyState's customer-centric identity, which is expected to improve service accessibility for customers and expand capabilities to invest in driving customer satisfaction.

## **(d) There are potential cost synergies to be realised by the Merged Group**

The Merged Group is expected to benefit from pre-tax cost synergies of \$20 million to \$25 million per annum (representing approximately 13% to 16% of the combined cost base), which are expected to be fully realised over the three years of the implementation of the Scheme across human resources, technology and administrative functions.

Refer to sections 5.5 and 6.2 for a further discussion on synergies. The realisation and timing of cost synergies are subject to the integration and other risks described in sections 7.2 and 7.3.

The realisation of these synergies is expected to be accretive to the market value of the Merged Group, which Auswide Shareholders will become exposed to after the implementation of the Scheme.

## **(e) Benefits are expected from the increased market capitalisation of the Merged Group relative to the Auswide Group as a standalone group**

The Merged Group is expected to have a greater market capitalisation than Auswide as a standalone group. Based on share prices of Auswide Shares and MyState Shares as at the Last Practicable Date, the pro forma market capitalisation of the Merged Group would have been approximately \$635 million.<sup>7</sup>

Auswide Shareholders will obtain exposure to a company that is included in the S&P/ASX300 index.

As a result, shares in the Merged Group are likely to trade more actively and potentially enjoy stronger analyst and investor interest.

## **(f) No proposal has emerged as at the date of this Scheme Booklet, which the Auswide Board considers to be a Superior Proposal**

No Auswide Competing Transaction or Superior Proposal has emerged since the announcement of the Scheme on 19 August 2024 and the Auswide Directors are not aware, as at the date of this Scheme Booklet, of any Auswide Competing Transaction or Superior Proposal that is likely to emerge.

The Auswide Directors will keep Auswide Shareholders informed if a Superior Proposal emerges before the Scheme Meeting and will make an announcement on ASX in accordance with Auswide's continuous disclosure obligations.

## **(g) No brokerage or stamp duty will be payable by Auswide Shareholders on the transfer of Auswide Shares**

Scheme Participants will not incur any brokerage charges or stamp duty on the transfer of their Auswide Shares if the Scheme proceeds.

If you dispose of your Auswide Shares other than under the Scheme, you may incur brokerage charges.

## **(h) Scheme Participants that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for capital gains arising on the disposal of their Auswide Shares**

Broadly, if an Australian resident Scheme Participant makes a capital gain on the disposal of their Auswide Shares, they may be eligible to elect to apply CGT roll-over relief, such that any capital gain they would otherwise make from the disposal of their Auswide Shares under the Scheme may be disregarded. CGT roll-over relief is not available if a

7. Based on the closing prices and number of ordinary shares outstanding of Auswide and MyState as at the Last Practicable Date. This statement should not be taken to be a forecast that MyState Shares or New MyState Shares will trade at any particular price.

capital loss is made, or for non-resident Scheme Participants. See section 8 for a general description of certain Australian tax implications for Scheme Participants.

Auswide is in the process of applying for a Class Ruling from the ATO to confirm the availability of CGT roll-over relief for Australian resident Scheme Participants participating in the Scheme.

**(i) If the Scheme does not proceed, Auswide Shareholders will continue to be exposed to risks associated with Auswide's business**

If the Scheme is not implemented and the merger between Auswide and MyState does not proceed, the Auswide Group will continue to operate as a standalone group and continue to remain listed on the ASX.

Auswide Shares will continue to be quoted on the ASX, and the price of Auswide Shares may fall in the near term if the Scheme does not proceed and no Superior Proposal emerges or proceeds.

See section 7.5 for details on risks and implications for Auswide if the Scheme does not proceed. Among other things, those uncertainties and risks relate to the performance of Auswide's business from time to time, general economic conditions, and movements in the securities market.

## 1.2 Possible reasons not to vote for the Scheme

The Auswide Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders. The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders in the absence of a Superior Proposal. However, there may be reasons for you to consider voting against the Scheme, including those set out below. The Auswide Directors believe that these factors are outweighed by the benefits the merger between Auswide and MyState is expected to deliver.

**(a) You may disagree with the Auswide Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Auswide Shareholders**

Despite the unanimous recommendation of the Auswide Directors to vote in favour of the Scheme, and the conclusion of the Independent Expert that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, you may believe that the Scheme is not in your best interests.

In reaching their decision and providing their recommendation, the Auswide Directors:

- have made various judgements and assumptions based on estimated future business conditions, circumstances, and events; and
- as part of that analysis, have formed the view that the potential benefits the Scheme is expected to deliver are likely to outweigh the potential risks arising from it (including those outlined in sections 7.2 and 7.3) and that the merger between Auswide and MyState has the potential to deliver greater benefits to Auswide Shareholders than any other alternative proposal currently available (including the Auswide Group continuing as a standalone group),

where none of these matters can be predicted with certainty and which may prove to be inaccurate.

You are not obliged to follow the recommendation of the Auswide Directors, and you may not agree with the Independent Expert's conclusions.

As set out in section 1.1(b), the Independent Expert has come to its conclusion by assessing the Scheme on the basis of a 'merger of equals' analysis. The Independent Expert has stated that while the Scheme cannot be precisely categorised as a 'merger of equals', as the proposed ownership shares in the Merged Group are outside the outer bounds of what has thus far been considered a 'merger of equals', in the Independent Expert's opinion the better view, on balance, is that a merger analysis is the appropriate basis on which to undertake an evaluation. While the Independent Expert does not consider it to necessarily be the appropriate basis of evaluation, the Scheme can also be considered to be a takeover/change of control transaction. If considered on this basis, the Independent Expert has concluded that the Scheme is not fair, however there are compelling reasons that despite not being fair, the Scheme is reasonable and therefore still in the best interests of Auswide Shareholders (see section 3.3.2 of the Independent Expert's Report). However, you may not regard the reasons given by the Independent Expert as to why the Scheme has been assessed as reasonable (despite not being fair) as compelling.

# 1. Matters relevant to your vote on the Scheme

## **(b) You may believe that a Superior Proposal for Auswide may emerge in the future, if the Auswide Group were to continue operating as a standalone group**

You may believe that there is the potential for a Superior Proposal for Auswide to be made in the foreseeable future or prior to the Implementation Date, such as a takeover bid or an alternative merger proposal that is ultimately more favourable to Auswide Shareholders as a whole.

As at the date of this Scheme Booklet, no Superior Proposal has emerged in relation to Auswide and the Auswide Directors are not aware of any Superior Proposal that is likely to emerge for Auswide. As set out in section 9.10(d), under the Scheme Implementation Agreement, Auswide is bound by customary exclusivity obligations, including in relation to Competing Transactions.

## **(c) You may not wish to have exposure to MyState's portfolio, business, or risk profile**

Auswide Shareholders will have exposure to the more diverse portfolio of earnings of MyState, including businesses that provide products and services outside of banking, including TPT Wealth which offers trustee and wealth management solutions.<sup>8</sup> You may consider that the risk and investment profile of MyState may not be consistent with your investment preferences.

Sections 5.1 and 5.4 summarise the business operations of MyState. You should read sections 5.1 and 5.4 to understand what additional businesses and assets you will be exposed to if the Scheme is implemented and the Scheme proceeds.

Additionally, there are a number of risks in respect of the Merged Group which are set out in section 7.3 and which may affect the value of MyState Shares.

Auswide Shareholders should consider these risks before deciding whether to vote in favour of the Scheme.

## **(d) You may believe it is in your best interests to maintain your current investment and risk profile**

You may prefer to keep your Auswide Shares to preserve your investment in a company with the specific characteristics of Auswide.

In particular, you may consider that, despite the risk factors relevant to Auswide's potential future operations (including those set out in section 7.5), Auswide may be able to return greater value through its existing portfolio and associated risk profile, by remaining a standalone group or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Auswide or may incur transaction costs in undertaking any new investment.

## **(e) The implied value of the Scheme Consideration is not certain and will depend on the price at which MyState Shares trade on ASX after the Implementation Date**

The value of the New MyState Shares received by Auswide Shareholders will vary over time depending on the price at which MyState Shares trade on the ASX, and there is no certainty as to what price MyState Shares will trade on the ASX before or after the Implementation Date.

Accordingly, the value of the consideration that Auswide Shareholders will receive from MyState under the Scheme could fluctuate up or down between the date of this Scheme Booklet and the Implementation Date when Auswide Shareholders will receive New MyState Shares.

Auswide Shareholders (other than Ineligible Foreign Shareholders) should note that there is no cash alternative available under the Scheme.

Refer to section 5.13 for further information on historical market prices for MyState Shares.

<sup>8</sup> As at 30 June 2024, TPT Wealth had \$996 million of funds under management and \$387 million in funds under advice.

**(f) You may consider that the Scheme Consideration is too low and does not fully capture the long-term intrinsic value of Auswide**

A significant amount of time and effort has been invested by the board, management team, and advisers of Auswide and MyState to determine a fair price and structure for the Scheme Consideration. The Auswide Directors believe the Scheme Consideration represents a fair and attractive value proposition for Auswide Shareholders at this time, in the absence of a Superior Proposal.

However, you may still believe that the Scheme Consideration insufficiently reflects the fair value of Auswide and is outweighed by your view on the long-term economic potential of Auswide.

**(g) There is no payment of a 'control premium' given this is a 'merger' transaction**

The Scheme has been structured as a 'merger' in that:

- Auswide Shareholders will hold approximately 33.9% of the Merged Group and MyState Shareholders will hold approximately 66.1% of the Merged Group upon implementation of the Scheme, which reflects the relative size of each of the companies on a standalone basis;
- the board and management of the Merged Group will be drawn from both Auswide and MyState. In particular, the board of the Merged Group will comprise of seven non-executive directors, consisting of three non-executive directors designated by Auswide and four non-executive directors designated by MyState, with the chair of the Merged Group being the current chair of Auswide and the chief executive officer and managing director of the Merged Group being the current chief executive officer and managing director of MyState; and
- the Scheme Consideration is all scrip (with no cash alternative) as opposed to a cash offer where Auswide Shareholder's 'sell' control and do not retain the opportunity to receive a control premium for their shareholding interests in the Merged Group at some stage in the future.

As such, the Scheme Consideration does not include any meaningful premium to the Auswide market price<sup>9</sup> for MyState acquiring control of Auswide. Rather, the Scheme is premised on the value creation from combining Auswide and MyState. Notwithstanding this, you may believe a premium for control of Auswide should nevertheless be paid. You may also believe that the anticipated value creation, including the estimated synergies set out in sections 5.5 and 6.2, may be more difficult, or may be delayed or cost more, to achieve than currently estimated. Details on the possible risks associated with the integration of Auswide and MyState are set out in section 7.2(d).

As discussed in section 1.1(b), while the Independent Expert does not consider it to necessarily be the appropriate basis of evaluation, the Scheme can also be considered to be a takeover/change of control transaction. If considered on this basis, the Independent Expert has concluded that the Scheme is not fair, however there are compelling reasons that despite not being fair, the Scheme is reasonable and therefore still in the best interests of Auswide Shareholders (see section 3.3.2 of the Independent Expert's Report).

**(h) The dividend income received on MyState Shares may be lower than the dividend income received by Auswide Shareholders historically**

MyState has a history of consistent dividend payment and growth. Whilst MyState has indicated an expectation of increased future capital generation and an ambition to increase future dividends as capital generation grows, there is no guarantee that Auswide Shareholders will receive a similar amount of dividend income if the Scheme is implemented as they receive under Auswide's current dividend policy.

The Auswide Board's dividend policy targets a payout ratio between 70% and 80% of Auswide's underlying profit after tax. If the Scheme is implemented and you receive New MyState Shares, the dividend income will be subject to MyState Board's dividend policy which targets a payout ratio between 60% and 80% of MyState's underlying profit after tax. However, in certain circumstances, the MyState Board may determine to pay a dividend outside of that range.

9. As at the Last Practicable Date.

# 1. Matters relevant to your vote on the Scheme

## (i) You may believe the risks associated with the integration and realisation of synergies could exceed the potential benefit of the Scheme

The Auswide Directors and the Independent Expert believe that there are potential synergy benefits to be realised from the combination of Auswide and MyState.

For more information on the expected synergies of the Merged Group, see sections 5.5 and 6.2.

That said, you may believe the integration of the two groups may be delayed and experience more difficulty than anticipated which may impact the attractiveness of an investment in the Merged Group.

The risks associated with the integration of Auswide and MyState can be found in section 7.2(d).

## (j) The potential tax consequences of disposing your Auswide Shares pursuant to the Scheme may not suit your current financial position or tax circumstances

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of disposing your Auswide Shares pursuant to the Scheme are not suitable to you.

Auswide Shareholders should read the Australian taxation implications of the Scheme contained in section 8.

However, section 8 is general in nature, and Auswide Shareholders are advised to seek independent tax advice regarding the tax implications of the Scheme and their particular individual circumstances.

### 1.3 Other relevant considerations

#### (a) The Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Auswide Shareholders and the Court. If this occurs, your Auswide Shares will be transferred to MyState and you will receive 1.112 New MyState Shares per Auswide Share even though you did not vote on, or voted against, the Scheme.

#### (b) Costs

Auswide has incurred significant costs in responding to the Merger Proposal and revisions of that proposal to the point that it is capable of being submitted to Auswide Shareholders as a scheme of arrangement for their consideration. These costs include negotiations with MyState, retention of advisers, provision of information to MyState, facilitating MyState's access to due diligence, engagement of the Independent Expert and Investigating Accountant, and preparation of this Scheme Booklet.

If the Scheme is implemented, these costs will effectively be met by MyState as the ultimate controller of Auswide following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and becomes effective, Auswide expects to incur total costs of approximately \$3.4 million to \$3.7 million.

#### (c) Break Fee and Reverse Break Fee

Auswide may have to pay the Break Fee of \$2 million in certain circumstances (see section 9.10(e) for more details).

MyState may have to pay the Reverse Break Fee of \$2 million in certain circumstances (see section 9.10(f) for more details).

For personal use only



**2.**

**Q&A**

## 2. Q&A

This Scheme Booklet contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet.

QUESTION	ANSWER	MORE INFORMATION
<b>The Scheme at a glance</b>		
<b>Why have I received this Scheme Booklet?</b>	<p>This Scheme Booklet has been sent to you because you are an Auswide Shareholder and you are being asked to vote on the Scheme in respect of the proposed merger of Auswide and MyState.</p> <p>This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting and contains important information, including:</p> <ul style="list-style-type: none"> <li>• reasons to vote in favour of the Scheme;</li> <li>• possible reasons to vote against the Scheme;</li> <li>• information about Auswide, MyState and the Merged Group;</li> <li>• the risks associated with the Scheme;</li> <li>• the Independent Expert's Report; and</li> <li>• the Investigating Accountant's Limited Assurance Report.</li> </ul>	<b>Section 3</b>
<b>What is the Scheme?</b>	<p>The Scheme is the proposed scheme of arrangement between Auswide and its shareholders under Part 5.1 of the Corporations Act pursuant to which (if approved) all Auswide Shares will be transferred to MyState Bank in exchange for the Scheme Consideration being provided to Scheme Participants.<sup>10</sup></p> <p>The terms of the Scheme are set out in full in Annexure C.</p>	<b>Section 3 and Annexure C</b>
<b>What will be the effect of the Scheme?</b>	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> <li>• all Auswide Shares will be transferred to MyState Bank;</li> <li>• Auswide will become a wholly owned indirect subsidiary of MyState;</li> <li>• all Auswide Shareholders as at the Record Date (whether they voted for or against the Scheme, or did not vote at the Scheme Meeting) will receive the Scheme Consideration;<sup>11</sup> and</li> <li>• Auswide will be delisted from ASX.</li> </ul> <p>As part of the Scheme, New MyState Shares will be listed on ASX (allowing you to trade the New MyState Shares in the same way you currently trade Auswide Shares).</p>	<b>Section 3 and Annexure C</b>
<b>How will the Scheme be implemented?</b>	<p>Details on how the Scheme will be implemented are described in section 3.2.</p>	<b>Section 3.2 and Annexure C</b>
<b>What should I do?</b>	<p>You should read this Scheme Booklet carefully in its entirety and vote by attending the Scheme Meeting or by appointing a proxy, attorney or, in the case of corporate Auswide Shareholders, a body corporate representative to vote on your behalf.</p>	<b>Key information about the Scheme</b>

10. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

11. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.



QUESTION	ANSWER	MORE INFORMATION
<b>Recommendations and intentions of Auswide Directors</b>		
<b>What do the Auswide Directors recommend?</b>	<p>The Auswide Directors unanimously consider that the Scheme is in the best interests of Auswide Shareholders and recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders. The basis for this recommendation is set out in section 1.1.</p> <p>Section 1.2 includes a summary of the possible reasons not to vote for the Scheme.</p>	<b>Chair's Letter Sections 1.1 and 1.2</b>
<b>How are the Auswide Directors intending to vote?</b>	<p>Each Auswide Director who owns or controls Auswide Shares intends to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders.</p> <p>See section 9.2 for details on Auswide Directors who hold interests in Auswide Shares and section 6.4(b) for details on the Auswide Directors who will be appointed to the MyState Board. Auswide Shareholders should be aware that, if the Scheme is implemented it is intended that Sandra Birkenleigh, Jacqueline Korhonen and Gregory Kenny (who will be receiving Scheme Consideration, as a Scheme Participant) will be appointed to the MyState Board.</p>	<b>Chair's Letter Sections 1.1, 6.4(b) and 9.2</b>

QUESTION	ANSWER	MORE INFORMATION
<b>Matters relevant to your vote</b>		
<b>What is the Independent Expert's conclusion?</b>	<p>The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders.</p> <p>The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is included in <b>Annexure A</b>. The Auswide Directors encourage you to read the Independent Expert's Report in full.</p>	<b>Section 9.4 and Annexure A</b>
<b>What are the reasons to vote in favour of the Scheme?</b>	<p>The reasons to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> <li>• the Auswide Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders;</li> <li>• the Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal;</li> <li>• Auswide Shareholders will have the opportunity to become shareholders in a larger and more diversified Merged Group;</li> <li>• there are potential cost synergies to be realised by the Merged Group;</li> <li>• benefits are expected from the increased market capitalisation of the Merged Group relative to Auswide's market capitalisation as a standalone group;</li> </ul>	<b>Section 1.1</b>

## 2. Q&A

QUESTION	ANSWER	MORE INFORMATION
<b>Matters relevant to your vote</b>		
<p><b>What are the reasons to vote in favour of the Scheme?</b> continued</p>	<ul style="list-style-type: none"> <li>• no proposal has emerged as at the date of this Scheme Booklet, which the Auswide Board considers to be a Superior Proposal;</li> <li>• no brokerage or stamp duty will be payable by Auswide Shareholders on the transfer of Auswide Shares;</li> <li>• Scheme Participants that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for capital gains arising on the disposal of their Auswide Shares; and</li> <li>• if the Scheme does not proceed, Auswide Shareholders will continue to be exposed to risks associated with Auswide's business.</li> </ul>	<p><b>Section 1.1</b></p>
<p><b>What are the possible reasons to vote against the Scheme?</b></p>	<p>The reasons you may wish to vote against the Scheme include:</p> <ul style="list-style-type: none"> <li>• you may disagree with the Auswide Directors' unanimous recommendation and/or the Independent Expert's conclusion and believe that the Scheme is not in the best interests of Auswide Shareholders;</li> <li>• you may believe that a Superior Proposal for Auswide may emerge in the future, if the Auswide Group were to continue operating as a standalone group;</li> <li>• you may not wish to have exposure to MyState's portfolio, business, or risk profile;</li> <li>• you may believe it is in your best interests to maintain your current investment and risk profile;</li> <li>• the implied value of the Scheme Consideration is not certain and will depend on the price at which MyState Shares trade on ASX after the Implementation Date;</li> <li>• you may consider that the Scheme Consideration is too low and does not fully capture the long-term intrinsic value of Auswide;</li> <li>• there is no payment of a 'control premium' given this is a 'merger' transaction;</li> <li>• the dividend income received on MyState Shares may be lower than the dividend income received by Auswide Shareholders historically;</li> <li>• you may believe the risks associated with the integration of Auswide and MyState and realisation of synergies could exceed the potential benefit of the Scheme; and</li> <li>• the potential tax consequences of disposing your Auswide Shares pursuant to the Scheme may not suit your current financial position or tax circumstances.</li> </ul>	<p><b>Section 1.2</b></p>

QUESTION	ANSWER	MORE INFORMATION
<b>Matters relevant to your vote</b>		
<p><b>Why is no 'control premium' being paid for MyState acquiring control of Auswide?</b></p>	<p>The Scheme has been structured as a 'merger' in that:</p> <ul style="list-style-type: none"> <li>• Auswide Shareholders will hold approximately 33.9% of the Merged Group and MyState Shareholders will hold approximately 66.1% of the Merged Group upon implementation of the Scheme, which reflects the relative size of each of the companies on a standalone basis;</li> <li>• the board and management of the Merged Group will be drawn from both Auswide and MyState. In particular, the board of the Merged Group will comprise of seven non-executive directors, consisting of three non-executive directors designated by Auswide and four non-executive directors designated by MyState, with the chair of the Merged Group being the current chair of Auswide and the chief executive officer and managing director of the Merged Group being the current chief executive officer and managing director of MyState; and</li> <li>• the Scheme Consideration is all scrip (with no cash alternative) as opposed to a cash offer where Auswide Shareholder's 'sell' control and do not retain the opportunity to receive a control premium for their shareholding interests in the Merged Group at some stage in the future.</li> </ul> <p>As such, the Scheme Consideration does not include any meaningful premium to the Auswide market price<sup>12</sup> for MyState acquiring control of Auswide.<sup>13</sup></p>	<p><b>Sections 1.2 and 3.10</b></p>
<p><b>What are the risks relating to the Auswide Group if the Scheme is not implemented?</b></p>	<p>If the Scheme does not proceed, the Auswide Group will continue as a standalone group and Auswide Shareholders will retain their Auswide Shares. In these circumstances, Auswide Shareholders may be subject to the risks set out in section 7.5.</p>	<p><b>Section 7.5</b></p>
<p><b>What are the risks relating to the Merged Group?</b></p>	<p>An investment in the Merged Group is subject to several key risks, including:</p> <ul style="list-style-type: none"> <li>• the Merged Group failing to realise the benefits of the merger;</li> <li>• risks relating to the implementation of the Scheme; and</li> <li>• risks relating to the Merged Group's businesses and operations.</li> </ul> <p>Further details on the risks associated with the implementation of the Scheme and the creation of the Merged Group are detailed in sections 7.2 and 7.3.</p>	<p><b>Sections 7.2 and 7.3</b></p>

12. As at the Last Practicable Date.

13. As discussed in section 1.1(b), while the Independent Expert does not consider it to necessarily be the appropriate basis of evaluation, the Scheme can also be considered to be a takeover/change of control transaction. If considered on this basis, the Independent Expert has concluded that the Scheme is not fair, however there are compelling reasons that despite not being fair, the Scheme is reasonable and therefore still in the best interests of Auswide Shareholders (see section 3.3.2 of the Independent Expert's Report).

## 2. Q&A

QUESTION	ANSWER	MORE INFORMATION
<b>Scheme Consideration</b>		
<b>What is the Scheme Consideration?</b>	<p>If the Scheme is approved and implemented Auswide Shareholders will receive 1.112 New MyState Shares for each Auswide Share held on the Record Date, except for Ineligible Foreign Shareholders who will receive their pro rata share of the Proceeds as described in sections 3.11 and 3.12.</p> <p>New MyState Shares will rank equally in all respects with all other MyState Shares on issue as at the Implementation Date.</p>	<b>Sections 3.1, 3.10, 3.11 and 3.12</b>
<b>Who is entitled to Scheme Consideration?</b>	All Auswide Shareholders who are the registered holders of Auswide Shares as at the Record Date will be entitled to receive the Scheme Consideration in the form of New MyState Shares, except for Ineligible Foreign Shareholders, who will receive their pro rata share of the Proceeds as described in sections 3.11 and 3.12.	<b>Sections 3.10, 3.11 and 3.12</b>
<b>How will fractional entitlements be handled under the Scheme?</b>	<p>If the number of Auswide Shares held by a Scheme Participant at the Record Date is such that the aggregate entitlement of the Scheme Participant to New MyState Shares includes a fractional entitlement to a New MyState Share, the fractional entitlement will be rounded as follows:</p> <ul style="list-style-type: none"> <li>• if the fractional entitlement is less than 0.5, the entitlement will be rounded down; and</li> <li>• if the fractional entitlement is equal or more than 0.5, the entitlement will be rounded up.</li> </ul> <p>Further information, including in respect to share splitting, is set out in section 3.13.</p>	<b>Section 3.13</b>
<b>When will I receive the Scheme Consideration?</b>	<p>Scheme Participants (other than Ineligible Foreign Shareholders) will be issued the Scheme Consideration on the Implementation Date (which is currently expected to be Wednesday, 18 December 2024).</p> <p>Ineligible Foreign Shareholders will not receive New MyState Shares. Instead, they will receive their pro rata share of the Proceeds within 20 Business Days after the Implementation Date, which is currently expected to be no later than Monday, 20 January 2025.</p>	<b>Sections 3.9 and 3.12</b>
<b>Will I be able to trade my New MyState Shares?</b>	<p>Yes, the New MyState Shares will be able to be traded on the ASX in the same way as Auswide Shares are currently traded.</p> <p>Deferred Settlement trading of New MyState Shares is expected to be available on the ASX from Tuesday, 10 December 2024. New MyState Shares are expected to commence trading on the ASX on a normal settlement basis on the ASX from Thursday, 19 December 2024.</p>	<b>Important Dates and section 3.10</b>
<b>What are the risks relating to New MyState Shares?</b>	There are risks associated with New MyState Shares, including risks in share market conditions and payments of dividends and rate of return. Further details on the risks related to MyState Shares are set out in section 7.4.	<b>Section 7.4</b>

QUESTION	ANSWER	MORE INFORMATION
<b>Scheme Consideration</b>		
<b>What warranties do I give under the Scheme?</b>	<p>Under the terms of the Scheme each Scheme Participant warrants to MyState Bank and is deemed to have authorised Auswide as its attorney and agent to warrant to MyState Bank, that:</p> <ul style="list-style-type: none"> <li>• all of their Auswide Shares transferred to MyState Bank under the Scheme will, as at the date of the transfer, be fully paid and free from all encumbrances or any other third party interest or restriction on transfer of any kind;</li> <li>• they have full power and capacity to sell and to transfer their Auswide Shares (including any rights and entitlements attaching to those shares) to MyState Bank under the Scheme; and</li> <li>• they have no existing right to be issued any Auswide Shares, or any options, performance rights, securities or other instruments exercisable, or convertible into, Auswide Shares.</li> </ul>	<b>Section 3.16 and Annexure C</b>
<b>What are the tax consequences of the Scheme?</b>	<p>Section 8 provides a general outline of the Australian income tax, CGT and stamp duty consequences for Scheme Participants who dispose of their Auswide Shares in accordance with the Scheme.</p> <p>You should consult with your own tax adviser regarding the tax consequences of disposing of your Auswide Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.</p>	<b>Section 8</b>
<b>Will I have to pay brokerage fees or stamp duty?</b>	No brokerage fees or stamp duty will be payable on the transfer of Auswide Shares under the Scheme. If you dispose of your Auswide Shares before the Record Date, brokerage fees may be payable.	<b>Sections 3.20 and 8.6</b>

QUESTION	ANSWER	MORE INFORMATION
<b>Ineligible Foreign Shareholders</b>		
<b>Who is an Ineligible Foreign Shareholder?</b>	<p>An Ineligible Foreign Shareholder is an Auswide Shareholder:</p> <ul style="list-style-type: none"> <li>• who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States; or</li> <li>• whose address shown in the Auswide Register is a place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States or who is acting on behalf of such a person,</li> </ul> <p>unless MyState determines that:</p> <ul style="list-style-type: none"> <li>• it is lawful and not unduly onerous or unduly impracticable to issue that Auswide Shareholder with the New MyState Shares on implementation of the Scheme; and</li> <li>• it is lawful for that Auswide Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States.</li> </ul>	<b>Section 3.11</b>

## 2. Q&A

QUESTION	ANSWER	MORE INFORMATION
<b>Ineligible Foreign Shareholders</b>		
<b>What will Ineligible Foreign Shareholders receive under the Scheme?</b>	If you are an Ineligible Foreign Shareholder, you will not receive New MyState Shares. Instead, MyState will issue any New MyState Shares that you would otherwise have been entitled to a Sale Agent who will sell those New MyState Shares in the ordinary course of trading on the ASX. You will receive your pro rata share of the Proceeds of the sale from the relevant New MyState Shares by the Sale Agent.	<b>Section 3.12</b>
<b>Scheme Meeting and how to vote</b>		
<b>When and where will the Scheme Meeting be held?</b>	The Scheme Meeting will be held at 11.00am (AEDT) (10.00am Queensland time) on Monday, 2 December 2024 at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 or online via online meeting platform at <a href="https://meetnow.global/MQDTYD7">https://meetnow.global/MQDTYD7</a> .	<b>Section 3.3</b>
<b>Am I entitled to vote at the Scheme Meeting?</b>	If you are registered as a Shareholder on the Auswide Register at 11.00am (AEDT) (10.00am Queensland time), on Saturday, 30 November 2024, you will be entitled to vote at the Scheme Meeting.	<b>Section 3.22</b>
<b>What vote is required to approve the Scheme?</b>	For the Scheme to proceed, votes "in favour of" the resolution to approve the Scheme at the Scheme Meeting must be received from the Requisite Majorities of Auswide Shareholders. The Requisite Majorities are: <ul style="list-style-type: none"> <li>a majority in number (more than 50%) of Auswide Shareholders, who are present and voting either in person, online or by proxy, attorney or, in case of corporate shareholders, by corporate representative; and</li> <li>at least 75% of the total number of votes cast on the resolution to approve the Scheme by Auswide Shareholders present and voting (either in person, online or by proxy, attorney or, in the case of corporate Auswide Shareholders, body corporate representative).</li> </ul> It is also necessary for the Court to approve the Scheme before it can become Effective.	<b>Section 3.4</b>
<b>What choices do I have as a Shareholder?</b>	As a Shareholder you have the following choices: <ul style="list-style-type: none"> <li>you can vote in person, online or by proxy at the Scheme Meeting;</li> <li>you can elect not to vote at the Scheme Meeting; or</li> <li>you can sell your Auswide Shares on ASX. If you sell your Auswide Shares on ASX you may incur brokerage costs.</li> </ul>	<b>Section 3.20</b>
<b>Should I vote?</b>	Voting is not compulsory. However, Auswide Directors believe that the Scheme is important to Auswide Shareholders and the Auswide Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders.	<b>Chair's Letter</b>

QUESTION	ANSWER	MORE INFORMATION
<b>Scheme Meeting and how to vote</b>		
<b>How do I vote?</b>	<p>Auswide Shareholders can vote:</p> <ul style="list-style-type: none"> <li>• by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative;</li> <li>• by attending the Scheme Meeting and voting online by visiting the online voting link <a href="https://meetnow.global/MQDTYD7">https://meetnow.global/MQDTYD7</a>; or</li> <li>• by appointing a proxy to attend and vote on their behalf.</li> </ul> <p>Full details of how to vote and how to lodge a proxy form are set out on pages 9-10 ("How do I vote") and the Notice of Scheme Meeting at Annexure E.</p>	<b>Key information about the Scheme</b>
<b>What happens if I do not vote, or I vote against the Scheme?</b>	<p>The Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration and you will remain a shareholder of Auswide.</p> <p>However, if the Scheme is approved and implemented your Auswide Shares will be transferred to MyState Bank and (unless you are an Ineligible Foreign Shareholder) you will receive the Scheme Consideration for your Auswide Shares even if you did not vote or you voted against the Scheme.<sup>14</sup></p>	<b>Section 1.3(a)</b>
<b>What happens if the Scheme is not approved at the Scheme Meeting or is not approved by the Court?</b>	<p>If the Scheme is not approved by the Requisite Majorities of Auswide Shareholders at the Scheme Meeting or the Scheme is not approved by the Court:</p> <ul style="list-style-type: none"> <li>• Auswide will remain listed on ASX;</li> <li>• you will retain your Auswide Shares; and</li> <li>• Auswide Shareholders will not receive the Scheme Consideration.</li> </ul>	<b>Section 3.1</b>
<b>When will the result of the Scheme Meeting be known?</b>	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX once available. The results will also be published on <a href="https://www.asx.com.au/markets/company/aba">https://www.asx.com.au/markets/company/aba</a> soon after the Scheme Meeting.</p>	<b>N/A</b>

14. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

## 2. Q&A

QUESTION	ANSWER	MORE INFORMATION
<b>Information about MyState Group</b>		
<b>Who is MyState?</b>	<p>MyState is an Australian public company limited by shares. It was incorporated on 8 October 2008, listed on the ASX on 10 September 2009 and is headquartered in Hobart, Tasmania.</p> <p>It was formed as a non-operating holding company (<b>NOHC</b>) in 2009 to be the parent entity of a diversified financial services group arising from the merger of Tasmanian Perpetual Trustees Limited (now TPT Wealth) and MyState Financial (now MyState Bank).</p>	<b>Section 5</b>
<b>Who is MyState Bank?</b>	<p>MyState Bank is an Australian public company limited by shares registered in Tasmania, Australia and was incorporated on 18 November 1959. It was formerly known as MyState Financial and it is the product of a series of mergers between Tasmanian credit unions over several decades. It is now a wholly owned subsidiary of MyState and is head-quartered in Hobart, Tasmania.</p> <p>MyState Bank offers home loan products nationally through its branches, mobile lenders and broker network, savings products and transactional banking solutions through online banking as well as through its branch network and deposit platforms. TPT Wealth (another wholly owned subsidiary of MyState) provides financial products including funds management and trustee services.</p>	<b>Section 5</b>

QUESTION	ANSWER	MORE INFORMATION
<b>Information about the Merged Group</b>		
<b>What will the Merged Group look like once the Scheme is implemented?</b>	<p>If the Scheme is implemented, MyState will become the parent company of the Merged Group and Auswide will become a wholly owned indirect subsidiary of MyState.</p> <p>Further information on the Merged Group is set out at section 6.</p>	<b>Section 6</b>
<b>What are the key risk factors associated with the Scheme?</b>	<p>Please refer to section 7.2 for a summary of the risk factors in relation to the implementation of the Scheme.</p> <p>Please refer to section 7.3 for a summary of the risk factors in relation to the business and operations of the Merged Group.</p>	<b>Sections 7.2 and 7.3</b>
<b>What aggregate voting rights will Auswide Shareholders have in the Merged Group?</b>	<p>On the Implementation Date, Scheme Participants will own approximately 33.9% of the Merged Group on a fully diluted basis (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to Ineligible Foreign Shareholders).</p>	<b>Section 6.7(a)</b>



QUESTION	ANSWER	MORE INFORMATION
<b>Other</b>		
<b>Are any other approvals required?</b>	<p>The Scheme must be approved by the Court in addition to being approved by the Requisite Majorities of Auswide Shareholders. If the Scheme is approved by the Requisite Majorities of Auswide Shareholders at the Scheme Meeting, Auswide will apply to the Court for approval of the Scheme. The Court hearing is expected to be held on 6 December, 2024 (although this date may change). Further details of the approval process are set out in section 3.</p> <p>Implementation of the Scheme is subject to certain regulatory approvals as summarised in section 9.11.</p>	<b>Sections 3.18 and 9.11</b>
<b>Is the Scheme subject to any conditions?</b>	<p>Implementation of the Scheme is subject to a number of conditions summarised at section 3.14 and set out in full in the Scheme Implementation Agreement.</p>	<b>Section 3.14</b>
<b>What if I have further questions about the Scheme?</b>	<p>If you have any further questions about the Scheme please call the Shareholder Information Line on 1300 271 819 (within Australia) or +61 3 9415 4812 (outside Australia) between 8.30am to 5.00pm (AEDT) Monday to Friday (excluding public holidays in Australia), or visit the website <a href="http://www.auswidebank.com.au">www.auswidebank.com.au</a>.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your legal, financial, tax or other professional adviser.</p>	<b>N/A</b>



AUSWIDE  
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### 3.

## DETAILS OF THE SCHEME

# 3. Details of the Scheme

## 3.1 Overview

On 19 August 2024, Auswide announced that it had entered into a Scheme Implementation Agreement with MyState and MyState Bank under which the parties agreed to implement the Scheme between Auswide and Scheme Participants. A summary of the key terms of the Scheme Implementation Agreement is included in section 9.10 and a copy of the Scheme is set out in Annexure C.

If the Scheme is approved by Auswide Shareholders at the Scheme Meeting and by the Court, and if all Conditions Precedent are satisfied or waived (where capable of waiver):

- eligible Auswide Shareholders will receive the Scheme Consideration;<sup>15</sup> and
- Auswide will become a wholly owned indirect subsidiary of MyState and will be delisted from ASX.

If the Scheme is not approved, Auswide Shareholders will not receive the Scheme Consideration, the Auswide Group will continue as a standalone group, and Auswide will continue to be listed on ASX.

## 3.2 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- Auswide Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each Auswide Shareholder who is registered on the Auswide Register at 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024 is entitled to vote at the Scheme Meeting.
- If the Scheme is approved by the Requisite Majorities at the Scheme Meeting, Auswide will apply to the Court to approve the Scheme on the Second Court Date (expected to be Friday, 6 December 2024). Section 3.18 contains details on this procedure. The Corporations Act and the relevant Court rules provide a procedure for Auswide Shareholders to oppose the approval by the Court of the Scheme.
- If the Court approves the Scheme, and all conditions to the Scheme have been satisfied or waived, Auswide will lodge with ASIC an office copy of the Court order approving the Scheme. Auswide expects to lodge this with ASIC on Monday, 9 December 2024.
- With effect from the close of trading on the day on which the office copy of the Court order is lodged with ASIC, Auswide Shares will be suspended from trading on ASX.
- Scheme Participants (other than Ineligible Foreign Shareholders) will be entitled to receive the Scheme Consideration under the Scheme if they are registered as the holders of Auswide Shares at 7.00pm (AEDT) on the Record Date. The Record Date is currently expected to be Wednesday, 11 December 2024.
- Scheme Participants (other than Ineligible Foreign Shareholders) will be issued the Scheme Consideration on the Implementation Date (which is currently expected to be Wednesday, 18 December 2024).<sup>16</sup> Immediately after the Scheme Consideration is issued to eligible Scheme Participants, the Auswide Shares will be transferred to MyState Bank.
- After the Scheme has been implemented, Auswide will apply for termination of the official quotation of Auswide Shares on ASX and to have itself removed from the official list of the ASX.

## 3.3 Scheme Meeting

The Court has ordered that the Scheme Meeting be held at 11.00am (AEDT) (10.00am Queensland time), on Monday, 2 December 2024 at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 for the purposes of approving the Scheme. The Notice of Scheme Meeting is included in Annexure E.

15. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

16. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

## 3. Details of the Scheme

### 3.4 Voting requirements to approve the Scheme

For the Scheme to be approved under paragraph 411(4)(a)(ii) of the Corporations Act, the Scheme must be passed by:

- at least 75% of the total votes cast at the Scheme Meeting by Auswide Shareholders present and voting either in person, online or by duly appointed proxy, attorney or, in the case of a body corporate, its duly appointed corporate representative; and
- more than 50% in number of Auswide Shareholders present and voting either in person, online or by duly appointed proxy, attorney or, in the case of a body corporate, its duly appointed corporate representative, (together, the **Requisite Majorities**).

Instructions on how to attend and vote at the Scheme Meeting are set out on pages 9-10 and in Annexure E.

### 3.5 Record Date

Those Auswide Shareholders on the Auswide Register on the Record Date, being 7.00pm (AEDT) on the second Business Day following the Effective Date, will be entitled to receive the Scheme Consideration in respect of the Auswide Shares they hold as at the Record Date (unless they are Ineligible Foreign Shareholders, who will instead be entitled to receive their pro rata share of the Proceeds under the Sale Facility, as described in sections 3.11 and 3.12).

### 3.6 Dealings on or prior to the Record Date

For the purpose of determining entitlements to the Scheme Consideration, Auswide must maintain the Auswide Register in its form as at the Record Date until the Scheme Consideration has been issued to the Scheme Participants (other than Ineligible Foreign Shareholders).<sup>17</sup> The Auswide Register in this form will solely determine entitlements to the Scheme Consideration.

To establish the identity of the Scheme Participants, dealings in Auswide Shares will only be recognised by Auswide if:

- in the case of dealings of the type to be effected using the Clearing House Electronic Subregister System (CHES), the transferee is registered in the Auswide Register as the holder of the relevant Auswide Shares on or before the Record Date; and
- in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm (AEDT) on the Record Date at the place where the Auswide Register is kept.

### 3.7 Auswide Register

Auswide must register any registrable transmission applications or transfers of the Auswide Shares received on or before the Record Date.

### 3.8 Effective Date

The Scheme will become Effective on the Effective Date (currently expected to be Monday, 9 December 2024). If the Scheme becomes Effective, you may not dispose of or otherwise deal with any Auswide Shares after the Record Date. Any dealings in Auswide Shares after this time will not be recognised, except a transfer to MyState Bank pursuant to the Scheme.

### 3.9 Implementation Date

Scheme Participants (other than Ineligible Foreign Shareholders) will be issued the Scheme Consideration on the Implementation Date (which is currently expected to be Wednesday, 18 December 2024). Immediately after the Scheme Consideration is issued to eligible Scheme Participants, the Auswide Shares will be transferred to MyState Bank.

As soon as practicable after the Implementation Date (and no later than 10 Business Days after the Implementation Date), MyState must send a holding statement or equivalent document to each Scheme Participant (other than an Ineligible Foreign Shareholder) representing the number of New MyState Shares issued to the Scheme Participant pursuant to the Scheme. MyState intends on sending holding statements (or equivalent documents) on Friday, 20 December 2024.

17. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

### 3.10 Scheme Consideration

If the Scheme becomes Effective, Scheme Participants will receive 1.112 New MyState Shares for each Auswide Share held on the Record Date, except for Ineligible Foreign Shareholders, who will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

The Scheme Consideration is based on a fixed exchange ratio of 1.112 New MyState Shares for each Auswide Share, representing a 0.7% premium to Auswide's closing share price as of 16 August 2024 (being the last trading day before the announcement of the Scheme to the ASX on 19 August 2024), a 3.2% premium to Auswide's 1-month volume weighted average share price up to 16 August 2024 and a 10.2% premium to Auswide's 3-month volume weighted average share price up to 16 August 2024.

This ratio was agreed by both parties following negotiations that had regard to the market value, projected profitability, and standalone valuation of Auswide and MyState.

New MyState Shares will be fully paid MyState Shares and will be listed and traded on the ASX. Scheme Participants will be able to trade their New MyState Shares in the same way as Auswide Shares are currently traded.

### 3.11 Ineligible Foreign Shareholders

An Ineligible Foreign Shareholder is an Auswide Shareholder:

- who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States; or
- whose address shown in the Auswide Register is a place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States or who is acting on behalf of such a person,

unless MyState determines that:

- it is lawful and not unduly onerous or unduly impracticable to issue that Shareholder with the New MyState Shares on implementation of the Scheme; and
- it is lawful for that Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States.

Nominees, custodians and other Auswide Shareholders who hold Auswide Shares on behalf of a beneficial owner resident outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States may not forward this Scheme Booklet to anyone outside these countries without the consent of Auswide.

### 3.12 Sale Facility

#### (a) Sale Facility mechanics

MyState Bank or MyState (as applicable) will, on behalf of all Ineligible Foreign Shareholders, assist in establishing the Sale Facility, pursuant to which the Sale Agent, on behalf of all Ineligible Foreign Shareholders, will sell any New MyState Shares that an Ineligible Foreign Shareholder would otherwise be entitled to receive in the form of New MyState Shares (**Ineligible Shares**).

Acting on behalf of all Ineligible Foreign Shareholders, the Sale Agent will, as soon as reasonably practicable after the Implementation Date (and in any event within 20 Business Days after the Implementation Date), sell all of the Ineligible Shares (including on an aggregated or partially aggregate basis) in the ordinary course of trading on ASX at such price as the Sale Agent reasonably determines in good faith.

### 3. Details of the Scheme

The Sale Agent will remit the proceeds of such sale (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges) (**Proceeds**) to MyState Bank or MyState (as applicable). MyState Bank or MyState (as applicable) will procure the payment of an amount equal to the proportion of the Proceeds of the sale to each entitled Ineligible Foreign Shareholder in full satisfaction of the Ineligible Foreign Shareholder's entitlement to the relevant New MyState Shares, in accordance with the following formula and rounded to the nearest cent:

$$A = (B/C) \times D$$

Where:

**A** is the amount to be paid to the Ineligible Foreign Shareholder;

**B** is the number of Ineligible Shares attributable to, and that would otherwise have been issued to (in the form of New MyState Shares), that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder;

**C** is the number of Ineligible Shares attributable to, and which would otherwise have been issued to all Ineligible Foreign Shareholders collectively (in the form of New MyState Shares); and

**D** is the Proceeds.

MyState Bank or MyState (as applicable) will make, or procure the making of, payments to Ineligible Foreign Shareholders by either (in the absolute discretion of the Sale Agent, MyState Bank or MyState (as applicable)):

- paying, or procuring the payment of, the relevant amount in Australian dollars by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to MyState Bank or MyState (as applicable); or
- if a bank account has not been nominated by the Ineligible Foreign Shareholder:
  - if an Ineligible Foreign Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Auswide Share Registry to receive dividend payments in Australian dollars from Auswide by electronic funds transfer, to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian dollars by electronic means in accordance with that election;
  - if an Ineligible Foreign Shareholder has elected to receive payments electronically in their local currency, using MyState Share Registry's global wire payment service; or
  - otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian dollars to the Ineligible Foreign Shareholder by prepaid post to their registered address, such cheque being drawn in the name of the Ineligible Foreign Shareholder.

For Ineligible Foreign Shareholders with a registered address in Papua New Guinea who have not provided bank account details, payment of Proceeds will be withheld pending receipt of valid bank account details or dealt with in accordance with applicable unclaimed money legislation.

An Ineligible Foreign Shareholder can update their bank account details by visiting [www.computershare.com/au](http://www.computershare.com/au) by the Record Date and log into Investor Centre using their User ID and password. If an Ineligible Foreign Shareholder does not already have an Investor Centre account, they can register by visiting [www-au.computershare.com/Investor/Registration](http://www-au.computershare.com/Investor/Registration) or by contacting the Auswide Share Registry on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside Australia) between 8.30am to 5.00pm (AEDT) Monday to Friday (excluding public holidays in Australia).

Interest will not be paid on the Proceeds. The payment of the Proceeds will be in full satisfaction of the rights of Ineligible Foreign Shareholders under the Scheme.

### (b) Value of the Sale Facility Proceeds

None of Auswide, MyState Bank, MyState or the Sale Agent make any assurances as to the price that will be achieved for the sale of Ineligible Shares or the amount of the Proceeds to be received by Ineligible Foreign Shareholders.

The Proceeds received by the Ineligible Foreign Shareholders will depend on the price at which each Ineligible Share can be sold by the Sale Agent at the relevant time and the amount of any applicable brokerage, taxes and charges incurred by the Sale Agent in connection with the sales under the Sale Facility. Accordingly, the cash amount received by the Ineligible Foreign Shareholder may be different (either more or less) than the value of the New MyState Shares they would have received if they were not an Ineligible Foreign Shareholder.

### 3.13 Fractional entitlements and splitting

If the number of Auswide Shares held by a Scheme Participant at the Record Date is such that the aggregate entitlement of the Scheme Participant to New MyState Shares includes a fractional entitlement to a New MyState Share, the fractional entitlement will be rounded as follows:

- if the fractional entitlement is less than 0.5, the entitlement will be rounded down; and
- if the fractional entitlement is equal or more than 0.5, the entitlement will be rounded up.

If MyState Bank and Auswide are of the opinion that 2 or more Scheme Participants have, before the Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to such rounding, Auswide must, if requested by MyState Bank, give notice to those Scheme Participants:

- setting out their names and registered addresses as shown in the Auswide Register;
- stating that opinion; and
- attributing to one of them specifically identified in the notice the Auswide Shares held by all of them.

After the notice has been given, the Scheme Participant specifically identified in the notice as the deemed holder of the specified Auswide Shares will, for the purpose of the provisions of the Scheme, be taken to hold all of those Auswide Shares and each of the other Scheme Participants whose names and registered addresses are set out in the notice will, for the purposes of the provisions of the Scheme, be taken to hold no Auswide Shares.

### 3.14 Conditions Precedent

The Scheme is subject to a number of Conditions Precedent set out in clause 3.1 of the Scheme Implementation Agreement and summarised below:

CONDITION PRECEDENT	STATUS AS AT LAST PRACTICABLE DATE
<b>(ASIC and ASX)</b> before 8.00am (AEDT) on the Second Court Date, ASIC and ASX issue or provide any Regulatory Approvals, or have done any other acts, which are reasonably necessary or desirable to implement the Scheme, and those consents, approvals or other acts have not been withdrawn or revoked at that time.	See section 9.9 for details in respect of ASIC relief applied for in connection with the Scheme.
<b>(ACCC)</b> before 8.00am (AEDT) on the Second Court Date, MyState, MyState Bank and Auswide are reasonably satisfied that the ACCC does not intend to oppose the proposed Scheme or it does not intend to oppose the proposed Scheme subject to undertakings, and those undertakings being acceptable to MyState, MyState Bank and Auswide (each acting reasonably) and that advice has not been withdrawn or revoked at that time.	Auswide and MyState provided ACCC with a courtesy letter regarding the proposed Scheme on 26 August 2024.
<b>(Shareholder approval)</b> Auswide Shareholders approve the Scheme by the Requisite Majorities at the Scheme Meeting.	The Scheme Meeting is scheduled for Monday, 2 December 2024.
<b>(Court approval)</b> the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	The Second Court Hearing is scheduled for Friday, 6 December 2024.

### 3. Details of the Scheme

CONDITION PRECEDENT	STATUS AS AT LAST PRACTICABLE DATE
<p><b>(Regulatory Authority)</b> before 8.00am (AEDT) on the Second Court Date, all other Regulatory Approvals (including any Regulatory Approvals under a Prudential Standard), which MyState, MyState Bank and Auswide (each acting reasonably) agree are necessary or desirable to implement the Scheme are obtained, and those Regulatory Approvals have not been withdrawn or revoked.</p>	<p>In addition to the other Regulatory Approvals in this section 3.14, MyState and MyState Bank have also applied to the Treasurer for approval for the purposes of paragraph 45 of the <i>Australian Prudential Standard 222 – Associations with Related Entities</i> in relation to MyState and MyState Bank’s acquisition of Auswide, an entity regulated as an authorised deposit-taking institution.</p>
<p><b>(Treasurer approval under FSSA)</b> before 8.00am (AEDT) on the Second Court Date the Treasurer (or APRA if such power has been delegated) has notified MyState Bank, MyState and Auswide in writing that each of MyState (as the NOHC) and MyState Bank (as the acquirer) is approved to hold a 100% “stake” (as that term is defined in the FSSA) in Auswide under section 14 of the FSSA and, if such approval is subject to conditions, those conditions are acceptable to MyState Bank, MyState and Auswide.</p>	<p>MyState Bank and MyState submitted an application with the Treasurer seeking consent on 23 August 2024. Formal approval has not yet been provided.</p>
<p><b>(Treasurer approval under Banking Act)</b> before 8.00am (AEDT) on the Second Court Date the Treasurer has given prior written consent (or APRA if the giving of such consent has been delegated) under section 63(1) of the Banking Act, to Auswide (or if required, MyState or MyState Bank) in relation to the Scheme, and if such consent is subject to conditions those conditions are acceptable to Auswide, MyState and MyState Bank.</p>	<p>Auswide submitted an application with the Treasurer seeking consent on 29 August 2024. Formal approval has not yet been provided.</p>
<p><b>(Regulatory intervention)</b> no Court or Regulatory Authority has issued notice of an investigation in relation to a party or has otherwise issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing (or which would have the effect of preventing) the Scheme and none of those things is in effect as at 8.00am on the Second Court Date.</p>	<p>Neither Auswide nor MyState is aware of anything that would cause this Condition Precedent not to be satisfied.</p>
<p><b>(Independent Expert)</b> the Independent Expert issues a report which concludes that the Scheme is in the best interests of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC and does not change its conclusion in any written update to its report or withdraw its report prior to 8.00am (AEDT) on the Second Court Date.</p>	<p>The Independent Expert has concluded that the Scheme taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal and has not changed or withdrawn its conclusion.</p> <p>See further details in section 9.4.</p>
<p><b>(Counterparty consents)</b> prior to 8.00am (AEDT) on the Second Court Date, Auswide has obtained any consent required from each counterparty to a Material Contract to which a member of the Auswide Group is a party (where such consent is required under the Material Contract) or (if applicable) written waiver of any right that the counterparty has to terminate or vary the Material Contract arising as a result of the Scheme, including as a result of the change in control in Auswide as contemplated by the Scheme becoming Effective.</p>	<p>Auswide and MyState continue to progress the requirements for this Condition, as needed.</p>



CONDITION PRECEDENT	STATUS AS AT LAST PRACTICABLE DATE
<b>(No Auswide Prescribed Event)</b> no Auswide Prescribed Event occurs between 19 August 2024 and 8.00am (AEDT) on the Second Court Date.	Auswide is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(No Auswide Material Adverse Effect)</b> no Auswide Material Adverse Effect occurs between 19 August 2024 and 8.00am (AEDT) on the Second Court Date.	Auswide is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(Selfco Material Adverse Effect):</b> "Completion" (as the term in inverted commas is defined under the Selfco Transaction Documents) occurs notwithstanding a Selfco Material Adverse Effect has occurred which is waived by Auswide under the Selfco Transaction Documents in circumstances where such waiver was not approved or consented to by MyState Bank or MyState (as applicable) (acting reasonably and in good faith).	Completion of the Selfco Transaction occurred on 28 August 2024.
<b>(Auswide Representations and Warranties)</b> the Auswide Representations and Warranties are true and correct in all material respects at all times between 19 August 2024 and as at 8.00am (AEDT) on the Second Court Date, except where expressed to be operative at another date.	Auswide is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(No MyState Prescribed Event)</b> no MyState Prescribed Event occurs between 19 August 2024 and 8.00am (AEDT) on the Second Court Date.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(No MyState Material Adverse Effect)</b> no MyState Material Adverse Effect occurs between 19 August 2024 and 8.00am (AEDT) on the Second Court Date.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(MyState Representations and Warranties)</b> the MyState Representations and Warranties are true and correct in all material respects at all times between 19 August 2024 and as at 8.00am (AEDT) on the Second Court Date, except where expressed to be operative at another date.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(Quotation)</b> the New MyState Shares are approved for official quotation on ASX, subject only to customary conditions and the Scheme becoming Effective, and the approval (subject only to those customary conditions, if applicable) has not been withdrawn, suspended or revoked before 8.00am (AEDT) on the Second Court Date.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(Auswide Litigation)</b> before 8.00am (AEDT) on the Second Court Date, no person announces, commences or threatens any claim, dispute or litigation (including any court proceeding, arbitration or expert determination) against an Auswide Group entity (whether in aggregate or for any single litigation) where, the quantum claimed under that process is, or which may result in a judgment against an Auswide Group entity of more than \$2 million.	Auswide is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(MyState Litigation)</b> before 8.00am (AEDT) on the Second Court Date, no person announces, commences or threatens any claim, dispute or litigation (including any court proceeding, arbitration or expert determination) against a MyState Group entity (whether in aggregate or for any single litigation) where, the quantum claimed under that process is, or which may result in a judgment against a MyState Group entity of more than \$4.25 million.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.

### 3. Details of the Scheme

CONDITION PRECEDENT	STATUS AS AT LAST PRACTICABLE DATE
<b>(Auswide enforcement)</b> before 8.00am (AEDT) on the Second Court Date, no material enforcement action or investigation is announced or commenced by a Regulatory Authority against or involving an Auswide Group entity.	Auswide is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(MyState enforcement)</b> before 8.00am (AEDT) on the Second Court Date, no material enforcement action or investigation is announced or commenced by a Regulatory Authority against or involving a MyState Group entity.	MyState is not aware of anything that would cause this Condition Precedent not to be satisfied.
<b>(Tax ruling)</b> Before 8.00am (AEDT) on the Second Court Date, Auswide has received confirmation from the Australian Taxation Office that it is prepared to issue a Class Ruling, in a form and substance satisfactory to Auswide acting reasonably, confirming that qualifying Australian resident Auswide Shareholders who hold their Auswide Shares on capital account will be eligible to choose scrip-for-scrip roll-over relief under Subdivision 124-M of the Tax Act to the extent to which they receive New MyState Shares in exchange for their Auswide Shares under the Scheme.	The application for the Class Ruling has been lodged with the ATO.

#### 3.15 Treatment of Auswide Bank Performance Rights

Auswide operates the Auswide Bank Performance Rights Plan (**PRP**) under which Auswide Performance Rights are offered to certain employees and executives (as determined by the Auswide Board) as an incentive to align their interests with those of Auswide Shareholders. Each Auswide Performance Right entitles the holder to be allocated one Auswide Share (or the cash equivalent value), subject to the satisfaction of certain vesting conditions. A summary of the terms of the PRP is contained in Auswide's annual report for the financial year ended 30 June 2024 (and is available at [www.asx.com](http://www.asx.com)).

As at the date of this Scheme Booklet, Auswide had on issue 133,738 Unvested Auswide Performance Rights. There are no Vested Auswide Performance Rights on issue.

Under the Scheme Implementation Agreement, Auswide is required to ensure that all Unvested Auswide Performance Rights vest or lapse before the Record Date (such that, on implementation of the Scheme, MyState will hold all of the Auswide Shares on issue and no other rights over Auswide Shares will exist).

Pursuant to the PRP, the Auswide Board has discretion to determine the treatment of the Auswide Performance Rights on the occurrence of an "Event" of Auswide (as defined in the PRP), such as where a court convenes a meeting of Auswide Shareholders to vote on a proposed scheme of arrangement pursuant to which control of the majority of Auswide Shares may change.

Accordingly, the Auswide Board has resolved, subject to the Court convening the Scheme Meeting and the Scheme being approved by Auswide Shareholders by the Requisite Majorities at the Scheme Meeting, that:

- 80,615 Unvested Auswide Performance Rights issued for FY23 (**FY24 Rights**) will be subject to accelerated vesting and will fully vest, such that one Auswide Share will be purchased on market and transferred for each Auswide Performance Right held and such Auswide Shares will be freed of any dealing restrictions;<sup>18</sup>
- the remaining 53,123 Unvested Auswide Performance Rights, issued for FY22, will lapse for no consideration; and
- Auswide will procure that the relevant Auswide Shares are issued or transferred, as applicable, in respect of the FY24 Rights prior to the Record Date (such that the relevant holders of the FY24 Rights will be able to participate in the Scheme).

If the Scheme does not become Effective, the original terms and conditions attaching to the Auswide Performance Rights will continue to be in effect. No Auswide director holds or is otherwise entitled to any Auswide Performance Rights.

18. Subject to any dealing restrictions that are applied to the MyState Shares issued to Auswide executives on implementation of the Scheme and which are necessary to comply with the deferred remuneration obligations under the Banking Executive Accountability Regime.

### 3.16 Deemed warranty on transfer of Auswide Shares to MyState

Under the terms of the Scheme each Scheme Participant warrants to MyState Bank and is deemed to have authorised Auswide to warrant to MyState Bank as agent and attorney for the Scheme Participant that:

- all of their Auswide Shares transferred to MyState Bank under the Scheme will, as at the date of the transfer, be fully paid and free from all encumbrances or any other third party interest or restriction on transfer of any kind;
- they have full power and capacity to sell and to transfer their Auswide Shares (including any rights and entitlements attaching to those shares) to MyState Bank under the Scheme; and
- they have no existing right to be issued any Auswide Shares, or any options, performance rights, securities or other instruments exercisable, or convertible into, Auswide Shares.

Auswide undertakes that it will provide the warranty to MyState Bank as agent and attorney of each Shareholder. You should ensure that your Auswide Shares are free of any such mortgages or security interests.

### 3.17 Deed Poll

A Deed Poll has been entered into by MyState Bank and MyState in favour of the Scheme Participants, to:

- provide, or procure the provision of, the Scheme Consideration to all Scheme Participants under the Scheme, subject to the Scheme becoming Effective; and
- undertake all other actions attributed to MyState Bank and MyState (as applicable) under the Scheme.

A copy of the Deed Poll is included in Annexure D.

### 3.18 Court approval

On Tuesday, 22 October 2024, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be despatched to Auswide Shareholders. The orders made by the Court convening the Scheme do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

Auswide will apply to the Court for an order approving the Scheme if the Scheme is approved by the Requisite Majorities of Auswide Shareholders at the Scheme Meeting. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majorities of Auswide Shareholders.

Each Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

The Corporations Act and the *Supreme Court (Corporations) Rules 1999* (NSW) provide a procedure for Auswide Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on Auswide a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Auswide should be notified in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be Friday, 6 December 2024, though an earlier date may be sought. Any change to this date will be announced through ASX and notified on Auswide's website ([www.auswidebank.com.au](http://www.auswidebank.com.au)).

### 3.19 Taxation implications

A general guide to the taxation implications of the Scheme for Auswide Shareholders is set out in section 8. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Shareholder.

## 3. Details of the Scheme

### 3.20 Your choices as a Shareholder

As a Shareholder you have the following choices:

- you can vote at the Scheme Meeting in person, online, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative;
- you can elect not to vote at the Scheme Meeting; or
- you can sell your Auswide Shares on ASX. If you sell your Auswide Shares on ASX you may incur brokerage costs. If the Scheme becomes Effective, Auswide Shares will cease trading on ASX at close of trading on the Effective Date. Accordingly, you can sell your Auswide Shares on market at any time before the close of trading on the day that the Scheme becomes Effective (although normal brokerage and other expenses on sale may be incurred). The Effective Date is expected to be Monday, 9 December 2024.

### 3.21 How to vote

Auswide Shareholders can vote:

- by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative;
- by attending the Scheme Meeting and voting online by visiting the online voting link <https://meetnow.global/MQDTYD7>; or
- by appointing a proxy to attend and vote on their behalf.

See pages 9-10 for full details on how to vote.

### 3.22 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024. Only those Auswide Shareholders entered on the Auswide Register at that time will be entitled to attend and vote at the Scheme Meeting.

### 3.23 Suspension of trading

Auswide will apply to ASX for suspension of trading in Auswide Shares on ASX after close of trading on the day the Scheme becomes Effective. Following final implementation of the Scheme, Auswide will request ASX to remove it from the official list of ASX.

For personal use only



**4.**

## **INFORMATION ON AUSWIDE**

# 4. Information on Auswide

## 4.1 Overview of Auswide

Auswide is a company registered in Queensland, Australia and governed by the Corporations Act. Auswide Shares are listed on ASX.

Auswide provides deposit, credit and banking services to personal and business customers across Australia, principally in Queensland, New South Wales and Victoria. It has a diversified branch network consisting of 16 branches across Queensland and relies upon business development managers located in Sydney and Melbourne to undertake its interstate business. Reflecting its building society origins, Auswide predominantly engages in home lending and deposit raising activities.

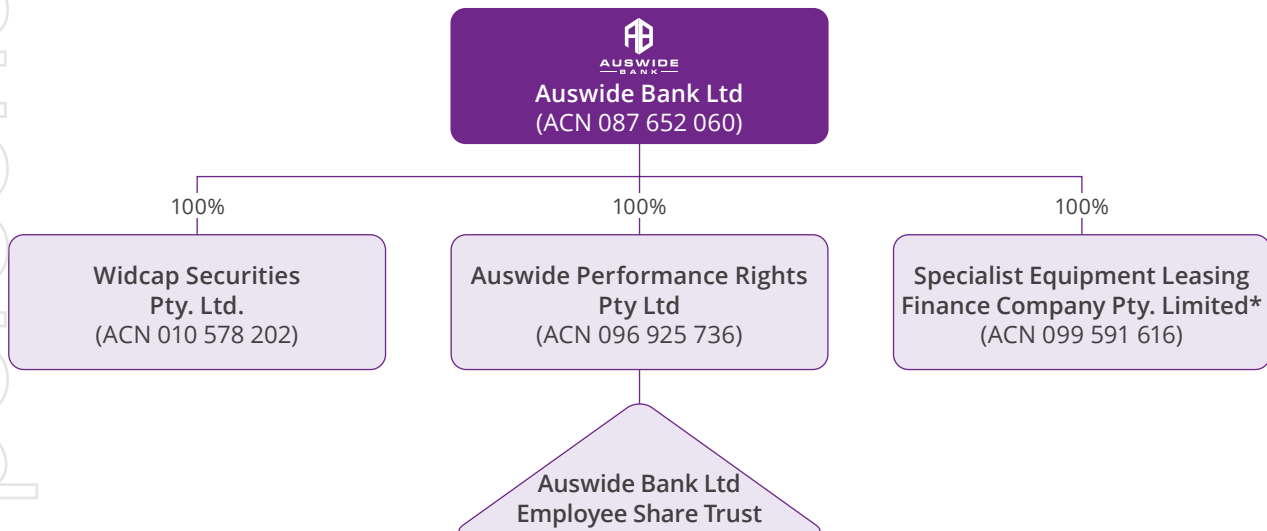
### (a) Recent acquisition

On 28 August 2024, Auswide announced to the market that it had completed the acquisition of Specialist Equipment Leasing Finance Company Pty Ltd (**Selfco**), a non-bank small and medium-sized enterprise asset finance lender. The Selfco business provides vehicle and equipment financing and operates nationally via a network of accredited finance brokers.

The strategic acquisition facilitates Auswide's entry into asset finance and drives scale by expanding Auswide's service offering into the large addressable small and medium-sized enterprise funding market.

The total consideration for the transaction will be up to \$6.5 million, comprising of an initial consideration of \$5 million of Auswide Shares and potential earn-out payments of up to \$1.5 million based on the achievement of profit-related performance hurdles.

## 4.2 Corporate Structure



\* As at the Last Practicable Date, Specialist Equipment Leasing Finance Company Pty. Limited was a wholly owned subsidiary of Auswide however it is a "shell" entity and is intended to be deregistered in due course.

### 4.3 Securitisation trusts

Widcap Securities Pty. Ltd. is a wholly owned subsidiary of Auswide which acts as the manager and custodian for Auswide's warehouse securitisation programs. Auswide also has an external securitisation program which is comprised of the following trusts:

- WB Trust 2008-1 (self securitisation trust);
- Wide Bay Trust No 5;
- ABA Trust No. 7; and
- ABA Trust 2023-1.

### 4.4 Capital and debt structure of Auswide

As at the Last Practicable Date, the capital structure of Auswide was as follows:

TYPE OF SECURITY	TOTAL NUMBER ON ISSUE
Auswide Shares	51,800,677
Auswide Performance Rights	133,738 <sup>19</sup>

Auswide has a range of funding lines, including customer deposits (its largest source of funding) and wholesale funding (such as securitisation). As at 30 June 2024, the debt structure of Auswide was as follows:

DEBT	\$'000	%
Customer deposits	3,686,244	75%
Negotiable certificates of deposit (NCDs) <sup>20</sup>	331,308	7%
Senior unsecured floating rate notes (FRNs) <sup>21</sup>	258,000	5%
Securitisation	570,622	12%
Subordinated debt	46,795	1%
RBA Term Funding Facility <sup>22</sup>	–	–
<b>Total funding</b>	<b>4,892,969</b>	<b>100%</b>

19. Refer to section 3.15 as to the treatment of these Auswide Performance Rights, noting that they will be reduced to zero prior to the Record Date if the Scheme proceeds.

20. A Negotiable Certificate of Deposit is a short term security typically issued by an ADI to a larger institutional investor in order to raise funds.

21. A Floating Rate Note is a security typically issued with a variable interest rate.

22. The Term Funding Facility (TFF) was announced by the RBA in March 2020 as part of a package of measures to support the Australian economy. Under the TFF, the RBA offered three-year funding to ADI's subject to collateral requirements. Auswide utilised \$89.766 million charged at a rate of 0.25% and \$61.040 million at a rate of 0.10%. Interest is payable to the RBA at the end of the funding period. Auswide has fully repaid the TFF and no longer has an outstanding balance for this facility as at 30 June 2024.

## 4. Information on Auswide

### 4.5 Directors and senior management

The current directors of Auswide are:

NAME	POSITION
Ms Sandra Christine Birkenleigh	Non-Executive Director, Non-Executive Chair
Mr Gregory Kenny	Non-Executive Director
Mr Grant Bruce Murdoch	Non-Executive Director
Ms Jacqueline Mary Korhonen	Non-Executive Director
Mr Cameron Mitchell	Non-Executive Director
Ms Lyn Therese McGrath	Non-Executive Director
Mr Doug Snell	Chief Executive Officer, Managing Director

Further details in respect of Auswide's Board can be found at:

<https://www.auswidebank.com.au/corporate/corporate-directory/board-of-directors/>

The current senior managers of Auswide are:

NAME	POSITION
Mr Damian Hearne	Chief Customer Officer
Mr William (Bill) Ray Schafer	Chief Financial Officer, Company Secretary
Mr Scott Johnson	Chief Information Officer
Ms Danielle Ryan	Group Executive – Operations & Technology
Ms Gayle Job	Chief People & Property Officer
Mr Craig Lonergan	Chief Risk Officer
Ms Rebecca Stephens	Chief Transformation Officer
Mr Rob Burden	Group Executive – Selfco
Mr Mark McKendry	Group Treasurer

If the Scheme does not proceed, the current senior management and the Board of Auswide will remain. If the Scheme is approved, the intentions of MyState in relation to management and employees generally is set out in section 6.3. The intended MyState Board from implementation of the Scheme is also set out in section 6.4.

Further details in respect of Auswide's senior management can be found at:

<https://www.auswidebank.com.au/corporate/corporate-directory/executive-management/>

### 4.6 Auswide Historical Financial Information

#### (a) Overview

The financial information of Auswide set out in this section 4.6 comprises:

- Auswide Consolidated Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024; and
- Auswide Consolidated Balance Sheets as at 30 June 2022, 30 June 2023 and 30 June 2024.

together the **Auswide Historical Financial Information**, and

- Auswide Pro Forma Consolidated Income Statement for the year ended 30 June 2024; and
- Auswide Pro Forma Consolidated Balance Sheet as at 30 June 2024;

together the **Auswide Pro Forma Historical Financial Information**.

**PricewaterhouseCoopers Securities Ltd** (as Investigating Accountant), has reviewed the:

- Auswide Consolidated Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024;
- Auswide Consolidated Balance Sheet as at 30 June 2024;
- Auswide Pro Forma Consolidated Income Statement for the year ended 30 June 2024; and
- Auswide Pro Forma Consolidated Balance Sheet as at 30 June 2024,



in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Limited Assurance Report, included in Annexure B. Auswide Shareholders should note the scope and limitations of the Investigating Accountant's Limited Assurance Report.

Auswide's full year financial statements, including all notes to those financial statements, and a description of Auswide's significant accounting policies can be found in:

- Auswide's Preliminary Final Report for the financial year ended 30 June 2024 (released to the ASX on 26 August 2024);
- Auswide's Annual Financial Report for the financial year ended 30 June 2023 (released to the ASX on 23 October 2023); and
- Auswide's Annual Financial Report for the financial year ended 30 June 2022 (released to the ASX on 21 October 2022).

The full reports are available on Auswide's website at <https://www.auswidebank.com> or on the ASX ([www.asx.com.au](http://www.asx.com.au)).

This section 4.6 should be read in conjunction with the risks to which Auswide is subject and the risks associated with the Scheme, as set out in section 7.

### (b) Basis of preparation

The Auswide Historical Financial Information and the Auswide Pro Forma Historical Financial Information is intended to assist Auswide Shareholders in understanding the financial performance and financial position of Auswide. The Auswide Board is responsible for the preparation and presentation of the Auswide Historical Financial Information and the Auswide Pro Forma Historical Financial Information.

The Auswide Historical Financial Information and Auswide Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) and on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Auswide Historical Financial Information and the Auswide Pro Forma Historical Financial Information has been derived from Auswide's consolidated financial statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which were audited by Deloitte Touche Tohmatsu, in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued unqualified audit opinions in respect of these consolidated financial statements. The Auswide Historical Financial Information and the Auswide Pro Forma Historical Financial Information is presented in A\$ and, unless otherwise noted, is rounded to the nearest A\$ thousand.

The Auswide Historical Financial Information and the Auswide Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements, or comparative information that is required by AAS issued by the Australian Accounting Standards Board (**AASB**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act and/or IFRS.

On 28 August 2024 Auswide announced the completion of the acquisition of Specialist Equipment Leasing Finance Company Pty Ltd (**Selfco**). In the Auswide Pro Forma Historical Financial Information, the Auswide Consolidated Income Statement for the year ended 30 June 2024 and the Auswide Consolidated Balance Sheet as at 30 June 2024 have been adjusted for the effect of the Selfco financial performance for the year ended 30 June 2024 and the acquisition of Selfco financial position as at 28 August 2024. No adjustment has been made to the Auswide Consolidated Income Statements for the years ended 30 June 2022 and 30 June 2023 for Selfco.

The Selfco Consolidated Income Statement for the year ended 30 June 2024 has been derived from Selfco's unaudited management accounts and is prepared in accordance with the recognition and measurement principles of AAS, which are consistent with IFRS issued by the IASB.

The Auswide Pro Forma Historical Financial Information is presented for information purposes only and is not intended to present or be indicative of what the results from operations or financial position would have been had the Selfco acquisition occurred immediately prior to 1 July 2023 for the Auswide Pro Forma Consolidated Income Statement and as at 30 June 2024 for the Auswide Pro Forma Consolidated Balance Sheet, nor is it meant to be indicative of future results from operations or financial position for any future period or as of any future date. The Auswide Pro Forma Historical Financial Information does not give effect to the potential impact of current financial conditions, or any anticipated revenue enhancements, cost savings or operating synergies that may result from the acquisition of Selfco and the integration of the two businesses.

## 4. Information on Auswide

### Items not reflected in the Auswide Pro Forma Historical Financial Information

As detailed above, the Auswide Pro Forma Historical Financial Information is provided for illustrative purposes only.

The Auswide Pro Forma Historical Financial Information presented in this section 4.6 does not purport to reflect the likely actual or prospective reported financial performance or financial position of the Auswide pro forma group.

It is likely that the actual financial performance and financial position of the Auswide pro forma group in future periods will differ from the Auswide Pro Forma Historical Financial Information presented in this section 4.6. The factors which may impact the actual financial performance or financial position of the Auswide pro forma group include but are not limited to:

- trading of Auswide and Selfco after 30 June 2024, which is not reflected in the Auswide Pro Forma Historical Financial Information;
- finalisation of the acquisition accounting for the Selfco acquisition, including determining appropriate purchase price allocation (**PPA**), including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost bases of Selfco following acquisition, including the recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of Auswide and Selfco; and
- current and future changes to accounting standards (if any).

### (c) Auswide Consolidated Income Statements and Auswide Pro Forma Consolidated Income Statement

The Auswide Consolidated Income Statements for years ended 30 June 2022, 30 June 2023 and 30 June 2024 and the Auswide Pro Forma Consolidated Income Statement for the year ended 30 June 2024 are set out in the following table.

AS AT	YEAR ENDED	YEAR ENDED	YEAR ENDED 30 JUNE 2024		
	30 JUNE 2022	30 JUNE 2023	Auswide Historical	Pro Forma adjustment 1 – SelfCo	Auswide Pro Forma
A\$ '000	Auswide Historical	Auswide Historical	Auswide Historical	Pro Forma adjustment 1 – SelfCo	Auswide Pro Forma
Interest income	105,967	189,562	250,474	9,918	260,392
Interest expense	(23,923)	(100,380)	(179,183)	(7,275)	(186,458)
<b>Net interest income</b>	<b>82,044</b>	<b>89,182</b>	<b>71,291</b>	<b>2,643</b>	<b>73,934</b>
Other non-interest income	12,388	11,342	11,253	331	11,584
<b>Total operating income</b>	<b>94,432</b>	<b>100,524</b>	<b>82,544</b>	<b>2,974</b>	<b>85,518</b>
Loan impairment expense	714	728	(232)	(595)	(827)
Operating expenses	(57,662)	(65,335)	(65,966)	(3,872)	(69,838)
<b>Profit before income tax expense</b>	<b>37,484</b>	<b>35,917</b>	<b>16,346</b>	<b>(1,493)</b>	<b>14,853</b>
Income tax expense	(11,352)	(10,850)	(5,115)	448	(4,667)
<b>Net profit after tax</b>	<b>26,132</b>	<b>25,067</b>	<b>11,231</b>	<b>(1,045)</b>	<b>10,186</b>

**Notes:**

**1. Acquisition of Selfco**

On 28 August 2024 Auswide completed the acquisition of Selfco. A pro forma adjustment has been made to FY24 to include a full year of Selfco's financial performance as extracted from Selfco's unaudited FY24 management accounts. No pro forma adjustment has been made to FY22 and FY23 to reflect Selfco's financial performance for these years.

At completion of the acquisition of Selfco, Auswide refinanced the pre-acquisition funding of the Selfco loan portfolio. No pro forma adjustment has been made to reflect the expected decrease in interest expense due to the change in funding under Auswide's ownership. During FY24, Selfco's average cost of funds were 9.08% compared with Auswide's FY24 average costs of funds of 3.77%.

As part of the consideration for the acquisition of Selfco, Auswide agreed to an earn out of up to \$13.5 million to be paid to Selfco's major shareholders, contingent on continuing service of the major shareholders and achievement of certain performance hurdles. The earn out payments are based on Selfco's financial performance for the years ending 30 June 2026, 30 June 2027 and 30 June 2028. As these payments are contingent on continuing service, they are expensed over the relevant service periods. No pro forma adjustment has been reflected for these expected incremental employee expenses.

No pro forma adjustment has been made to reflect any expected synergies arising from the acquisition of Selfco.

**(d) Overview of results**

**2024**

Auswide took a conservative approach to growth over the course of the year. During a period where market conditions remained challenged, Auswide pursued stability, risk management and sustainable growth over rapid expansion, resulting in a stable loan book across the year. The loan book grew from \$4,403 million as at 30 June 2023 to \$4,429 million as at 30 June 2024, an increase of \$26 million or 0.59%.

Despite the volatile macroeconomic environment and intense market competition, the loan book is well-positioned to leverage strong macroeconomic tailwinds in Queensland. 84% of all fixed rate loans at 30 June 2024 mature by 30 June 2025, which will roll to current market rates, delivering a material uplift in interest revenue.

The net interest margin declined from 1.88% in FY23 to 1.42% in FY24 as margin pressure continued. Total arrears greater than 30 days past due increased from \$4.2 million as at 30 June 2023 to \$8.8 million at 30 June 2024. Arrears past due 30 days have increased as a percentage of the Group's total loan book from 0.10% as at 30 June 2023 to 0.20% at 30 June 2024, which is favourable in comparison to Auswide's peers.

Operating expenses over the year were tightly controlled with a 1.0% increase on pcp (excluding expected credit losses) despite increases in personnel, technology, cyber security, fraud management and detection and compliance costs.

Auswide sold its equity accounted investment in Financial Advice Matters Group Pty Ltd and recorded a profit on sale of \$1.1 million in December 2023.

The statutory consolidated NPAT for the year ended 30 June 2024 was \$11.2 million, a decrease of 55.20% when compared to the result of \$25.1 million achieved in the prior year.

Auswide announced to the market on 19 August 2024 that a binding agreement had been entered to acquire 100% of Selfco, an established non-bank small-to-medium enterprise (**SME**) asset finance lender. Selfco is an established vehicle and equipment finance company operating nationally via a network of accredited finance brokers. Auswide completed the transaction on 28 August 2024.

The strategic acquisition facilitates Auswide's entry into asset finance and drives scale by expanding Auswide's service offering into the large addressable SME funding market. The transaction provides the opportunity for portfolio diversification by reducing concentration in home loans and key geographies. There is the potential for revenue growth opportunities through capitalising on synergies with Auswide's materially lower wholesale funding costs.

During a period of funding uncertainty the Selfco loan book showed subdued growth from \$78.5 million at June 2023 to \$80.9 million at June 2024, an increase of \$2.4 million or 3.08%. Increasing funding costs resulted in challenged operating results with an operating loss pre-tax of \$0.2 million in FY23 increasing to an operating loss pre-tax of \$1.5 million in FY24.

## 4. Information on Auswide

### 2023

The net interest margin and expenses were under pressure across H2 of the financial year as the effects of intense competition in the lending and deposit market were experienced. The economic environment presented several challenges, including the increasing interest rates, maturity of fixed loans and escalating personnel, technology/cyber, fraud management/detection and compliance costs.

During the period, Auswide delivered loan book growth of 14.2%, valuing its loan book at \$4,403 million, up from \$3,855 million at June 2022. Settlements across the year were up 27.9% compared to FY22. Expansion of the private bank service model and ongoing success in generating loans via the broker channel have elevated Auswide's capacity to grow.

The net interest margin for FY23 was 1.88% compared to 1.94% in the prior financial year, a decline of 6 basis points. Total arrears greater than 30 days past due decreased from \$7.0 million as at 30 June 2022 to \$4.2 million as at 30 June 2023. Arrears past due 30 days have decreased as a percentage of the Group's total loan book from 0.18% as at 30 June 2022 to 0.10% as at 30 June 2023.

Growth in the loan book was supported by Auswide's heightened strategic focus on customer experience which contributed to an increase in the customer base over FY23. Technology was utilised to improve the loan experience, through auto decisioned loans, digital documentation, and automated processes along with enhanced fraud detection and improved payment services.

Despite the volatile macroeconomic environment and intense market competition, Auswide was able to deliver a record underlying NPAT of \$25.1 million. The statutory consolidated NPAT for the year ended 30 June 2023 was \$25.1 million, a decrease of 4.08% when compared to the result of \$26.1 million achieved in the prior year.

### 2022

During the period, Auswide delivered loan book growth of 7.3%, valuing its loan book at \$3,855 million, up from \$3,593 million at June 2021. Approvals were up 10.3% compared to FY21. Auswide's 'Private Bank' service model, the Government's First Homeowners scheme, fixed rate products and the enhancement of Auswide's broker offering all underpinned growth in FY22.

The NIM had been a focus of Auswide's strategy during FY22 to ensure loan book growth was reflected in the net interest revenue. The highly competitive housing market was a feature of the financial year, putting additional pressure on the NIM and requiring ongoing management of funding mix and pricing. The net interest margin for the 2021/22 financial year was 1.94% compared to 2.00% in the prior financial year, a decline of 6 basis points.

Total arrears greater than 30 days past due decreased from \$9.0 million as at 30 June 2021 to \$7.0 million as at 30 June 2022. Arrears past due 30 days decreased as a percentage of the Auswide Group's total loan book from 0.25% as at 30 June 2021 to 0.18% as at 30 June 2022.

The growth in the loan book has been supported by Auswide's heightened strategic focus on its customer experience and products. In FY22 Auswide developed a new customer 'evolution journey' and increased its home loan support and retention focus for existing customers. The digital initiative of 'Anytime Anywhere Banking' also launched, offering face-to-face services, or Customer Hub and digital options. Auswide also continued to market its brand through a partnership with the Queensland Rugby League, which remains a strong reference point for brokers and consumers.

The statutory consolidated NPAT FY22 was \$26.1 million compared to the result of \$24.2 million for FY21. This represents an increase of 8.18%.

(e) Auswide Consolidated Balance Sheets and Auswide Pro Forma Consolidated Balance Sheet

AS AT	30 JUNE 2022		30 JUNE 2023		30 JUNE 2024 PRO FORMA ADJUSTMENTS			Auswide Pro Forma
	A\$ '000	Auswide Historical	Auswide Historical	Auswide Historical	1 – Capital raise & share purchase	2 – Acq. of Selfco	3 – Repayment of Selfco Warehouse Trust	
<b>Assets</b>								
Cash and liquid assets	178,537	203,247	224,213	14,159	2,862	(78,870)	162,364	
Due from other financial institutions	11,773	3,000	16,000	–	–	–	16,000	
Other assets	4,781	4,803	4,964	–	195	–	5,159	
Financial instruments	412,058	402,432	535,504	–	–	–	535,504	
Loans and advances	3,827,565	4,377,803	4,407,524	–	76,162	–	4,483,686	
Plant and equipment and right-to-use assets	20,648	18,914	20,438	–	–	–	20,438	
Tax assets	4,134	3,784	5,347	–	–	–	5,347	
Intangible assets and goodwill	49,202	49,338	48,890	–	6,600	–	55,490	
<b>Total assets</b>	<b>4,508,698</b>	<b>5,063,321</b>	<b>5,262,880</b>	<b>14,159</b>	<b>85,819</b>	<b>(78,870)</b>	<b>5,283,988</b>	
<b>Liabilities</b>								
Due to other financial institutions	23,995	36,154	66,879	–	–	–	66,879	
Deposits and other borrowing including subordinated notes	4,181,727	4,717,599	4,893,430	–	78,870	(78,870)	4,893,430	
Employee benefits provisions	3,956	4,029	3,869	–	323	–	4,192	
Other liabilities	8,315	6,204	5,498	–	2,537	–	8,035	
Tax liabilities	8,643	5,457	3,419	–	–	–	3,419	
<b>Total Liabilities</b>	<b>4,226,636</b>	<b>4,769,443</b>	<b>4,973,095</b>	<b>–</b>	<b>81,730</b>	<b>(78,870)</b>	<b>4,975,955</b>	
<b>Net assets</b>	<b>282,062</b>	<b>293,878</b>	<b>289,785</b>	<b>14,159</b>	<b>4,089</b>	<b>–</b>	<b>308,033</b>	
<b>Equity</b>								
Share Capital	199,784	211,818	215,597	14,159	5,000	–	234,756	
Retained earnings	53,843	59,789	56,275	–	(911)	–	55,364	
Reserves	28,435	22,271	17,913	–	–	–	17,913	
<b>Total Equity</b>	<b>282,062</b>	<b>293,878</b>	<b>289,785</b>	<b>14,159</b>	<b>4,089</b>	<b>–</b>	<b>308,033</b>	

Notes:

1. Capital raise and share purchase

Auswide completed a \$12.0 million underwritten institutional placement on 20 August 2024 and \$3.0 million non-underwritten share purchase plan on 16 September 2024. Transaction costs of \$0.8 million were incurred as part of these transactions and deducted from share capital.

2. Acquisition of Selfco

Reflects the purchase price accounting for the acquisition Selfco on 28 August 2024 (refer to tables below). This calculation is provisional and may be adjusted within the one year measurement period post-acquisition date in accordance with AASB 3 Business Combinations (AASB 3). Transaction costs of \$0.5 million were incurred as part of this transaction and expensed within retained earnings. Upon acquisition, Auswide has increased the Selfco loan book provision to align to APRA requirements, the increase of \$0.4 million is recognised within retained earnings.

## 4. Information on Auswide

### Purchase Price consideration

Value of Auswide shares issued at completion	\$5,000,000
Minority shareholder earn-out (assuming 90% probability of achievement performance hurdles) (1)	\$1,350,000
<b>Total purchase price consideration</b>	<b>\$6,350,000</b>

**Note (1)** Minority shareholder earn-out is separate to the majority shareholder earn-out discussed earlier in this section. The minor shareholder earn-out has been classified as contingent consideration and recognised as a liability within Other liabilities.

### 3. Repayment of Selfco Warehouse Trust

At completion of the acquisition of Selfco, Auswide refinanced the pre-acquisition funding of the Selfco loan portfolio of \$78.9 million using existing Auswide funds.

### Items not reflected in the Auswide Pro Forma Consolidated Balance Sheet

The Auswide Pro Forma Consolidated Balance Sheet has not been adjusted to reflect:

- the trading of Auswide and Selfco after 30 June 2024;
- the Selfco majority shareholder earn-out expense as this will be expensed over the service/earn-out period, refer to further details in the notes to the Auswide Consolidated Income Statements and Auswide Pro Forma Consolidated Income Statement; and
- Auswide's Final Dividend 2024 of 11.0 cents per share or \$5.7 million, paid on 4 October 2024 to Auswide Shareholders on the Auswide Register at the record date of 20 September 2024.

## 4.7 Material changes in Auswide's financial position

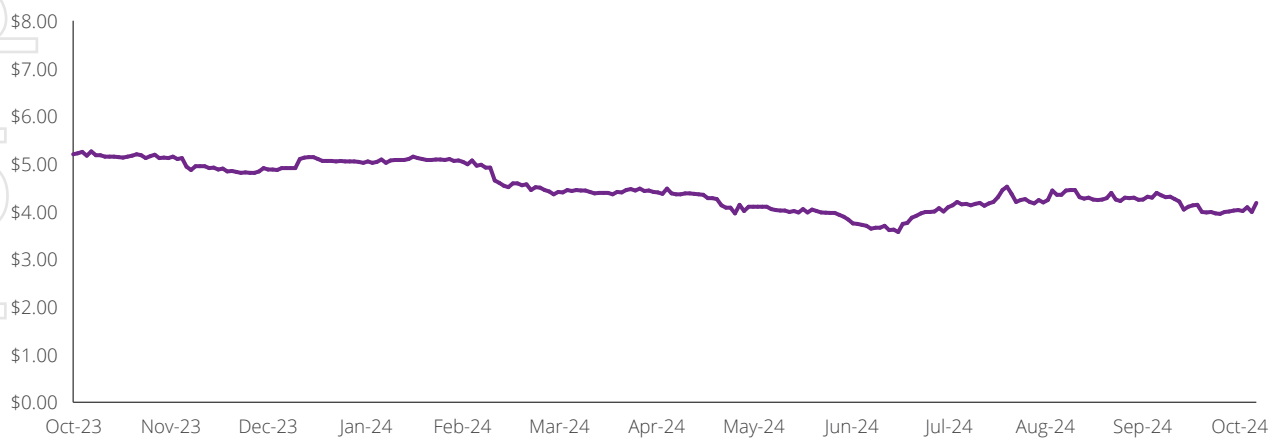
As at the Last Practicable Date, to the knowledge of the Auswide Directors, and except for the impact of the acquisition of Selfco and as disclosed elsewhere in this Scheme Booklet, the financial position of Auswide has not materially changed since 30 June 2024.

## 4.8 Recent share price history

As at the Last Practicable Date:

- the last recorded trading price of Auswide Shares on ASX was \$4.18;
- the 30-trading day volume weighted average price of Auswide Shares was \$4.15; and
- the lowest and highest closing prices of Auswide Shares during the previous 30-trading days were \$3.95 and \$4.39, respectively.

### Auswide Share price over the 12 months before the Last Practicable Date



As at 16 August 2024, being the last trading day prior to the announcement of the Scheme to the ASX on 19 August 2024:

- the last recorded trading price of Auswide Shares on ASX was \$4.35;
- the 30-trading day volume weighted average price of Auswide Shares was \$4.21; and
- the lowest and highest closing prices of Auswide Shares during the previous 30-trading days were \$3.99 and \$4.52, respectively.

The current price of Auswide Shares on ASX can be obtained from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

## 4.9 Capital adequacy and dividend policy

### (a) Capital adequacy

As at 30 June 2024, Auswide's capital adequacy ratios and pro forma capital adequacy ratios were as follows:

RATIO/RISK WEIGHTED ASSETS	AUSWIDE (%)	AUSWIDE PRO FORMA (%)
CET1 capital ratio	12.12%	12.42%
Tier 1 capital ratio	12.12%	12.42%
Total capital ratio	14.78%	14.96%
<b>Risk weighted assets (\$m)</b>	<b>\$1,854.4</b>	<b>\$1,939.1</b>

**Notes:** Auswide completed a \$12.0 million underwritten institutional placement on 20 August 2024 and \$3.0 million non-underwritten share purchase plan on 16 September 2024. Transaction costs of \$0.8 million were incurred to date as part of this transaction. On 28 August 2024, Auswide completed the acquisition of Selfco. A pro forma adjustment has been made to include the impact of the capital raise as well as Selfco's risk weighted assets as at 30 June 2024.

As at 30 June 2024, Auswide's capital adequacy ratios were strong with common equity tier 1 capital of 12.12% (12.42% on a pro forma basis) and total capital adequacy ratio of 14.78% (14.96% on a pro forma basis). The total capital adequacy ratio as at 30 June 2024 was in excess of the Auswide Board's target of 13.25%.

### (b) Dividend policy

Auswide seeks to maximise total shareholder return over the longer term through share price appreciation and via fully franked dividends. The Auswide Board approved target dividend payout ratio is 70-80% of after-tax earnings.

## 4.10 Directors' intentions for the business

The Corporations Regulations require a statement by the Auswide Directors of their intentions regarding the continuation of Auswide's business, major changes, if any, to be made to Auswide's business or any future employment of Auswide's current employees.

If the Scheme is implemented, MyState will acquire and control Auswide. On the Implementation Date, the MyState Board is expected to be reconstituted as set out in section 6.4. Accordingly, it is not possible for the Auswide Directors to provide a statement of their intentions after the Scheme is implemented regarding the above matters. The current intentions of MyState with respect to these matters are set out in section 6.3.

If the Scheme is not implemented, the Auswide Directors intend to continue to operate Auswide in the ordinary course of business and for Auswide to remain listed on ASX.

## 4. Information on Auswide

### 4.11 Publicly available information

Auswide is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure requirements of the Corporations Act and Listing Rules. Specifically, as a company listed on the ASX, Auswide is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information Auswide has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Further announcements concerning developments at Auswide may be made and placed on these websites after the date of this Scheme Booklet. ASX maintains files containing publicly available information about entities listed on their exchange. Auswide's files are available for inspection at ASX during normal business hours and are available on the ASX website ([www.asx.com.au](http://www.asx.com.au)).

Additionally copies of documents lodged with ASIC in relation to Auswide may be obtained from or inspected via ASIC's online registry portal ASIC Connect at [www.asic.gov.au](http://www.asic.gov.au), or at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

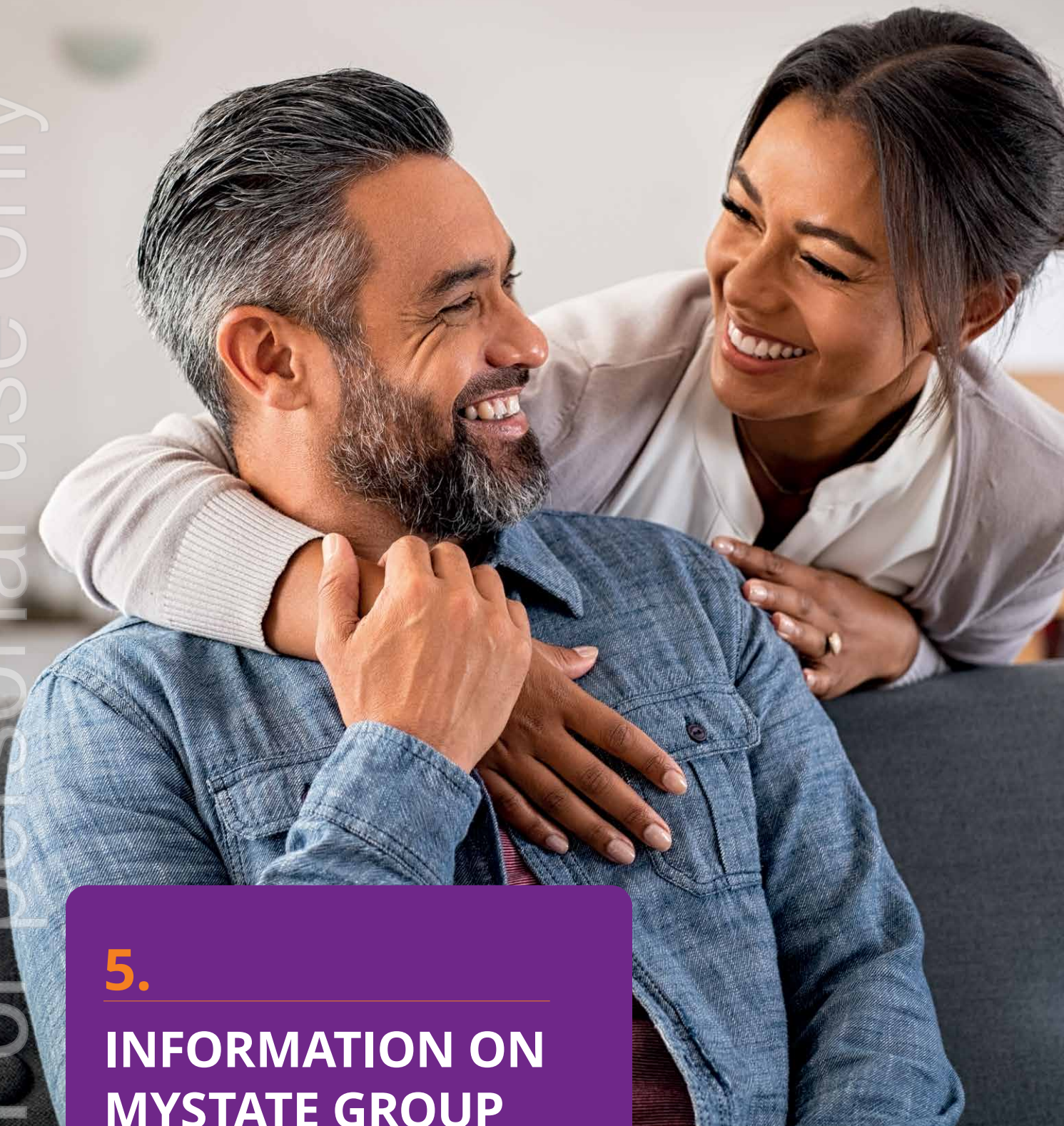
The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Auswide:

- constitution of Auswide;
- Auswide's annual report for the financial year ended 30 June 2024;
- Auswide's public announcements; and
- Auswide's half-year report for the 6 month period ended 31 December 2023.

The annual and interim reports and public announcements are also available at <https://www.auswidebank.com.au/corporate/shareholder-information/share-price-and-asx-announcements/>.

Auswide's corporate policies can also be found at: <https://www.auswidebank.com.au/corporate/governance/corporate-policies/>.





**5.**

**INFORMATION ON  
MYSTATE GROUP**

# 5. Information on MyState Group

This section 5 contains information concerning MyState and MyState Bank and its intentions in relation to the Merged Group. This section 5 forms part of the MyState Information. It has been prepared by MyState and is the responsibility of MyState. Auswide, Auswide Directors and officers and its advisers do not assume any responsibility for the accuracy or completeness of this information.

## 5.1 Brief history of the MyState Group and Business Overview

MyState is an Australian public company limited by shares. It was incorporated on 8 October 2008, listed on the ASX on 10 September 2009 and is headquartered in Hobart, Tasmania.

It was formed as a non-operating holding company (NOHC) in 2009 to be the parent entity of a diversified financial services group arising from the merger of Tasmanian Perpetual Trustees Limited (now TPT Wealth) and MyState Financial (now MyState Bank).

On 1 December 2011, MyState acquired The Rock Building Society Limited (**The Rock**) based in Central Queensland. On 30 September 2015, MyState Bank received regulatory approval to fully transfer all of the business undertakings of The Rock into MyState Bank.

Each of MyState Bank and TPT Wealth are holders of both an Australian Financial Services Licence and an Australian Credit Licence. MyState Bank is also an authorised deposit-taking institution regulated by APRA and is the entity within the MyState Group which is authorised to carry on banking business.

MyState Bank offers products including home loans, deposit accounts, and business banking products. TPT Wealth provides financial products including funds management and trustee services.

As at 30 June 2024, the MyState Group had:

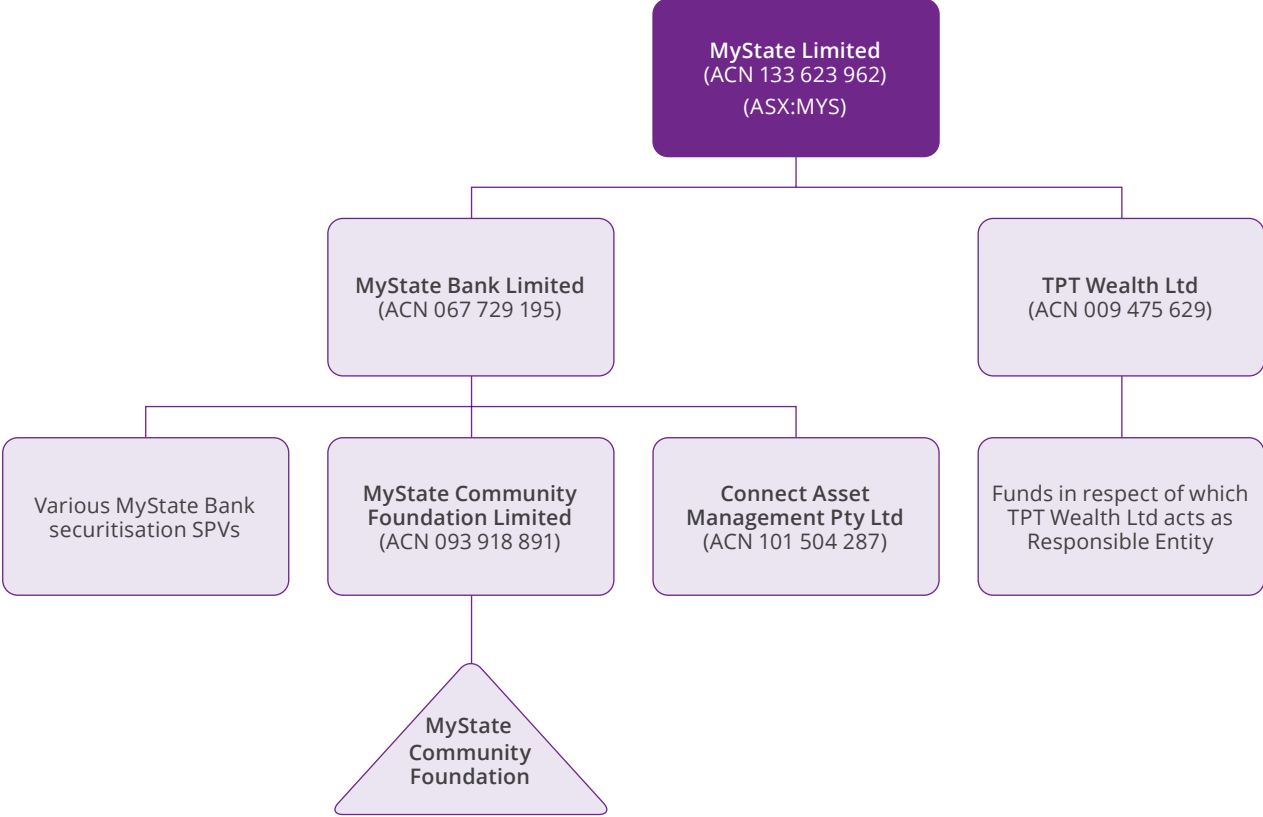
- a market capitalisation of approximately \$420 million;
- a home loan book of \$8.0 billion;
- customer deposits of \$5.9 billion;
- funds under management of \$1.0 billion; and
- approximately 180,000 customers.

## 5.2 MyState Group and organisational structure

The corporate structure diagram below shows the MyState Group prior to the implementation of the Scheme.

The MyState Group currently comprises 5 separate corporate entities, together with various funds in respect of which TPT Wealth acts as responsible entity, the MyState Community Foundation and additionally, various MyState securitisation trusts (which are listed in Table 5.2 below). MyState (the listed vehicle) is the sole shareholder of each of MyState Bank and TPT Wealth.

**Figure 5.2 MyState Group Corporate Structure Diagram**



**Table 5.2 Securitisation Trusts**

MYSTATE SECURITISATION SPECIAL PURPOSE VEHICLES AND TRUSTS	
Connect Asset Management Pty Ltd (ACN 101 504 287)	
Conquest 2010 1R	Self Securitisation Trust.
Conquest 2016-2 Trust	Public Residential Mortgage Back Securities (RMBS).
Conquest 2017-1 Trust	Public Residential Mortgage Back Securities (RMBS).
Conquest 2018-1 Trust	Public Residential Mortgage Back Securities (RMBS).
Conquest 2019-1 PP Trust	Private Placement Residential Mortgage Backed Securities (RMBS).
Conquest 2019-2 Trust	Public Residential Mortgage Backed Securities (RMBS).
Conquest 2022-1 Trust	Public Residential Mortgage Backed Securities (RMBS).
Conquest 2023-1 Warehouse Trust	Revolving Warehouse Facility.
Conquest 2023-2 Trust	Public Residential Mortgage Backed Securities (RMBS).
Conquest 2023-3 Warehouse Trust	Revolving Warehouse Facility.
Conquest 2024-1 Trust	Public Residential Mortgage Backed Securities (RMBS). Not yet issued.

## 5. Information on MyState Group

TPT Wealth delivers asset management and trustee services through relationship managers, digital channels and an Australian based estate planning, trust administration and support team.

Connect Asset Management Pty Ltd is the manager of the ConQuest securitisation trusts (listed above) and is responsible for administration in relation to the assets of these trusts and provides the external trustee of those trusts, instructions regarding the trusts' assets.

MyState Community Foundation Ltd acts as corporate trustee for the MyState Financial Community Foundation (**Foundation**). The Foundation's principal activity is to provide grants to charitable organisations within Tasmania, with the purpose of helping young Tasmanians reach their full potential.

### 5.3 Overview of MyState Bank

MyState Bank is an Australian public company limited by shares registered in Tasmania, Australia and was incorporated on 18 November 1959. It is the product of a series of mergers between Tasmanian credit unions over several decades. It is now a wholly owned subsidiary of MyState and is head-quartered in Hobart, Tasmania.

MyState Bank is also the entity within the MyState Group which will acquire the Auswide Shares under the Scheme.

As at the Latest Practicable Date, MyState Bank has 7 branches, all located in Tasmania and, as at 30 June 2024, employed approximately 345 staff (on a full-time equivalent basis).

### 5.4 Products and Services offered by MyState Group

MyState Bank offers home loan products nationally through its branches, mobile lenders and broker network, savings products and transactional banking solutions through online banking as well as through its branch network and deposit platforms.

A summary of the key products and services offered by the MyState Group follows, with green titled columns representing the activities of MyState Bank and orange titled columns representing the activities of TPT Wealth. The MyState Group generates revenues from fees charged in connection with these various products and services:

**Table 5.4 Products and Service Offerings**

	EVERYDAY BANKING	LENDING	ASSET MANAGEMENT	TRUSTEE SERVICES
<b>Core offering</b>	<ul style="list-style-type: none"> <li>Transaction accounts</li> <li>Savings accounts</li> <li>Term Deposits</li> </ul>	<ul style="list-style-type: none"> <li>Home loans</li> <li>Investment loans</li> </ul>	<ul style="list-style-type: none"> <li>Investment funds</li> <li>Commercial lending</li> </ul>	<ul style="list-style-type: none"> <li>Wills &amp; Estate planning</li> <li>Estate administration</li> <li>Charitable trusts</li> </ul>
<b>Key channels, distribution &amp; service</b>	<ul style="list-style-type: none"> <li>Digital</li> <li>7 branches (TAS)</li> <li>Contact centre</li> </ul>	<ul style="list-style-type: none"> <li>Brokers</li> <li>Mobile lenders (TAS)</li> <li>Contact centre</li> </ul>	<ul style="list-style-type: none"> <li>Relationship managers</li> <li>Digital</li> </ul>	<ul style="list-style-type: none"> <li>Direct</li> </ul>

## 5.5 Rationale for proposed merger with Auswide

The combination of two high-quality and complementary businesses is consistent with MyState's stated growth strategy and is expected to bring significant scale advantages for the Merged Group.

MyState considers that there is a compelling strategic rationale for the proposed Scheme, and is underpinned by the following:

- (a) the combination of two high-quality, complementary franchises, with the number of customers to increase from 180,000 to 272,000+;
- (b) combined lending assets of \$12.5 billion, funded with \$9.6 billion of customer deposits;<sup>23</sup>
- (c) the alignment of values and strategies with a shared customer-centric culture;
- (d) geographic diversification of the Merged Group's lending portfolio;
- (e) strong operating histories with quality loan books evidenced by low arrears by industry standards and loyal customer bases;
- (f) improved scale and operating efficiency from a stronger, larger balance sheet and increased funding flexibility;
- (g) the Merged Group will reaffirm the MyState Group's inclusion in the S&P/ASX300 index;
- (h) additional capacity to invest in profitable growth synergies;
- (i) increased ability to invest in data, digital, regulatory, risk management and cyber security;
- (j) employees will benefit from greater opportunities as part of a larger business;
- (k) continued support for the communities in which the Merged Group operates; and
- (l) the Scheme provides an opportunity for significant pre-tax cost synergies of \$20 million to \$25 million per annum to be realised across:
  - (i) **(Technology Platform)**: consolidation and adoption of best available technology platform (estimated to be approximately \$6 million to \$7 million). This includes the consolidation of core banking systems, security operating controls, treasury systems and payment systems;
  - (ii) **(Refined Board and Leadership)**: refined board and leadership team (estimated to be approximately \$12 million to \$15 million). Following implementation of the Scheme, there will be functional overlap and shared expertise across the combined business, with the opportunity to streamline the board and leadership team;
  - (iii) **(Integration of Shared Services)**: integration of shared services (estimated to be approximately \$2 million to \$3 million), relating to the rationalisation of duplicative functions (including but not limited to marketing, consulting, insurance, governance, legal); and
  - (iv) **(Revenue and Funding Synergies)**: unquantified revenue and funding synergies expected to be realised from cross-selling products and a potential reduction to wholesale funding costs of the Merged Group.

The aforementioned categories of synergies were identified following a detailed, joint review, conducted by MyState and Auswide. To support the quantitative range of synergies stated above, a bottom-up synergy analysis was conducted by MyState:

- **(Technology Platform)**: Technology platform synergies includes volume-based benefits that are expected to arise due to the larger scale of the Merged Group as well as cost savings associated with converting Auswide's existing technology platform onto MyState's. There is incremental purchasing power that the Merged Group is expected to experience with respect to data systems, general ledger technology platforms, risk systems and its core banking platform. The Merged Group is expected to be able to negotiate better outcomes, with an estimate made that the merged group can reduce the technology cost by approximately 10 per cent. Included within this estimate is the forecast for reduced amortisation of technology systems following the conversion of platforms.

23. Refer to the Merged Group Pro Forma Historical Financial Information at section 6.8, including the Merged Group Pro Forma Consolidated Balance Sheet at 6.8(d).

## 5. Information on MyState Group

- **(Refined Board and Leadership):** Refined board and leadership team represents the largest synergy category. This reflects the benefits of a single, combined management team and board relative to the separate leadership teams of MyState and Auswide respectively. In the immediate period following implementation of the Scheme, there will be consolidation across group service functions, including technology, people, risk, finance and treasury, as well as immediate savings across duplicative board and management functions. Over the integration period, approximately half of the stated synergies are expected to arise from business teams, and approximately half across governance, executive and group services.
- **(Integration of Shared Services):** Shared services include reducing duplicative functions across marketing, consulting and insurance. This category of synergy also includes the reduction in auditors from four to two over the integration period.

To illustrate the potential value of the identified synergies, a capitalisation of the after-tax equivalent synergy range of the mentioned \$20 million to \$25 million per annum suggests a valuation range of between \$166 million and \$207 million based on a price-to-earnings multiple of 11.8x in line with MyState's FY24 multiple.

SYNERGY (\$M)	RANGE: LOW	RANGE: HIGH
Technology Platform	6	7
Refined Board and Leadership	12	15
Integration of Shared Services	2	3
Revenue and Funding Synergies	–	–
<b>Total Pre Tax Synergies</b>	<b>20</b>	<b>25</b>
MyState FY24 Effective Tax Rate	29.7%	29.7%
<b>Total Post Tax Synergies</b>	<b>14</b>	<b>18</b>
Illustrative MyState P/E Multiple (x)	11.8	11.8
<b>Illustrative Value (assuming MyState P/E Multiple)</b>	<b>166</b>	<b>207</b>
<b>Implied Percentage of MyState's Market Cap as at Last Practicable Date</b>	<b>40%</b>	<b>50%</b>

Based on the financial due diligence undertaken, including an assessment of the expected pre-tax cost synergies of approximately \$20 million to \$25 million per annum, the proposed Scheme is expected to be earnings per share accretive from FY26 on a post synergies run rate basis (excluding integration and transaction costs).<sup>24</sup> This assumes that by FY26 the Merged Group will achieve:

- an improved cost to income ratio through the achievement of cost synergies. As standalone entities, MyState and Auswide have historically had cost to income ratios exceeding 60%, while the Merged Group is expected to achieve a lower cost to income ratio as duplicate costs (or synergies) from the standalone businesses are removed through the optimisation of human resources, technology and administrative functions;
- modest growth in home lending with the Merged Group home loan book growing slightly faster than the market growth assumption of 4% to 5% per annum; and
- maintaining existing levels of credit quality.

MyState expects that operational integration will largely be achieved by the end of FY27 at which point the Merged Group will have realised the ongoing benefits of the Scheme.

24. The estimated one-off costs to achieve the estimated cost synergies is approximately \$29 million, representing 1.3x the annualised synergies.

## 5.6 Board and senior management

### (a) MyState Board

As at the date of this Scheme Booklet, the MyState Board comprised the following members:

NAME	POSITION	PROFILE
<b>Mr Vaughn Richtor</b>	Chairman (Non-Executive Director)	<p>Vaughn was appointed as a non-executive director in September 2019. He was appointed Chairman of the board on 1 April 2022. He is also a member of MyState's Group Audit Committee, Group Risk Committee and Group Remuneration and Nominations Committee.</p> <p>He has held Chief Executive Officer (<b>CEO</b>) roles in Australia and Asia and is the former CEO of ING Bank (Australia) Limited (trading as ING Direct) and CEO Challenger and Growth Countries – Asia, ING Group after joining ING in London in 1991 as Deputy General Manager UK and Ireland. Vaughn is a non-executive director of Rest Super and also current adviser to Rhizome Advisory Group and Rivva Pty Ltd (trading as Spriggy).</p> <p>Vaughn is a prior board member of TMB Bank Public Company Limited in Thailand, Kookmin Group in Korea, and a non-executive director, and later Chairman, of RateSetter Australia Pty Limited. He was previously an adviser to the Strategy Implementation Institute in Singapore and Wyvern Health in Australia and has written and spoken extensively on leadership, corporate culture, customer centricity and digital banking.</p>
<b>Mr Brett Morgan</b>	Managing Director	<p>Brett commenced with the MyState Group as Managing Director and CEO on 17 January 2022. He was previously CEO, Banking and Wholesale at ASX listed BNK Banking Corporation Limited (ASX:BBC).</p> <p>Brett previously worked for ING DIRECT for 15 years, the last 6 as a member of the executive team. In 2012, Brett was appointed Country Head Branch Banking, Marketing and Private Clients at ING Vysya Bank in India, 40% owned by ING Group.</p> <p>He returned to Australia in late 2014, taking up key divisional CEO roles with Inloop Pty Ltd, an Australian technology business that develops and operates financial technology, data and digital marketplace businesses.</p>
<b>Mr Stephen Davy</b>	Non-Executive Director	<p>Stephen was appointed as a non-executive Director in July 2021. He is chair of MyState's Group Remuneration and Nominations Committee and also a member of the MyState Group Risk Committee and Group Audit Committee.</p> <p>He was formerly CEO and Director of Hydro-Electric Corporation (Hydro Tasmania), a position he held from 2013 to 2020. Prior to that role he held senior executive roles at Hydro Tasmania, Eraring Energy, Societe General and Bankers Trust and started his banking career at Macquarie Bank Limited. Stephen is also a Director of the MyState Community Foundation, Sonic Civil Investments Pty Ltd, CleanCo Queensland Limited and The Mather Endowment Trust and was formerly a Director of Volunteering Tasmania Inc.</p>

## 5. Information on MyState Group

NAME	POSITION	PROFILE
<p><b>Ms Sibylle Krieger</b></p>	<p>Non-Executive Director</p>	<p>Sibylle was appointed as a non-executive director in December 2016. She is the chair of MyState's Group Risk Committee and also a member of the Group Remuneration and Nominations Committee.</p> <p>Sibylle has been a non-executive director since December 2016 and has over 40 years of broad commercial experience as a lawyer, economic regulator, company director and independent consultant. She was a partner in two large commercial law firms for 22 years and has over 17 years' experience as a non-executive director and chair across listed and unlisted companies in multiple sectors. Her current portfolio includes financial services, essential infrastructure services, professional services and energy.</p> <p>Sibylle is currently a non-executive director of Ventia Services Group Limited (ASX:VNT) and AEMO Services Limited. She is also a member of the Commonwealth Capacity Investment Scheme Investment Committee, an advisory body for Commonwealth investment in the energy transition, and a member of the advisory board of Law Squared, a challenger to the traditional law firm model.</p> <p>She has previously served as Chair of Xenith IP Group Limited (ASX:XIP) and as a director of Sydney Ports Corporation, Allconnex Water (South-East Queensland), TasWater, Vector Limited (NZX:VCT), the Australian Energy Market Operator Ltd (AEMO), Openpay Group Limited and as a trustee of the Royal Botanic Gardens and Domain Trust and of Sydney Grammar School. In addition, for six years Sibylle served as a Tribunal member of the principal NSW economic regulatory tribunal, IPART.</p> <p>She holds undergraduate and post-graduate degrees in law and an MBA from Melbourne Business School. She is a Fellow of the Australian Institute of Company Directors.</p>
<p><b>Mr Warren Lee</b></p>	<p>Non-Executive Director</p>	<p>Warren was appointed as a non-executive director in October 2017. He was appointed chairman of TPT Wealth in August 2023. He is also a member of MyState's Group Risk Committee and Group Audit Committee.</p> <p>Warren has extensive experience in the international financial services industry, including 15 years at AXA Group in senior management positions within the company's Australian and Asian businesses. Warren was previously the CEO of the Victorian Funds Management Corporation and CEO, Australia and New Zealand for AXA Asia Pacific Holdings Limited. He has previously served as a Director of Avenue Bank Limited and Tower Limited. Warren is currently a Non-Executive Director of MetLife Limited and Solterra Agriculture Pty Ltd and is Chair of Warakirri Asset Management Limited and Flinders Investment Partners Pty Ltd.</p>



NAME	POSITION	PROFILE
<b>Ms Andrea Waters</b>	Non-Executive Director	<p>Andrea was appointed as a non-executive director in October 2017. She is the chair of MyState's Group Audit Committee and also a member of the Group Risk Committee.</p> <p>Andrea is an experienced non-executive director, auditor and accountant with over 40 years' experience in financial services. She is a Fellow of Chartered Accountants Australia &amp; New Zealand, and both a member and accredited facilitator of the Australian Institute of Company Directors. She is a former partner with KPMG, specialising in financial services audit.</p> <p>Andrea is the Chairman of the Colonial Foundation, Helia Group Limited (ASX:HLI) and Grant Thornton Australia Ltd. She was previously a Director of Citywide Service Solutions Pty Ltd, The Lord Mayor's Charitable Foundation, Chartered Accountants Australia &amp; New Zealand, Bennelong Funds Management Group, Cancer Council Victoria, CareSuper and Cash Converters International Limited (ASX:CCV).</p>

**(b) Board of MyState Bank**

As at the date of this Scheme Booklet, the board of MyState Bank has an identical composition to the board of MyState as set out in paragraph 5.6(a) above.

**(c) Senior management**

As at the date of this Scheme Booklet, the MyState Group senior management team comprised the following members:

NAME AND POSITION	POSITION	EXPERIENCE
<b>Mr Brett Morgan</b>	Chief Executive Officer	Refer to Brett's experience as set out in the table at section 5.6(a).
<b>Mr Paul Moss</b>	Chief Operating Officer	As Chief Operating officer, Paul is responsible for the strategic direction and delivery of MyState Limited Group's Technology, data capability and cyber resilience. Paul was previously a Director of IT Advisory at KPMG, following 11 years at Betfair in the UK and Australia as Director of Information Systems and Operations, focusing on strategy development, global infrastructure deployments and customer experience. Prior, Paul occupied technical leadership positions in UK-based investment banks.

## 5. Information on MyState Group

NAME AND POSITION	POSITION	EXPERIENCE
<b>Mr Gary Dickson</b>	Chief Financial Officer	As Chief Financial Officer ( <b>CFO</b> ), Gary is responsible for managing the finance, treasury, regulatory reporting, strategy and property functions for MyState. Gary is also a director of Connect Asset Management Pty Ltd. Gary has over 30 years of experience in a variety of financial roles, with 15 years of CFO experience. His most recent position was at ME Bank as CFO, where he drove strong growth in key financial metrics during his six-year tenure. Prior to this, Gary held the position of CFO for AXA Australia Group for five years. His prior financial services roles include senior positions with the Colonial First State Group, the Investments & Insurance Services division at Commonwealth Bank of Australia and Portfolio Partners Limited.
<b>Ms Mandakini Khanna</b>	Chief Risk Officer	Mandy is responsible for both financial and non-financial risks at MyState. She chairs the Group Enterprise Risk Committee and the Environment, Social and Governance Committee. Mandy has over 25 years' experience in banking and financial services across sales, product management, operations and risk management. Prior to joining MyState in December 2015, Mandy was the Chief Credit Officer for GE Capital, before which she held various senior risk positions in GE Capital across Asia Pacific.
<b>Mr Tim Newman</b>	General Manager, Lending	As General Manager, Lending, Tim is responsible for all elements of MyState's retail lending business – including product development, distribution, operations and service delivery. Tim joined MyState in 2022 as Head of Business Transformation. Prior to this Tim spent 15 years at ING Australia in a variety of senior leadership positions across the retail bank – including Head of Product, Head of Strategy, Head of Customer Experience and Service and Executive Director for Operations.
<b>Mr Claudio Mazzarella</b>	General Manager, Everyday Banking & Marketing	As General Manager, Everyday Banking & Marketing, Claudio has strategic, commercial and operational responsibility for MyState's Everyday Banking & Marketing business that includes product (deposits), digital, marketing, payments, retail branches and contact centre that is designed to drive customer and deposit growth.  Claudio has over 19 years' experience across financial services and digital banking in senior business and functional leadership roles spanning product, payments, digital, marketing, channel management, operational support and transformation. He was previously General Manager, Group Payments at BOQ, before which he was General Manager for Products and Payments at ME Bank. He has also held key functional roles at NAB and Coles Myer Ltd (now Coles Group).

NAME AND POSITION	POSITION	EXPERIENCE
<b>Mr Matt Pearson</b>	General Manager, Wealth Management	As General Manager of MyState Limited Group's Wealth Management division, TPT Wealth Limited, Matt has strategic, commercial and operational responsibility for the division's commercial lending, funds management and private trustee businesses. Matt has over 20 years' experience in the financial services and private trustee sectors, having held senior roles in the UK, New Zealand and Australia, most latterly as Head of Australian Executor Trustees' private trustee business.
<b>Ms Janelle Whittle</b>	General Manager, People Community and Public Relations	<p>Janelle has overall responsibility for MyState Limited Group's human resources function, community portfolio, including the MyState Bank Community Foundation, and public relations. People and culture has a key role in developing and fostering an organisational culture to support MyState's growth aspirations.</p> <p>Janelle has over 20 years' experience in human resource management across a number of industries including aquaculture, utilities and higher education. Her previous senior leadership positions in human resources include General Manager People and Culture at Aurora Energy, and Director Organisational Design and Change at the University of Tasmania.</p>

**5.7 Interests of MyState Directors and senior management**

**(a) Shareholding interests in Auswide**

The table below sets out the interests of the MyState Directors in Auswide securities as at the Last Practicable Date:

DIRECTOR	AUSWIDE SECURITIES	AUSWIDE CONTRACTS/ OTHER
Mr Vaughn Richtor	Nil	Nil
Mr Brett Morgan	Nil	Nil
Mr Stephen Davy	Nil	Nil
Ms Sibylle Krieger	Nil	Nil
Mr Warren Lee	Nil	Nil
Ms Andrea Waters	Nil	Nil

As at the Last Practicable Date none of MyState Bank, MyState or any of their respective Associates has any:

- Relevant Interests or voting power in any Auswide Shares; or
- any interest of any kind in any contract entered into by any member of the Auswide Group (other than the Scheme Implementation Agreement).

**(b) Dealings in Auswide Shares in previous four months**

None of MyState or any of its respective Associates has provided or agreed to provide consideration for any Auswide Shares under any other transaction during the period of four months before the Last Practicable Date, except for the Scheme Consideration which MyState has agreed to provide under the Scheme.

## 5. Information on MyState Group

### (c) Inducing benefits to holders of Auswide Shares during previous four months

During the four months before the Last Practicable Date, none of MyState, or any of their respective Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

- vote in favour of the Scheme; or
- dispose of Auswide Shares,

where the benefit was not offered to all current Auswide Shareholders.

### (d) Benefits to Auswide officers

None of MyState, or its Related Bodies Corporate and their respective Associates will be making any payment or giving any benefit to any current directors, secretaries or officers of any member of the Auswide Group as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

### (e) No interests of MyState or MyState Bank directors in Auswide Shares

As at the date of this Scheme Booklet, and other than as stated at section 5.7(a) above, none of the directors of MyState or MyState Bank have a Relevant Interest in any Auswide Shares.

### (f) Shareholding interests in MyState

The table below sets out the interests of the MyState Directors (held directly and indirectly) in MyState securities as at the date of this Scheme Booklet:

MYSTATE DIRECTORS	MYSTATE SECURITIES	PERCENTAGE (%)
Mr Vaughn Richtor	MyState Shares: 45,426	0.041
Mr Brett Morgan	MyState Shares: 63,048	0.057
	MyState performance rights:	
	• 267,456 issued	
	• 136,170 to be issued subject to MyState shareholder approval at the upcoming 2024 annual general meeting	
Mr Stephen Davy	MyState Shares: Nil	0
Ms Sibylle Krieger	MyState Shares: 33,099	0.030
Mr Warren Lee	MyState Shares: 37,641	0.034
Ms Andrea Waters	MyState Shares: 39,516	0.036

### (g) Disclosure of interests

Except as otherwise provided in this Scheme Booklet, no:

- MyState Director or proposed MyState Director;
- person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet for or on behalf of MyState; or
- promoter, stockbroker or underwriter of MyState or the Merged Group,

(together the **Interested Persons**) holds, or held at any time during the two years before the date of this Scheme Booklet any interests in:

- the formation or promotion of MyState or the Merged Group;
- property acquired or proposed to be acquired by MyState in connection with the formation or promotion of MyState or the Merged Group or the offer of MyState Shares under the Scheme; or
- the offer of MyState Shares under the Scheme.

## 5.8 Dividend history

As at the date of this Scheme Booklet, the board of MyState has established a policy of targeting a dividend payout ratio in the range of 60-80% of net profit after tax.

DIVIDEND	AMOUNT	PAYMENT DATE	FRANKING
Interim Dividend 2021	12.50c	16-Mar-21	Fully franked
Final Dividend 2021	13.00c	21-Sep-21	Fully franked
Interim Dividend 2022	12.50c	15-Mar-22	Fully franked
Final Dividend 2022	11.50c	7-Sep-22	Fully franked
Interim Dividend 2023	11.50c	21-Mar-23	Fully franked
Final Dividend 2023	11.50c	19-Sep-23	Fully franked
Interim Dividend 2024	11.50c	22-Mar-24	Fully franked
Final Dividend 2024	11.50c	16-Sep-24	Fully franked

MyState also operates a dividend reinvestment plan (DRP). When a dividend is announced to the market, MyState will advise whether the DRP is to be active for that dividend.

Under the terms of the Scheme Implementation Agreement, MyState must suspend the operation of the DRP such that it must not operate in respect of any dividend referable to the half year ending 31 December 2024.

## 5.9 Corporate Governance

The MyState Board is responsible for the corporate governance of the MyState Group.

The MyState Board approved governance framework (below) is supported by policies, control systems and procedures to effectively operate the business. This framework helps the MyState Board to identify, assess, monitor and manage business risks and compliance with regulatory requirements.



The MyState Board and its committees each operate under a separate charter which sets out composition requirements and oversight responsibilities. These charters, together with the main governance policies, are available on the MyState website: <https://www.mystatelimited.com.au/home/?page=corporate-governance> and are summarised below:

## 5. Information on MyState Group

### (a) Board Charter

The Board Charter sets the principles for the operation of the board and the oversight functions and responsibilities of the board. The board is responsible for the overall operation and stewardship of MyState. The role of the board is to:

- appoint and monitor the performance of the CEO;
- provide overall leadership, setting the purpose and values;
- set the strategic direction and risk profile of the MyState Group;
- approve key policies and oversee compliance management; and
- lead and monitor the culture and performance including customer experience and outcomes.

The MyState Board is primarily responsible for ensuring that MyState has an appropriate corporate governance structure for the creation and protection of shareholder value. The board's role is to govern the company rather than to manage it. In governing MyState, the directors must act in the best interests of the company as a whole. It is the role of senior management to manage MyState in accordance with the direction and delegations of the board and the responsibility of the board to oversee the activities of management in carrying out these delegated duties.

### (b) Group People Remuneration and Nomination Committee Charter

The Group People Remuneration and Nominations Committee (**GPRNC**) charter sets out the committee's oversight responsibilities which include board performance; remuneration policy and associated arrangements; organisational culture, employee development and engagement; director nominations and the review and recommendation to the board of the relevant corporate governance policies and practices.

### (c) Group Audit Committee Charter

The Group Audit Committee (**GAC**) charter sets out the committee's oversight responsibilities which include assisting the MyState Board in discharging its obligations by providing objective, non-executive review of external financial reporting (including environment, social and governance related disclosures), APRA statutory reporting, the effectiveness of the internal control environment and audit related activities.

### (d) Group Risk Committee Charter

The Group Risk Committee (**GRC**) charter sets out the committee's risk oversight responsibilities. The GRC monitors MyState's strategic and operational risk profiles and oversees management of enterprise wide risks (both financial and non-financial) within the context of the board approved Risk Management Strategy and Framework policy and the Risk Appetite Statement.

### (e) Board Renewal and Evaluation Policy

Board renewal and succession planning is a fundamental part of MyState's corporate governance framework and is conducted in accordance with the Board Renewal and Evaluation Policy. The GPRNC reviews the composition of the board in consideration of many factors including, but not limited to:

- the retirement by rotation of directors in accordance with the MyState constitution; and
- the collective skills and experience around the board table.

The MyState Board undertakes the following performance evaluation processes:

- an independent external review by appropriately skilled specialists is conducted at least every three years. An externally facilitated review was completed in 2022;
- in the intervening years directors complete an internal evaluation. The results are collated and discussed by the MyState Board. An internal review has been completed in 2023; and
- each board committee conducts an annual review of its performance against its Board Charter.

The MyState Board and each board committee completed a review during the prior 12 months of the date of this Scheme Booklet.

## **(f) Fit and Proper Person Policy**

APRA's Prudential Standard CPS 520 'Fit and Proper' also requires directors, senior management and auditors of an authorised deposit-taking institution to be assessed before appointment to establish that they have the appropriate skills, experience and knowledge to perform their role. The MyState Board approved 'Fit and Proper Policy' is located on the website and all 'Responsible Persons', including all directors, have been assessed as meeting the 'fit and proper' criteria.

## **(g) Independent Director Standards**

The MyState Board has an 'Independent Director Standards' policy that complies with the ASX Corporate Governance Principles and Recommendations (4th Edition) and is available on MyState's website. To qualify as being 'independent', a director must, in the opinion of the MyState Board, be independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his/her unfettered and independent judgement.

The MyState Board has reviewed the position and associations of each of the current non-executive directors and, noting that no director opined on their own position, has determined that all are independent.

## **(h) Selection of External Auditor**

MyState's external auditor for the financial year was Wise Lord & Ferguson. The effectiveness, performance and independence of the external auditor is assessed annually by the GAC and reviewed by the MyState Board.

## **(i) Risk Management**

Through the GRC, the MyState Board monitors management's performance against the MyState Board approved Risk Management Strategy and Risk Appetite Statement. The risk strategy is reviewed at least annually and is operationalised through a 'Three Lines of Defense' model. This model clearly establishes:

- Line 1 risk management accountabilities and responsibilities for all staff through divisional risk committees;
- Line 2 oversight is provided by MyState's Risk Management team; and
- Line 3 oversight is provided by the internal audit function.

The outsourced internal audit function are provided by Deloitte Touche Tohmatsu, supporting MyState with independent evaluations of its governance, risk management and control processes. The annual internal audit plan is approved by the GAC.

The Risk Management Strategy and Framework incorporates a forward-looking view via a combination of the Strategic Risk Register and an Emerging Risk Register which are monitored regularly and reviewed at least annually.

## **(j) Market Disclosure and Communication Policy**

As a publicly listed company, MyState has obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of all information which may have, or could reasonably be expected to have, a material effect on the price or value of its securities. The ASX Listing Rules contain provisions requiring the continuous disclosure of information to keep the market informed of events and developments as they occur. ASX Listing Rule 3.1 provides that once MyState becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of MyState's securities, MyState must immediately disclose that information to the ASX.

Further, ASX Listing Rule 15.7 requires that an entity not release information that is intended for release to the market to any person until it has given the information to the ASX, and has received an acknowledgement that ASX has released the information to the market. MyState is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act. The MyState Board recognises its duty to ensure that its shareholders are informed of all material developments affecting MyState's operations and affairs.

The policy attributes accountability at executive level for compliance and, in particular, it sets out how information will be identified, considered for disclosure and then, where appropriate, disclosed to the market. The MyState Company Secretary is the nominated disclosure officer and has responsibility for:

- overseeing and coordinating disclosure of information to the ASX;
- promptly providing a copy of all market announcements to the MyState Board after they have been made; and
- administering the Market Disclosure and Communications Policy.

## 5. Information on MyState Group

MyState's investor relations program incorporates periodic investor and analyst briefings, which are subject to the following protocols:

- no information which could be expected to have a material effect on the price or value of MyState's securities will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market and, if material information of this kind is inadvertently released, it will immediately be released to the market via the ASX and be available on the MyState website;
- questions at presentations that deal with material information not previously disclosed will not be answered;
- MyState will publish a copy of the presentation material on the website; and
- forecast information will not generally be provided by MyState unless it has already been disclosed to the market.

### (k) Share Trading Policy

MyState is committed to complying with the Corporations Act and the ASX Listing Rules to create a transparent market in the trading of its securities on the ASX. ASX Listing Rule 12.9 requires MyState, as a listed entity, to have a trading policy that restricts its directors and other key management personnel from trading in its securities during certain closed periods.

The MyState Board requires directors to own MyState shares, to further align their interests with the interests of shareholders. The MyState Board also encourages employees generally to own shares. The Share Trading Policy governs share dealings by directors and employees in accordance with the requirements of the Corporations Act and:

- provides a summary of the insider trading prohibition and sets out the specific requirements in relation to the buying, selling or otherwise dealing in MyState shares, or shares in other companies;
- establishes procedures relating to buying and selling shares that provides protection to MyState, directors and employees, so that they do not abuse, and do not place themselves under suspicion of abusing, inside information that they have or may be thought to have, especially in periods leading up to an announcement of MyState's results; and
- explains the type of conduct that is prohibited under the Corporations Act.

In addition, the Share Trading Policy clearly prohibits the hedging of any economic exposure to MyState shares whether that relates to unvested entitlements under the Executive Long Term Incentive Plan or to shares owned outright.

### (l) Code of Conduct

MyState is committed to making positive economic, social and environmental contributions to each of the communities in which it operates, while complying with all applicable laws and regulations and acting in a manner that is consistent with its foundational principles of honesty, integrity, fairness and respect.

The Code of Conduct provides a framework for decisions and actions in relation to conduct in respect of employment. It clarifies the standard of behaviour that is expected of anyone who is employed by or works within the MyState Group, including directors and employees (both permanent and temporary), contractors, consultants and suppliers.

### (m) Fraud and Corruption Control Policy

MyState's Fraud and Corruption Control Policy and Framework outlines the policies, procedures, controls and reporting mechanisms which actively work to discourage, prevent and detect fraudulent and corrupt behaviour. The Fraud and Corruption Control Policy and Framework contain sensitive operational information and therefore a redacted version is published on the MyState website.

### (n) Diversity Policy

MyState considers workplace diversity to be a valuable asset in creating a workplace culture for innovation and quality customer experiences. An inclusive workplace culture, where our people feel safe to share their ideas, skills and experiences helps us attract, retain and engage the best people, reflecting the diversity of our customers and the community. When we feel included we have a sense of belonging and can bring our best self to work every day, enabling us to fulfil our purpose and uphold our values.

MyState recognises that workplace diversity is achieved through systemic change. Accordingly, MyState's people and culture practices and initiatives are designed to promote an inclusive culture.

In addition to appropriately aligned recruitment and selection processes this also includes data collection and reporting, opportunities for networking, mentorship and advocacy, and access to development opportunities. MyState's Diversity Policy is available on the MyState website.



MyState's Diversity Plan 2023, provides the framework for diversity and inclusion initiatives over a three year period. To enable MyState to make a genuine difference this plan focuses on: Cultural diversity; Aboriginal and Torres Strait Islander Peoples; Disability; and Gender Diversity In Leadership.

Other diversity indicators such as LGBTQI+, religion, age, socio-economic status, care-giving responsibilities and geographic location are also very important to the MyState Group. The Diversity Plan is complemented by MyState's wellbeing program, flexible work practices, and investment in developing capability (including leadership) and is available on the website.

**(o) Whistleblower Policy**

MyState is committed to facilitating a culture of ethical and honest behaviour. The objective of the Whistleblower Protection Policy is to provide information about the protections available to Whistleblowers and the processes for dealing with reports of misconduct or illegal activity. The policy has been developed in accordance with the provisions relating to the protection of Whistleblowers in the Corporations Act and any other relevant rules or regulations under that Act.

The MyState Whistleblower Protection Policy encourages the reporting of inappropriate conduct. It also includes a requirement that incidents are reported to the MyState Board, through the GAC. The policy is linked to the Code of Conduct and details how Whistleblowers are protected from detriment. The MyState Whistleblower Protection Policy is available on the MyState website.

**5.10 Capital and debt structure of MyState**

As at the Last Practicable Date, MyState has the following securities on issue:

TYPE OF SECURITY	TOTAL NUMBER ON ISSUE
MyState Shares	110,942,598
Performance rights (unlisted)	1,126,531

Additionally, MyState proposes to issue a further 136,170 performance rights to Brett Morgan (Managing Director and CEO of MyState), subject to MyState shareholder approval to be sought at the upcoming MyState annual general meeting (scheduled to occur on 23 October 2024). If Mr Morgan's performance rights are approved, MyState will have a total of 1,262,701 unlisted performance rights on issue following its 2024 annual general meeting.

On the assumptions that:

- the Scheme becomes Effective;
- MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to Ineligible Foreign Shareholders); and
- no other Auswide Shares or MyState Shares are issued (including under their respective dividend reinvestment plans or incentive plans),

MyState will have approximately 168,544,951 MyState Shares on issue following the Scheme being implemented. On implementation of the Scheme, the Scheme Shareholders will hold 33.9% of the Merged Group and current MyState Shareholders will hold 66.1% of the Merged Group on a fully diluted basis.

As at 30 June 2024, approximately 69% of MyState's funding was provided by customer deposits and 31% by wholesale funding from the domestic capital markets.

The objectives of MyState's wholesale funding strategy is to:

- provide stable, diversified, sustainable funding that meets the liquidity needs of the bank and is consistent with MyState Board's risk appetite and the prudential requirements set by regulatory authorities;
- support the retention of MyState's and MyState Bank's investment grade credit ratings;
- efficiently manage funding costs in consideration of market conditions and in-line with the MyState Board approved budget;
- maintain a regular issuer presence in domestic wholesale funding markets; and
- manage funding tasks and any maturity towers in advance of maturities to mitigate refinance risk.

## 5. Information on MyState Group

Securitisation remains an important source of funding to MyState and provides additional capital flexibility. In September 2023, MyState issued its largest term Residential Mortgage Back Securities transaction of \$500 million. MyState also maintains multiple warehouse facilities to provide flexible and contingent funding options.

### 5.11 Substantial MyState Shareholders

The substantial holders (5% or more) of MyState Shares as at the Last Practicable Date are as follows:

SUBSTANTIAL MYSTATE SHAREHOLDER	NUMBER OF MYSTATE SHARES HELD	VOTING POWER %
Vanguard Group	5,482,990 as at 21 July 2023	5.003%

A substantial holding notice was lodged with the ASX by Vanguard Group on 21 July 2023. No subsequent notice has been lodged. MyState has issued additional ordinary shares since 21 July 2023 – refer to section 5.12 below.

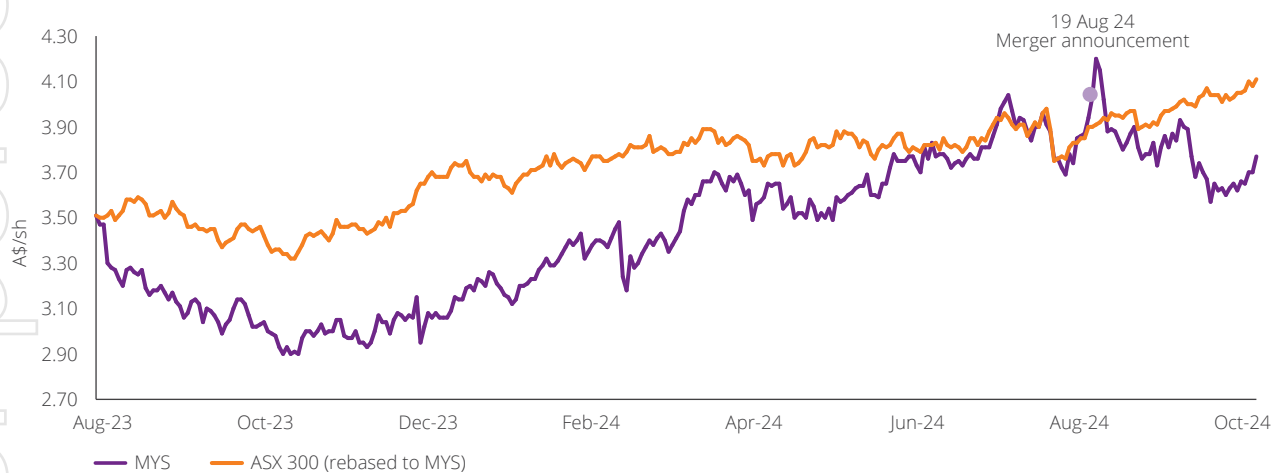
The shareholdings listed in this section 5.11 are disclosed to MyState by the shareholders by substantial holdings notices received by the Last Practicable Date. Information in regard to substantial holdings arising, changing or ceasing after the Last Practicable Date or in respect of which MyState has not been advised or has not otherwise been disclosed, is not included above.

### 5.12 MyState's share capital structure and substantial holders

As at the Last Practicable Date, there were 110,942,598 MyState Shares on issue. To MyState's knowledge, as at the Last Practicable Date, no person owned beneficially, directly or indirectly, more than 5% of MyState Shares or had notified MyState that it is a substantial holder of MyState Shares, other than as listed in section 5.11 above.

### 5.13 Recent price history of MyState Shares

The MyState share price relative to the ASX300 over the 12 month period immediately preceding the announcement of the Scheme on 19 August 2024 is shown below.



As at the Last Practicable Date:

- the last recorded closing price for MyState Shares on ASX was \$3.77; and
- the lowest and highest closing prices of MyState Shares on ASX during the previous 3 months were \$3.57 and \$4.20, on 1 October 2024 and on 20 August 2024 respectively.

As at 16 August 2024, being the last trading day prior to the announcement of the Scheme to ASX on 19 August 2024, the closing price for MyState Shares on ASX was \$3.94.

None of the above share prices should be taken as a forecast that MyState Shares will trade at any particular price.

## 5.14 Rights and Liabilities attaching to MyState Shares

The rights and liabilities attaching to the New MyState Shares which will be issued to Scheme Participants (other than Ineligible Foreign Shareholders) as the Scheme Consideration if the Scheme is implemented will be the same as those attaching to existing MyState Shares and will rank equally with all issued fully paid ordinary shares of MyState from the date of their allotment. These rights and liabilities are set out in MyState's constitution and are subject to the Corporations Act and the Listing Rules.

The following is a summary of the key rules in the MyState constitution relating to the rights and liabilities attaching to MyState Shares. This summary does not purport to be exhaustive and must be read subject to the full text of MyState's constitution, a copy of which is available for inspection at the MyState's registered office during normal business hours and online at [https://www.mystate.com.au/FormBuilder/\\_Resource/\\_module/8QvIW881wE6pMI6a2bNh4Q/docs/corpGov/constitution/MYS-Constitution.pdf](https://www.mystate.com.au/FormBuilder/_Resource/_module/8QvIW881wE6pMI6a2bNh4Q/docs/corpGov/constitution/MYS-Constitution.pdf).

Auswide Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of MyState Shares in specific circumstances, if the Scheme is implemented.

### (a) Non-application of replaceable rules

The provisions of the Corporations Act that apply to certain companies as replaceable rules are displaced by the MyState constitution in their entirety and do not apply to MyState.

### (b) General Meetings

A meeting of members can be convened at any time by the MyState Board or a director. MyState Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of MyState. MyState Shareholders may also request or call and arrange to hold general meetings in accordance with the procedures and requirements set out in the Corporations Act. A quorum of members is 25 MyState Shareholders unless there is only one member, when a quorum is that member.

### (c) Voting Rights

Subject to the Corporations Act in relation to special resolutions, a resolution is carried if a majority of the votes cast on the resolution are in favour of the resolution. A resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded by: (a) at least 5 members entitled to vote on the resolution; (b) members with at least 5% of the votes that may be cast on the resolution on a poll; or (c) the chairperson.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of MyState Shareholders or classes of shareholders:

- (A) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (B) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote and if a member has appointed two proxies, neither of these proxies may vote; and
- (C) on a poll, every member has: (i) for each fully paid share held by the member, one vote; and (ii) for each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, whether or not called (excluding amounts credited), on the share.

The chairperson does not have a casting vote (in addition to the chairperson's votes as a member, proxy, attorney or representative) on a show of hands or on a poll.

During a breach of the Listing Rules relating to shares which are restricted securities, or a breach of a restriction agreement, the holder of the relevant restricted securities is not entitled to any voting rights in respect of those restricted securities.

The right to vote at general meetings is also suspended with respect to any Default Shares.

## 5. Information on MyState Group

### (d) Dividend Rights

Subject to the terms of the MyState constitution and the terms of issue of the relevant shares, all MyState Shares carry the right to receive dividends. Dividend rights are suspended in respect of any Default Shares. Interest is not payable on a dividend.

The MyState Directors may declare and fix the amount, time and method for payment of dividends or may set aside out of profits such amounts by way of reserves as they think appropriate before declaring or determining to pay a dividend. All dividends unclaimed for one year after the time for payment has passed may be invested by the MyState Directors as they think fit for the benefit of MyState until claimed or until required to be dealt with in accordance with any law relating to unclaimed money.

The MyState Directors may establish a dividend reinvestment plan under which members or any class of members may elect to reinvest cash dividends paid by MyState by subscribing for shares and may vary, suspend or terminate such arrangements.

### (e) Distribution of assets

The directors may resolve that a dividend (interim or final) will be paid wholly or partly by the transfer or distribution of specific assets, including fully paid shares in, or debentures of, any other corporation.

### (f) Winding Up

Subject to the terms of the MyState constitution and the terms of issue of the relevant shares, all MyState Shareholders carry the right in a winding up or a reduction of capital, the right to participate equally in the distribution of the assets of MyState (both capital and surplus), subject to any amounts unpaid on the shares and, in the case of a reduction, to the terms of the reduction.

### (g) Transfer of Shares

Subject to the MyState constitution, a MyState Shareholder may transfer a share by any means permitted by the Corporations Act or by law.

### (h) Shareholding limitation

The MyState Directors may refuse to issue or register transfers of MyState Shares or other securities, if they consider it might result in a person becoming a "Substantial Holder" (being a person who, together with the person's associates, owns more than 10% of MyState Shares). The MyState Directors may issue a divestment notice to any person that is or may be a Substantial Holder, requiring the disposal of any excess shares (**Default Shares**).

### (i) Variation of Rights

If the company issues different classes of shares, or divides issued shares into different classes, the rights attached to the shares in any class may (subject to section 246C and 246D of the Corporations Act) be varied or cancelled only:

- (A) with the written consent of the holders of 75% of the issued shares of the affected class; or
- (B) by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

Subject to the terms and issue of shares, the rights attached to a class of shares are not treated as varied by the issue of further shares of that class.

### (j) Alteration of constitution

The constitution and any of its provisions may be modified, repealed or replaced by a special resolution of its members.

### (k) MyState Limited Employee Share Plan

The MyState Limited Employee Share Plan provides eligible employees the right to acquire MyState Shares, which is intended to align their interests more closely with those of MyState Shareholders and provide greater incentive for them to focus on MyState's longer term goals. MyState's Board may from time to time in its absolute discretion invite an eligible employee to participate in the plan and make an offer. Following receipt, the eligible employee may make an offer by delivering to MyState a duly completed executed application form. The MyState Board may decide to accept or reject an offer made by an eligible employee. If the offer is accepted by MyState, the allocation of MyState Shares referred to in the offer must be allocated to the eligible employee. A copy of the MyState Limited Employee Share Plan is available at [https://www.mystatelimited.com.au/FormBuilder/\\_Resource/\\_module/8QvIW881wE6pMl6a2bNh4Q/docs/corpGov/policies/MYS-Employee-Share-Plan-Rules-2020.pdf](https://www.mystatelimited.com.au/FormBuilder/_Resource/_module/8QvIW881wE6pMl6a2bNh4Q/docs/corpGov/policies/MYS-Employee-Share-Plan-Rules-2020.pdf).

## **(I) MyState Limited Executive Long Term Incentive Plan**

The MyState Limited Executive Long Term Incentive Plan provides eligible employees or their nominee with an opportunity to acquire a financial interest in MyState, which is intended to align their interests more closely with those of MyState Shareholders and provide greater incentive for them to focus on MyState's longer term goals. MyState's Board from time to time may in its absolute discretion invite an eligible employee to participate in the plan. The invitation to participate in the plan may prescribe performance criteria that must be satisfied as a condition for a MyState Share to be allocated in respect of a performance right and the performance period over which the performance criteria must be satisfied. A participant in the plan has no legal or beneficial interest in a share by virtue of acquiring or holding a performance right. An entitlement to a share only arises on satisfaction of the performance criteria applicable to that performance right over the performance period. A copy of the Long Term Incentive Plan is available at [https://www.mystatelimited.com.au/FormBuilder/\\_Resource/\\_module/8QvIW881wE6pMI6a2bNh4Q/docs/corpGov/policies/MyState\\_Limited\\_ELTIIP\\_Rules.pdf](https://www.mystatelimited.com.au/FormBuilder/_Resource/_module/8QvIW881wE6pMI6a2bNh4Q/docs/corpGov/policies/MyState_Limited_ELTIIP_Rules.pdf).

### **5.15 Litigation concerning MyState Group**

As at the Last Practicable Date, there is no material litigation concerning the MyState Group.

### **5.16 Regulatory approvals**

Except for the Conditions Precedent to the Scheme summarised at section 3.14, MyState and MyState Bank do not require any regulatory approvals to fulfil their respective obligations under the Scheme Implementation Agreement or to implement the Scheme.

### **5.17 MyState interests in Auswide**

#### **(a) Interests in Auswide Shares and contracts**

As at the Last Practicable Date, none of MyState or any of its respective Associates has any:

- Relevant Interests or voting power in any Auswide Shares; or
- any interest of any kind in any contract entered into by any member of the Auswide Group (other than the Scheme Implementation Agreement).

#### **(b) Dealings in Auswide Shares in previous four months**

None of MyState or any of its respective Associates has provided or agreed to provide consideration for any Auswide Shares under any other transaction during the period of four months before the Last Practicable Date, except for the Scheme Consideration which MyState has agreed to provide under the Scheme.

#### **(c) Inducing benefits to holders of Auswide Shares during previous four months**

During the four months before the Last Practicable Date, none of MyState or any of its respective Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

- vote in favour of the Scheme; or
- dispose of Auswide Shares,

where the benefit was not offered to all current Auswide Shareholders.

#### **(d) Benefits to Auswide officers**

None of MyState or its Related Bodies Corporate and their respective Associates will be making any payment or giving any benefit to any current directors, secretaries or officers of any member of the Auswide Group as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

## 5. Information on MyState Group

### 5.18 MyState Historical Financial Information

#### (a) Overview

The financial information of MyState set out in this section 5.18 comprises:

- MyState Limited Consolidated Income Statement for the years ended 30 June 2022, 30 June 2023 and 30 June 2024; and
  - MyState Limited Consolidated Balance Sheet as at 30 June 2022, 30 June 2023 and 30 June 2024,
- together the **MyState Historical Financial Information**.

**PricewaterhouseCoopers Securities Ltd** (as Investigating Accountant) has reviewed the:

- MyState Limited Consolidated Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024; and
- MyState Limited Consolidated Balance Sheet as at 30 June 2024,

in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Limited Assurance Report, included in Annexure B. Auswide Shareholders should note the scope and limitations of the Investigating Accountant's Limited Assurance Report.

MyState's full year financial statements, including all notes to those financial statements, and a description of MyState Limited's significant accounting policies can be found in:

- MyState's Annual Financial Report for the financial year ended 30 June 2024 (released to the ASX on 20 September 2024);
- MyState's Annual Financial Report for the financial year ended 30 June 2023 (released to the ASX on 15 September 2023); and
- MyState's Annual Financial Report for the financial year ended 30 June 2022 (released to the ASX on 16 September 2022).

The full reports are available on MyState's website at <https://www.mystatelimited.com.au/> or on the ASX ([www.asx.com.au](http://www.asx.com.au)).

This section 5.18 should be read in conjunction with the risks to which MyState is subject and the risks associated with the Scheme, as set out in section 7.

#### (b) Basis of preparation

The MyState Historical Financial Information is intended to assist Auswide Shareholders in understanding the financial performance and financial position of MyState. The MyState Board is responsible for the preparation and presentation of the MyState Historical Financial Information.

The MyState Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) and on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The MyState Historical Financial Information has been derived from MyState's consolidated financial statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which were audited by Wise Lord & Ferguson, in accordance with Australian Auditing Standards. Wise Lord & Ferguson issued unqualified audit opinions in respect of these consolidated financial statements.

The MyState Historical Financial Information is presented in A\$ and, unless otherwise noted, is rounded to the nearest A\$ thousand.

The MyState Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements, or comparative information that is required by AAS issued by the AASB and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act and/or IFRS.

### (c) MyState Limited Consolidated Income Statements

The MyState Limited Consolidated Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 are set out in the following table:

A\$'000	MYSTATE LIMITED		
	Year ended 2022	Year ended 2023	Year ended 2024
Interest income	159,749	352,971	478,922
Interest expense	(49,504)	(220,378)	(354,386)
<b>Net interest income</b>	<b>110,245</b>	<b>132,593</b>	<b>124,536</b>
Other non-interest income from banking activities	15,103	13,477	12,490
Income from wealth management activities	14,820	14,308	15,404
<b>Total operating income</b>	<b>140,168</b>	<b>160,378</b>	<b>152,430</b>
Loan impairment expense	762	(2,542)	(1,204)
Operating expenses	(95,882)	(102,651)	(101,024)
Income from other activities	854	-	-
<b>Profit before income tax expense</b>	<b>45,902</b>	<b>55,185</b>	<b>50,202</b>
Income tax expense	13,876	16,683	14,913
<b>Net profit after tax</b>	<b>32,026</b>	<b>38,502</b>	<b>35,289</b>

### (d) Overview of results

#### 2024

The MyState Group delivered a net profit after income tax (**NPAT**) for the year ended 30 June 2024 of \$35.3m, a decrease of 8.3% on the prior corresponding period (**pcp**) to 30 June 2023 of \$38.5m. Earnings per share (**EPS**) was 32.0 cents per share (FY23: 35.5 cents per share), return on equity (**ROE**) was 7.7% (FY23: 8.7%) and the cost to income ratio (**CTI**) was 66.3% (FY23: 64.0%). These key metrics reflected the highly competitive home loan and retail deposit markets contributing to softer net interest margin. The optimisation of financial performance, including actively balancing the trade-off between growth and margin, as well as continuing to focus on operating efficiency was a key focus in 2024.

Pre-provision operating profit of \$51.4m decreased 10.9% on pcp, largely driven by a decrease in operating income of \$7.9m or 5.0%, partly offset by a decrease in operating expenses of 1.6%, highlighting MyState's ongoing focus on operating efficiency in a high-inflation environment. While prudently managing operating costs, MyState continued to invest in key strategic initiatives, with July 2024 culminating in the initial launch of a brand new MyState Bank mobile app and internet banking experience providing customers with an enhanced digital experience.

Net interest income was down \$8.1m or 6.1% on 2023 as a result of a fall in NIM, partly offset by the benefits of a slightly larger average balance sheet. Relative to 2023, the fall in NIM of 18 basis points to 1.45% during the year is a result of sector-wide pressures from competition for lending, elevated levels of customer switching and retention discounting and higher funding costs.

Loan losses remain negligible in line with historical experience. Loan impairment expense was \$1.2m during the year, reflecting an increase of \$1.0m in total collective provisions consistent with an increase in arrears in a rising interest rate environment.

## 5. Information on MyState Group

### 2023

The MyState Group delivered a record net profit after income tax for the year ended 30 June 2023 of \$38.5m, an increase of 20.2% on pcp to 30 June 2022 of \$32.0m. EPS was 35.5 cents per share (FY22: 30.3 cents per share), ROE was 8.7% (FY22: 7.7%) and the CTI was 64.0% (FY22: 68.4%). These key metrics speak to the business momentum generated during the financial year through the execution of the MyState Group's growth strategy and the resulting operating leverage, led by strong income growth and disciplined cost management.

Pre-provision operating profit of \$57.7m increased 30.3% on pcp, largely driven by an increase in operating income of \$20.2m or 14.4%, partly offset by operating expense growth of 7.1%. MyState's strategy of accelerating growth and creating scale by growing market share in deposits, lending and funds under management (FUM) was evidenced by loan book and customer deposit growth, and a 33% uplift in new customers joining MyState in 2023.

Net interest income was up \$22.3m or 20.3% on 2022 as a result of a larger average balance sheet, partly offset by a fall in NIM. The fall in average NIM of 4 basis points to 1.63% during the year reflected intense competition in the market for new home loans, higher funding costs and above system loan book growth.

Impairment expense was \$3.3m higher than 2022, reflecting an increase in total collective provisions, consistent with an increase in arrears in a rising interest rate environment.

### 2022

The MyState Group recorded a net profit after income tax for the year ended 30 June 2022 of \$32.0m, a decrease of 11.9% on pcp to 30 June 2021 of \$36.3m. EPS was 30.3 cents per share (FY21: 39.2 cents per share) and ROE was 7.7%. In June 2021, ordinary share capital of \$55.5m was raised to fund an acceleration of MyState's growth strategy. At the time, the MyState Board indicated that EPS and ROE would be diluted in FY22 as the new capital is deployed to support home loan book growth and operating expenses would increase to support customer, lending and deposit growth.

Pre-provision operating profit of \$44.3m decreased 17.4% on pcp, largely driven by an increase in operating costs of \$11.0m or 12.9% (in this variance analysis Restructure costs of \$2.6m have been excluded from operating costs in 2021 due to their non-operating nature). MyState's strategy to accelerate growth and create scale led to increased investment in distribution capacity, investment in building the MyState brand on the mainland and customer acquisition-focused marketing. The strategy to grow market share in deposits, lending and funds under management (**FUM**) continued to gain momentum, as evidenced by loan book and customer deposit growth, and a 14.8% uplift in new customers joining MyState in 2022.

Net interest income was down \$1.7m or 1.5% on 2021 with the fall in average NIM of 29 basis points to 1.67% reflecting competition in the market for new home loans, partly offset by lower funding costs and above system loan book growth.

Loan impairment recoveries were \$0.2m lower than 2021, reflecting the reduction in the forward-looking economic overlay at 30 June 2021 as a result of the improved economic outlook at that time.



## (e) MyState Limited Consolidated Balance Sheet

MyState Limited Consolidated Balance Sheet as at 30 June 2022, 30 June 2023 and 30 June 2024 is set out in the following table:

AUD\$ '000	2022	2023	2024
<b>Assets</b>			
Cash and liquid assets	119,215	127,778	114,544
Due from other financial institutions	40,924	48,003	45,394
Other assets	9,831	12,085	13,149
Financial instruments	842,926	936,880	807,889
Loans and advance	6,971,375	7,908,080	8,088,120
Plant and equipment and right-to-use-assets	10,453	7,977	6,467
Tax assets	6,278	5,558	7,161
Intangible assets and goodwill	78,845	77,922	85,655
<b>Total assets</b>	<b>8,079,847</b>	<b>9,124,283</b>	<b>9,168,379</b>
<b>Liabilities</b>			
Due to other financial institutions	22,982	66,295	61,125
Deposits and other borrowing including subordinated notes	7,598,184	8,568,185	8,569,609
Employee benefits provisions	5,585	5,345	5,437
Other liabilities	17,213	18,111	59,641
Tax liabilities	5,970	8,784	7,630
<b>Total liabilities</b>	<b>7,649,934</b>	<b>8,666,720</b>	<b>8,703,442</b>
<b>Net assets</b>	<b>429,913</b>	<b>457,563</b>	<b>464,937</b>
<b>Equity</b>			
Share capital	211,167	225,274	228,603
Retained earnings	209,788	223,497	233,501
Reserves	8,958	8,792	2,833
<b>Total equity</b>	<b>429,913</b>	<b>457,563</b>	<b>464,937</b>

No pro forma adjustment has been made for the 2024 Final dividend of 11.5 cents per share or \$12.7m, paid on 16 September 2024 to MyState Shareholders on the register at the record date of 23 August 2024.

During FY24, MyState revised its treatment of ongoing trail commissions payable to mortgage brokers. MyState recognised a liability within Other liabilities equal to the present value of expected future trail commissions payable and a corresponding increase in capitalised brokerage costs in Loans and advances.

## (f) Events since balance sheet date

On 17 October 2024, MyState settled a \$600m capital relief term Residential Mortgage Back Securities transaction (ConQuest 2024-1 Trust) in line with its funding plan.

## 5. Information on MyState Group

### 5.19 Material changes in MyState's financial position

Information regarding MyState's historical financial position can be found on the MyState website (<https://www.mystatelimited.com.au/home/?page=reports>) or the ASX website (<https://www.asx.com.au/markets/trade-our-cash-market/announcements.mys>).

To the knowledge of MyState Directors, the financial position of MyState has not materially changed since 30 June 2024.

### 5.20 Capital management and funding of the MyState Group

#### (a) Capital Management Policy

As an authorised deposit taking institution, MyState's capital management strategy seeks to ensure that the MyState Group is strongly capitalised relative to the risks in its portfolio. Ensuring that MyState's balance sheet structure is prudent and flexible has led to the following long term operating principles:

- MyState seeks to manage capital within target ranges with the lower limits taking account of regulatory requirements and ratings agency guidance;
- MyState's target ranges are intended to be consistent with at least a 'Baa2' senior debt rating;
- MyState actively manages the deployment of capital within the legal entities that make up the Group to ensure capital ratios are within target ranges and other requirements are met; and
- MyState seeks to maximise total shareholder return over the longer term through share price appreciation and via fully franked dividends. The MyState Board approved target dividend payout ratio is 60-80% of after tax earnings.

MyState operates in accordance with the requirements of the Basel III framework. MyState reviews its target capital ranges each year as part of the Internal Capital Adequacy Assessment Process (ICAAP) required by APRA.

MyState's capital position has strengthened over FY24 providing capacity for future investment and growth. The following table shows MyState's capital ratios as at 30 June 2024:

	%	\$M
CET1 capital	12.01	317.5
Tier 1 capital	14.44	381.6
Total capital	16.42	433.9
<b>Total Risk Weighted Assets</b>		<b>2,643.3</b>

#### (b) Funding

As at 30 June 2024, approximately 69% of MyState's funding was provided by customer deposits and 31% by wholesale funding from the domestic capital markets.

The objectives of MyState Group's wholesale funding strategy is to:

- provide stable, diversified, sustainable funding that meets the liquidity needs of the bank and is consistent with the Board's risk appetite and the prudential requirements set by regulatory authorities;
- support the retention of MyState's and MyState Bank's investment grade credit ratings;
- efficiently manage funding costs in consideration of market conditions and in-line with the Board approved budget;
- maintain a regular issuer presence in domestic wholesale funding markets; and
- manage funding tasks and any maturity towers in advance of maturities to mitigate refinance risk.

Securitisation remains an important source of funding and provides additional capital flexibility. In September 2023, MyState issued its largest term RMBS transaction of \$500 million. MyState also maintains multiple warehouse facilities to provide flexible and contingent funding options.

## 5.21 Publicly available information about MyState

MyState is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure requirements of the Corporations Act and Listing Rules. Specifically, as a company listed on the ASX, MyState is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information MyState has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of these announcements can be obtained free of charge from MyState's website at <https://www.mystatelimited.com.au/home/?page=asx-announcements>.

Further announcements concerning developments at MyState may be made and placed on these websites after the date of this Scheme Booklet.

Additionally copies of documents lodged with ASIC in relation to MyState may be obtained from or inspected via ASIC's online registry portal ASIC Connect at [www.asic.gov.au](http://www.asic.gov.au), or at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of MyState:

- constitution of MyState;
- MyState's annual report for the financial year ended 30 June 2024;
- the MyState half-year report for the 6 month period ended 31 December 2023; and
- MyState's public announcements.

A list of announcements made by MyState to ASX from the date of MyState's annual report for the financial year ended 30 June 2024 to the Last Practicable Date is included below.

DATE	ANNOUNCEMENT
20/09/2024	Appendix 4G and Corporate Governance Statement
02/10/2024	Appendix 3Y Change of Director's Interest Notice
09/10/2024	Appendix 3G Notification regarding unquoted securities

## 5.22 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of MyState, at the date of this Scheme Booklet, which has not previously been disclosed to Auswide Shareholders.

For personal use only



**6.**  
**OVERVIEW OF THE  
MERGED GROUP**

# 6. Overview of the Merged Group

## 6.1 Introduction

The information contained in this section 6 has been prepared by MyState. The information concerning the Merged Group and the intentions, views and opinions contained in this section 6 are the responsibility of MyState.

Auswide and Auswide's Directors and officers do not assume any responsibility for the accuracy or completeness of this information except to the extent that Auswide has provided MyState with information for the purpose of MyState preparing information on the Merged Group following implementation of the Scheme.

## 6.2 The Merged Group

If the Scheme is implemented, Auswide Shareholders will hold New MyState Shares, and Auswide will become a wholly owned subsidiary of MyState Bank. Post implementation of the Scheme MyState (the ultimate holding company of the Merged Group) will remain a listed company, with a larger capital and shareholder base. It is expected that the Merged Group will have increased net assets of approximately \$754.7 million and more than 64,300 shareholders, expected to deliver shareholders access to greater on-market liquidity.

The current estimate (to be subject to review post Scheme implementation) is for pre-tax cost synergies of approximately \$20 million to \$25 million per annum to be realised over a 3 year period across human resources, technology and administrative functions. Further details are provided at section 5.5(l) above.

## 6.3 MyState's intentions if the Scheme is implemented

This section 6.3 sets out certain elements of the current intentions of MyState Group in relation to Auswide and the Merged Group if the Scheme is implemented, including intentions regarding:

- the continuation of the business of Auswide or how Auswide's existing business will be conducted;
- any intention to inject further capital into Auswide;
- changes to the Auswide Board and management team;
- any major changes to be made to the business of Auswide, including any redeployment of any assets of Auswide;
- the future employment of the present employees of the Auswide Group; and
- delisting of Auswide from ASX,

in each case, after the Scheme is implemented.

The intentions set out in this section 6.3 have been formed on the basis of facts and information concerning Auswide and the general business environment which are known to MyState as at the date of this Scheme Booklet.

Following implementation of the Scheme, it is expected that the business and assets of Auswide will be migrated into MyState Bank over a period of up to 24 months (**Transitional Period**), after which MyState would conduct its expanded banking business. Following this Transitional Period, Auswide would cease to be an ADI and will most likely continue to exist to hold land assets of the corporate group.

Representatives from both MyState and Auswide have formed a Transaction Implementation Committee (**TIC**) to provide governance and oversight on pre-implementation matters.

Final decisions regarding the matters set out below will be made by the Board of Merged Group. Accordingly, it is important to recognise that the statements set out in this section 6.3 are statements of current intentions only, which may change as new information becomes available or as circumstances change.

### (a) Head office and branding

These matters will be assessed by the MyState Board following implementation of the Scheme.

During the Transitional Period it is likely that each of MyState Bank and Auswide would continue to trade under their existing brands and would each continue to comply with APRA's prudential requirements including those relating to regulatory capital and liquidity.

The Merged Group Board will consider, in good faith, the branding to be adopted following the Transitional Period (and after completion of the internal transfer of Auswide's business to MyState Bank). This will not affect the branding of MyState's current TPT Wealth business.

## 6. Overview of the Merged Group

### (b) Changes to corporate structure and constitution

MyState Bank will be the direct holding company of Auswide upon implementation of the Scheme, with MyState as the ultimate holding company.

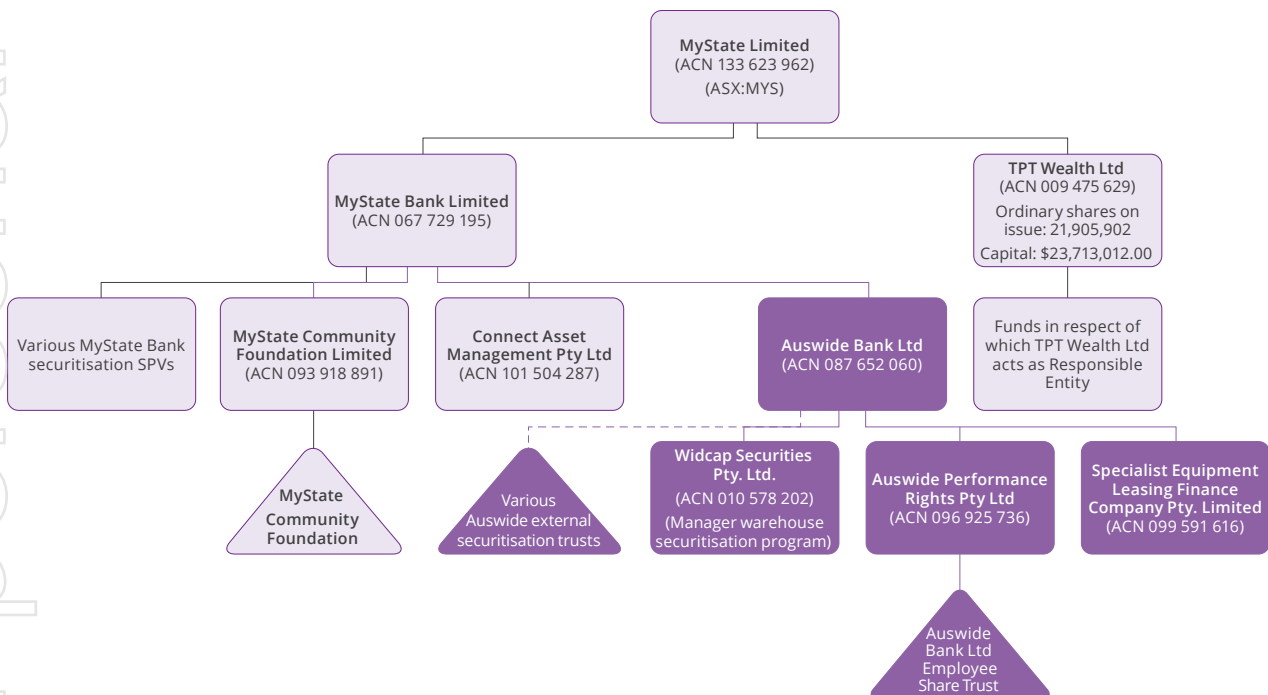
The corporate structure diagram below shows the Merged Group upon implementation of the Scheme. Entities comprising the MyState Group are shown in light purple, with the entities comprising the Auswide Group shown in purple.

The MyState Group currently comprises 5 separate corporate entities, together with various funds in respect of which TPT Wealth acts as Responsible Entity, the MyState Community Foundation and additionally, various MyState securitisation trusts (which are listed at 5.2 above). MyState (the listed vehicle) is the sole shareholder of each of MyState Bank and TPT Wealth.

If the Scheme is implemented, MyState Bank will acquire 100% of the Auswide Shares, and Auswide will become a wholly owned subsidiary of MyState Bank, with MyState remaining the ultimate holding company of the Merged Group.

This will result in Auswide Shareholders (except Ineligible Foreign Shareholders) continuing to have an indirect interest (through MyState and its subsidiaries, including MyState Bank) in Auswide that is proportional to their holding in MyState.

The Auswide Group currently comprises four entities and various external securitisation trusts. Auswide is presently listed on the ASX, however will be delisted shortly following the Implementation Date if the Scheme becomes Effective.



MyState intends to replace the Auswide constitution in due course, with a constitution appropriate for an unlisted subsidiary company as would be appropriate to its revised function within the MyState Group.

### (c) Business, operations and assets

After implementation of the Scheme, Auswide and MyState Bank will continue servicing all Auswide customers and no impact to operations are anticipated for customers. As stated above, if the Scheme is implemented, the MyState Group will be required by APRA to consolidate its operations, such that there will only be only one ADI within the MyState Group. This will require that the banking business and related assets of Auswide are migrated into MyState Bank, after which Auswide will relinquish its own banking licence and credit licence and cease to be an ADI. This will occur over the 24 month post-merger Transitional Period using the voluntary transfer of business process under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth), after which MyState would conduct its expanded banking business under a new brand, which is yet to be determined.

Each of MyState Bank and Auswide (both currently ADIs) has its own securitisation program involving multiple trusts. For the foreseeable future, the programs would continue as they operate in their current state. However, it is possible upon the consolidation of the ADIs that one of the securitisation programs would discontinue issuing new notes.

### (d) Auswide Board

It is intended that Auswide will continue to operate as an ADI for a period of up to 24 months post completion of the Scheme.

As Auswide will become a wholly owned subsidiary of MyState Bank, the Board of Auswide will be re-constituted with directors to be nominated by MyState and Auswide as outlined as follows:

- Sandra Birkenleigh will remain as the Chair;
- Brett Morgan will be appointed as the Managing Director and Chief Executive Officer;
- Jacqueline Korhonen will remain as a non-executive director;
- Gregory Kenny will remain as a non-executive director;
- Vaughan Richtor will be appointed as a non-executive director;
- Sibylle Krieger will be appointed as a non-executive director;
- Andrea Waters will be appointed as a non-executive director; and
- Warren Lee will be appointed as a non-executive director.

### (e) Merged Group executives and employees

Following the implementation of the Scheme, the Merged Group will continue to be led by its current Managing Director and CEO, Mr Brett Morgan.

The executive of the Merged Group will be recommended by Mr Morgan to the MyState Board.

The Scheme presents the Merged Group with opportunities for growth and over time will offer current Auswide and MyState employees with a wider range of job prospects.

It is expected that some employee roles at various levels across the Merged Group may be rationalised as a result of potential duplication or redundancy although no determination has currently been made of any such changes.

### (f) Employee incentive arrangements

Following implementation of the Scheme, MyState's existing employee incentive arrangements will continue, with Auswide personnel able to participate in those programs.

### (g) Delisting

The Scheme Implementation Agreement provides for Auswide to make applications to the ASX for de-listing after the Scheme has been fully implemented. Auswide Shares are expected to cease trading on the Business Day following the Implementation Date and Auswide will subsequently be delisted and removed from ASX's official list. Subject to the Court approving the Scheme, Auswide Shares will cease trading on the ASX on the Effective Date.

## 6. Overview of the Merged Group

### (h) Capital injections into Auswide entities

Refer to section 6.6 below for disclosure regarding the capital management and funding of the Merged Group, post the Scheme, which will include the Auswide Group.

### (i) Dividend framework

Refer to section 5.8 in relation to the dividend policy and dividend history of MyState.

Following implementation of the Scheme, it is intended that MyState will continue to pay dividends in a manner consistent with past practice.

### (j) Other changes

Except as set out above, MyState does not have any current intentions to make any major changes to the business of Auswide or to redeploy its fixed assets.

## 6.4 Merged Group Board

### (a) Existing MyState Directors

It is expected that each of the following MyState Directors will continue as directors upon the implementation of the Scheme:

- Brett Morgan;
- Vaughn Richtor;
- Andrea Waters;
- Sibylle Krieger; and
- Warren Lee.

It is expected that the remaining MyState director, Stephen Davy, will retire from the MyState Board, effective from the Implementation Date. If the Scheme is not approved or implemented, Mr Davy will remain on the MyState Board.

### (b) Auswide Directors appointed to the Merged Group Board

It is expected that each of the following Auswide Directors will be appointed to the MyState Board on implementation of the Scheme. Following their appointment, each of the below persons will be entitled to receive fees for acting as non-executive directors in accordance with MyState's remuneration policy:

NAME	POSITION	EXPERIENCE
<b>Ms Sandra Birkenleigh</b>	Chair Director	Ms Birkenleigh was appointed to the Auswide Board on 2 February 2015, and was appointed Chair on 1 January 2021. Ms Birkenleigh was a partner at PricewaterhouseCoopers for 16 years until her retirement in 2013. During her career, her predominant industry focus has been Financial Services (Banking and Wealth Management). Ms Birkenleigh has also advised on risk management in other sectors such as retail and consumer goods, retail and wholesale electricity companies, resources and the education sector. Ms Birkenleigh is currently a non-executive Director of the Tasmanian Finance Corporation, Adore Beauty Limited and Horizon Oil Limited. She was recently appointed as Chair of BBO Investments Pty Limited and Channel Investment Management Limited. She is Deputy Chancellor of the University of the Sunshine Coast, a member of its Council and Chair of its Audit and Risk Management Committee. Ms Birkenleigh is a member of the Auswide Board Audit Committee and is an independent director of Auswide.



NAME	POSITION	EXPERIENCE
<b>Ms Jacqueline Korhonen</b>	Director	Ms Korhonen was appointed to the Auswide Board on 1 April 2021. Ms Korhonen's career spans more than 35 years and encompasses executive roles with several multi-national technology companies including over 25 years at IBM. Ms Korhonen is an Independent Non-Executive Director of MLC Life Insurance and a Non-Executive Director of Nuix. Ms Korhonen is also a non-executive Director of the Civil Aviation Safety Authority (CASA). Ms Korhonen is chair of the Auswide Board Remuneration Committee and is a member of the Auswide Board Audit Committee and the Auswide Board Risk Committee and is an independent director of Auswide.
<b>Mr Gregory Kenny</b>	Director	Mr Kenny was appointed to the Auswide Board on 19 November 2013. Mr Kenny has had a long and successful career with Westpac Banking Corporation and St George Bank Ltd, and prior to that with Bank of New York and Bank of America in Australia. At St George Bank he held the positions of Managing Director (NSW and ACT), General Manager Corporate and Business Bank and General Manager Group Treasury and Capital Markets. Mr Kenny is a member of the Auswide Board Risk Committee, the Auswide Board Audit Committee and the Auswide Board Remuneration Committee and is an independent director of Auswide.

## 6.5 Prospects for the Merged Group

Based on its current understanding and evaluation of the Auswide business, MyState expects the combination of two high-quality, complimentary franchises to provide significant scale enhancement with improved operating efficiency from a larger balance sheet and increased funding flexibility. Further particulars of the benefits of the merger and prospects for the Merged Group are set out above in section 5.5.

The Scheme is expected to be earnings per share accretive from FY26 on a post synergies run rate basis, with an opportunity for significant pre-tax cost synergies of \$20 million to \$25 million per annum to be realised across human resources, technology, and administrative functions.<sup>25</sup> MyState expects that operational integration will largely be achieved by the end of FY27 at which point the Merged Group will have realised the ongoing benefits of the Scheme. MyState expects further upside through additional cost synergies, a stronger balance sheet and cross-selling benefits over time.

## 6.6 Capital Management and funding of the Merged Group

### (a) Capital management policy

The total regulatory capital ratio of MyState as at 30 June 2024 was 16.42% and the Tier 1 capital ratio was 14.44%. The total regulatory capital ratio of Auswide was 14.78% and the Tier 1 capital ratio was 12.12%. Each entity's capital ratios were above the bottom end of their target ranges and all ratios were above regulatory minima. Each entity satisfied minimum internal and prudential capital requirements.

Until the end of the Transitional Period, the Merged Group's policy will seek to ensure that the capital ratios of Auswide (standalone), MyState (standalone) and the Merged Group each exceed minimum internal and prudential capital requirements. The Merged Group's initial target capital ranges are expected to be consistent with the target ranges of the merging entities as discussed in section 4.9(a) for Auswide and section 5.20(a) for MyState.

The target capital ratios for the Merged Group will be reviewed during the Transitional Period in the context of the revised business mix of the Merged Group, and any changes in prudential requirements and discussions with regulatory bodies throughout the Transitional Period.

25. Refer to section 5.5 for a more fulsome discussion on the expected synergies and the assumptions underlying anticipated EPS accretion.

## 6. Overview of the Merged Group

The following table shows the pro forma Merged Group's capital ratios as at 30 June 2024:

	%	\$M
CET1 capital	11.75%	538.1
Tier 1 capital	13.15%	602.2
Total capital	15.16%	694.0
<b>Total Risk Weighted Assets</b>		<b>4,579.0</b>

Note that the table above should be read together with the basis of preparation as set out in section 6.8(b).

### (b) Funding

Section 5.20(b) provides an outline of MyState's standalone funding strategy and profile. MyState is not expecting its ability to access wholesale funding to be materially affected by the merger. The objectives of MyState's wholesale funding strategy is not expected to be materially affected by the merger.

On a pro forma basis as at 30 June 2024, approximately 71.0% of the Merged Group's funding would be provided by customer deposits, 18.7% by securitisation and 10.3% by other wholesale funding from the domestic capital markets.

### (c) Dividend Policy

MyState maintains a dividend policy that aims to strike a balance between pursuing growth strategies and rewarding shareholders. Dividends per share are determined by reference to statutory earnings per share and the requirement to retain sufficient capital to fund business growth. MyState's FY24 payout ratio for the period ended 30 June 2024 was 72% of after-tax earnings. If the Scheme is implemented, MyState currently intends to continue to adopt a similar dividend policy.

While MyState intends to be able to maintain its current dividend policy, its ability to do so will depend upon factors including its profitability, and its funding requirements which in turn may be affected by trading and general economic conditions. Accordingly, no assurance can be given as to the timing, extent and payment of dividends or the extent to which dividends will be franked.

## 6.7 Share capital and other securities of the Merged Group

### (a) Share capital and other securities

It is expected that, MyState will have approximately 168,544,951 MyState Shares on issue following the Scheme being implemented.<sup>26</sup> On implementation of the Scheme, the Auswide Scheme Shareholders will hold approximately 33.9% of the Merged Group and current MyState Shareholders will hold approximately 66.1% of the Merged Group on a fully diluted basis. The impact of MyState's convertible securities (including performance rights) will be immaterial.

### (b) Substantial Shareholders in the Merged Group

To MyState's knowledge and based on the respective shareholdings in Auswide and MyState and substantial holding notices lodged with ASX in respect of either of MyState or Auswide as at the Last Practicable Date, no person will own beneficially (directly or indirectly), more than 5% of the shares of the Merged Group.

Substantial holdings in Auswide and MyState (respectively) that arise, change or cease after the Last Practicable Date, or in respect of which MyState or Auswide (as applicable) have not been advised of, or that have not otherwise been disclosed, is not included above.

26. The number of MyState Shares on issue following implementation of the Scheme is based on the assumption that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to Ineligible Foreign Shareholders) and no other Auswide Shares or MyState Shares are issued (including under their respective dividend reinvestment plans or incentive plans) between the Last Practicable Date and the Implementation Date.

## 6.8 Merged Group Pro Forma Historical Financial Information

### (a) Overview

This section 6.8 contains the following pro forma historical financial information in respect of the Merged Group:

- pro forma consolidated income statement of the Merged Group (**Merged Group Pro Forma Consolidated Income Statement**); and
- pro forma consolidated balance sheet of the Merged Group (**Merged Group Pro Forma Consolidated Balance Sheet**),

(together, the **Merged Group Pro Forma Historical Financial Information**).

The Merged Group Pro Forma Historical Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd (as Investigating Accountant), in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Limited Assurance Report included in Annexure B. Auswide Shareholders should note the scope and limitations of the Investigating Accountant's Limited Assurance Report.

The Merged Group Pro Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in section 6.8(b) and accompanying notes as set out in sections 6.8(c) and 6.8(d);
- the Auswide Pro Forma Historical Financial Information presented in section 4.6;
- the MyState Historical Financial Information presented in section 5.18;
- risk factors set out in section 7; and
- other information contained in this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

### (b) Basis of preparation

The Merged Group Pro Forma Historical Financial Information has been derived from the Auswide Pro Forma Historical Financial Information and MyState Historical Financial Information and is prepared in accordance with the recognition and measurement principles prescribed in AAS, other than it is presented on a pro forma basis as if implementation of the Scheme had already occurred and taking into account certain pro forma adjustments as set out in section 4.6 with regards to the Auswide Pro Forma Historical Financial Information and sections 6.8(c) and 6.8(d) for the Merged Group. The Merged Group Pro Forma Historical Financial Information is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The Merged Group Pro Forma Historical Financial Information set out in section 6.8 has been prepared for illustrative purposes to provide Auswide Shareholders with an indication of the financial performance and financial position of the Merged Group as if the Scheme had been implemented:

- immediately prior to 1 July 2023 for the Merged Group Pro Forma Consolidated Income Statement; and
- as at 30 June 2024 for the Merged Group Pro Forma Consolidated Balance Sheet.

MyState is responsible for the preparation and presentation of the Merged Group Pro Forma Historical Financial Information (noting that Auswide is responsible for the preparation and presentation of the Auswide Pro Forma Historical Financial Information, set out in section 4.6).

The Merged Group Pro Forma Historical Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Merged Group Pro Forma Historical Financial Information does not reflect the actual performance or financial position of the Merged Group at the time of implementation of the Scheme. It has been prepared for illustrative purposes only for this Scheme Booklet. Implementation of the Scheme remains subject to the satisfaction of various conditions precedent, including Auswide Shareholder approval, Court, regulatory and other approvals. As a result the Scheme has not been implemented, and may never be implemented.

## 6. Overview of the Merged Group

The Merged Group Pro Forma Historical Financial Information presented in this section 6.8 contains:

- the Merged Group Pro Forma Consolidated Income Statement (section 6.8(c)) for the year ended 30 June 2024 which is derived from the Auswide Pro Forma Historical Financial Information and the MyState Historical Financial Information and adjusted for the pro forma adjustments set out in sections 4.6 and 6.8(c) pertaining to the Auswide Pro Forma Historical Financial Information and Merged Group Pro Forma Historical Financial Information respectively; and
- the Merged Group Pro Forma Consolidated Balance Sheet as at 30 June 2024 as set out in section 6.8(d) which is derived from the Auswide Pro Forma Historical Financial Information and the MyState Historical Financial Information and adjusted for the pro forma adjustments set out in sections 4.6 and 6.8(d) pertaining to the Auswide Pro Forma Historical Financial Information and Merged Group Pro Forma Historical Financial Information respectively.

From an accounting perspective MyState will gain control over Auswide and therefore, under AASB 3 Business Combinations (**AASB 3**), the Merged Group will be required to recognise the identifiable net assets of Auswide at fair value within the Merged Group's financial statements on the acquisition date.

The value of the consideration for the acquisition of the Auswide Shares under the Scheme will be measured based upon the value of the MyState Shares at close of trading on the Implementation Date, given that the Scheme Consideration is in the form of MyState Shares. Consequently, the value of the purchase consideration for accounting purposes may differ from the amount assumed in the Merged Group Pro Forma Historical Financial Information due to future changes in the market price of MyState Shares.

Under AASB 3, the Merged Group will have up to 12 months from the date of MyState gaining control over Auswide to complete its PPA exercise to determine the fair value of consideration transferred, identifiable assets (including intangible assets) acquired and liabilities assumed related to the acquisition of Auswide, and to measure the resulting goodwill or gain on bargain purchase. For the purposes of preparing the Merged Group Pro Forma Consolidated Balance Sheet, a provisional PPA has been completed as at 30 June 2024 and is included in the Merged Group Pro Forma Consolidated Balance Sheet. The provisional PPA is subject to the information and assumptions outlined below. Subsequent to Implementation, the actual determination of the fair values of consideration transferred, identifiable assets acquired and liabilities assumed, and the measurement of any resulting goodwill or gain on bargain purchase may materially differ to those values presented in the Merged Group Pro Forma Consolidated Balance Sheet.

As the PPA exercise has not been finalised, additional amortisation or depreciation in relation to identified finite life intangible assets or property, plant & equipment or interest income and expense as a result of fair value adjustments to the identifiable acquired assets and liabilities may arise, which has not been reflected in the Merged Group Pro Forma Consolidated Income Statement. The quantum of any additional amortisation or depreciation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets or property, plant & equipment as part of the final PPA exercise.

### Items not reflected in the Merged Group Pro Forma Historical Financial Information

As detailed above, the Merged Group Pro Forma Historical Financial Information is provided for illustrative purposes only.

The Merged Group Pro Forma Historical Financial Information presented in this section 6.8 does not purport to reflect the likely actual or prospective reported financial performance, or financial position of the Merged Group.

It is likely that the actual financial performance and financial position of the Merged Group in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this section 6.8. The factors which may impact the actual financial performance, or financial position of the Merged Group include but are not limited to:

- trading of Auswide and MyState after 30 June 2024, which is not reflected in the Merged Group Pro Forma Historical Financial Information;
- the risk factors set out in section 7;
- the ultimate timing of the implementation of the Scheme;
- finalisation of the acquisition accounting, including determining appropriate PPA, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost basis of Auswide following Implementation, including the recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;

- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of MyState and Auswide; and
- current and future changes to accounting standards (if any).

### (c) Merged Group Pro Forma Consolidated Income Statement

The Merged Group Pro Forma Consolidated Income Statement for the year ended 30 June 2024 is presented in the table below.

YEAR ENDED 30 JUNE 2024					
A\$ '000	MyState Historical	Auswide Pro Forma	Indicative PPA	Alignment of accounting policies	MergeCo Pro Forma
Interest income	478,922	260,392	–	(10,737)	728,577
Interest expense	(354,386)	(186,458)	–	–	(540,844)
<b>Net interest income</b>	<b>124,536</b>	<b>73,934</b>	<b>–</b>	<b>(10,737)</b>	<b>187,733</b>
Other non-interest income	12,490	11,584	–	–	24,074
Income from wealth management activities	15,404	–	–	–	15,404
<b>Total operating income</b>	<b>152,430</b>	<b>85,518</b>	<b>–</b>	<b>(10,737)</b>	<b>227,211</b>
Loan impairment expense	(1,204)	(827)	–	–	(2,031)
Operating expenses	(101,024)	(69,838)	(2,420)	10,737	(162,545)
<b>Profit before income tax expense</b>	<b>50,202</b>	<b>14,853</b>	<b>(2,420)</b>	<b>–</b>	<b>62,635</b>
Income tax expense	(14,913)	(4,667)	726	–	(18,854)
<b>Net profit after tax</b>	<b>35,289</b>	<b>10,186</b>	<b>(1,694)</b>	<b>–</b>	<b>43,781</b>

The above Merged Group Pro Forma Income Statement should be read in conjunction with the standalone financial information contained in sections 4.6 and 5.18 in relation to Auswide and MyState respectively and includes the pro forma adjustments recognised in the Auswide Pro Forma Consolidated Income Statement outlined in section 4.6.

#### Notes:

##### 1. Indicative PPA

A \$1.7 million after tax amortisation expense has been included in respect of the Core deposit intangible of \$12.1 million (assumed to amortise over 5 years) that is expected to arise as a result of the PPA exercise. The Core deposit intangible reflects the value associated with access to low cost funding through the deposit book.

##### 2. Treatment of upfront and trail commissions

Upfront and trail commissions paid to mortgage brokers has historically been reported in operating expenses by Auswide. MyState has historically reported these costs in Interest income. The equivalent treatment and amount for Auswide is shown as an alignment of accounting policies. The adjustment represents a reclassification between line items only and does not impact net profit after tax.

### Items not reflected in the Merged Group Pro Forma Consolidated Income Statement

The Merged Group Pro Forma Consolidated Income Statement has not been adjusted to reflect:

- the trading of Auswide and MyState after 30 June 2024;
- the ultimate timing and realisation of any potential synergies or business improvements (and associated costs) arising from the combination of Auswide and MyState;
- transaction costs incurred by Auswide and MyState in relation to the Scheme incurred after 30 June 2024;
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of implementation of the Scheme (other than the amortisation of the Core deposit intangible reflected) and the finalisation of the PPA exercise, including the impact on the Consolidated Income Statement of the unwind of the fair value adjustments to certain identifiable assets and liabilities; and
- any potential tax impact which may arise because of the implementation of the Scheme including finalisation of resetting of tax cost bases of assets, and the finalisation of the accounting for the acquisition.

## 6. Overview of the Merged Group

### (d) Merged Group Pro Forma Consolidated Balance Sheet

The Merged Group Pro Forma Consolidated Balance Sheet as at 30 June 2024 is presented in the table below.

AS AT	30 JUNE 2024 PRO FORMA ADJUSTMENTS						
	A\$ '000	MyState Historical	Auswide Pro Forma	Transaction costs	Indicative PPA	Alignment of accounting policies	MergeCo Pro Forma
<b>Assets</b>							
Cash and liquid assets		114,544	162,364	(15,000)	-	-	261,908
Due from other financial institutions		45,394	16,000	-	-	-	61,394
Other assets		13,149	5,159	-	-	-	18,308
Financial instruments		807,889	535,504	-	6,038	-	1,349,431
Loans and advances		8,088,120	4,483,686	-	(26,756)	11,300	12,556,350
Plant and equipment and right-to-use assets		6,467	20,438	-	-	-	26,905
Tax assets		7,161	5,347	3,000	4,444	-	19,952
Intangible assets and goodwill		85,655	55,490	-	(43,390)	-	97,755
<b>Total assets</b>		<b>9,168,379</b>	<b>5,283,988</b>	<b>(12,000)</b>	<b>(59,664)</b>	<b>11,300</b>	<b>14,392,003</b>
<b>Liabilities</b>							
Due to other financial institutions		61,125	66,879	-	-	-	128,004
Deposits and other borrowing including subordinated notes		8,569,609	4,893,430	-	(3,500)	-	13,459,539
Employee benefits provisions		5,437	4,192	-	-	-	9,629
Other liabilities		59,641	8,035	-	(67)	11,300	78,909
Tax liabilities		7,630	3,419	-	12,686	-	23,735
<b>Total Liabilities</b>		<b>8,703,442</b>	<b>4,975,955</b>	<b>-</b>	<b>9,119</b>	<b>11,300</b>	<b>13,699,816</b>
<b>Net assets</b>		<b>464,937</b>	<b>308,033</b>	<b>(12,000)</b>	<b>(68,784)</b>	<b>-</b>	<b>692,186</b>
<b>Equity</b>							
Share Capital		228,603	234,756	-	(11,259)	-	452,100
Retained earnings		233,501	55,364	(12,000)	(39,612)	-	237,253
Reserves		2,833	17,913	-	(17,913)	-	2,833
<b>Total Equity</b>		<b>464,937</b>	<b>308,033</b>	<b>(12,000)</b>	<b>(68,784)</b>	<b>-</b>	<b>692,186</b>

The above Merged Group Pro Forma Consolidated Balance Sheet should be read in conjunction with the standalone financial information contained in sections 4.6 and 5.18 in relation to Auswide and MyState respectively and includes the pro forma adjustments recognised in the Auswide Pro Forma Consolidated Balance Sheet outlined in section 4.6.

## Notes:

### 1. Transaction costs

Estimated transaction costs of \$15.0 million are expected to be incurred by Auswide and MyState, including associated tax impact of \$3.0 million, relating to the proposed merger have been included in the Merged Group Pro Forma Consolidated Balance Sheet.

### 2. Total indicative PPA

An indicative PPA exercise has been completed and the net adjustment to Auswide book values to align them to their fair values is shown in the Merged Group Pro Forma Consolidated Balance Sheet as at 30 June 2024. The indicative PPA is based on the following information and assumptions:

- the MyState share price for the purposes of measuring the consideration for the acquisition has been assumed to be equal to the 5 day volume weighted average price for MyState Shares up to and including 24 September 2024 of \$3.88 per share;
- the audited Consolidated Balance Sheet of Auswide as at 30 June 2024;
- preliminary calculation of the fair values of Auswide's loans, deposits and other financial assets;
- the acquisition of Selfco in the Auswide Pro Forma Consolidated Balance Sheet as at 30 June 2024 on a pro forma basis;
- preliminary identification and valuation of intangible assets of Auswide as at 30 June 2024 calculated with reference to the information and assumptions outlined above; and
- the indicative tax impact of Auswide joining the MyState tax consolidated group calculated with reference to the information and assumptions outlined above.

### Purchase Price consideration:

<b>Total Auswide shares on issue</b>	<b>51,800,677</b>
Merger ratio	1.112
MyState shares to issue	57,602,353
Assumed MyState share price	A\$3.88
<b>Total purchase price consideration</b>	<b>A\$223,497,130</b>

### Summary of PPA adjustments:

BALANCE SHEET LINE ITEM	SUMMARY OF ADJUSTMENT
<b>Financial instruments</b>	<ul style="list-style-type: none"><li>• Difference between fair value and carrying value at 30 June 2024</li></ul>
<b>Loans and advances</b>	<ul style="list-style-type: none"><li>• Difference between fair value and carrying value at 30 June 2024</li><li>• Write-down of capitalised mortgage broker origination costs</li></ul>
<b>Tax assets/liabilities</b>	<ul style="list-style-type: none"><li>• Tax effect of PPA adjustments and impact of Auswide joining the MyState tax consolidated group which includes an expected step down adjustment on land, buildings, plant and equipment and software</li></ul>
<b>Intangible assets and goodwill</b>	<ul style="list-style-type: none"><li>• A Core deposit intangible, estimated to be \$12.1 million, reflecting access to lower cost deposit funding, is expected to be recognised</li></ul>
<b>Deposits &amp; other borrowings</b>	<ul style="list-style-type: none"><li>• Difference between fair value and carrying value at 30 June 2024</li></ul>
<b>Other liabilities</b>	<ul style="list-style-type: none"><li>• Difference between fair value and carrying value at 30 June 2024</li></ul>
<b>Share capital</b>	<ul style="list-style-type: none"><li>• Elimination of Auswide share capital at 30 June 2024</li><li>• Assumed Scheme Consideration of \$223.5 million based on an assumed MyState Limited share price of \$3.88 (being the 5 day volume weighted average price for MyState Shares up to and including 24 September 2024)</li></ul>
<b>Retained earnings</b>	<ul style="list-style-type: none"><li>• Elimination of Auswide retained earnings at 30 June 2024</li><li>• The difference between the purchase price consideration and the provisional identifiable fair value of Auswide's net assets as at 30 June 2024. As the provisional net identifiable assets are greater than the purchase price consideration, the difference is a gain on bargain purchase and recognised in retained earnings</li></ul>
<b>Reserves</b>	<ul style="list-style-type: none"><li>• Elimination of Auswide reserves at 30 June 2024</li></ul>

As noted, under AASB 3, the Merged Group will have 12 months from the date of MyState gaining control over Auswide to complete a PPA exercise to determine the fair value of identifiable assets (including intangible assets) acquired and liabilities assumed related to the acquisition of Auswide. The PPA amounts included in the Merged Group Pro Forma Consolidated Balance Sheet are indicative only.

## 6. Overview of the Merged Group

We note that the amounts included in the Merged Group Pro Forma Historical Consolidated Income Statement and Merged Group Pro Forma Consolidated Balance Sheet will change when the Scheme is implemented, including as a result of the following:

- the share price of MyState Shares may change between 24 September 2024 and the date the Scheme is implemented;
- the balance sheets of MyState, Auswide and Selfco will change having regard to normal trading of Auswide between 30 June 2024 and implementation of the Scheme; and
- the composition of the loan and deposit portfolios and associated fair value impacts will be different when the Scheme is implemented than at 30 June 2024.

The difference between the fair value of loans and advances and their carrying value at 30 June 2024 is largely attributable to Auswide's fixed rate loan portfolio. 84% of all of Auswide's fixed rate loans mature by 30 June 2025, therefore the actual variance recognised in the purchase price accounting at acquisition date is expected to be materially lower than the difference recognised in the pro forma adjustment in the Merged Group Pro Forma Consolidated Balance Sheet table above.

### Impact on purchase price accounting for changes in assumed share price of MyState

Assumed share price of MyState	A\$3.78	A\$3.88	A\$3.98
Implied market capitalisation (A\$m)	217.7	223.5	229.3
Gain recognised in retained earnings	21.5	15.8	10.5
# of shares (m)	57.6	57.6	57.6

### 3. Alignment of accounting policies

At 30 June 2024, MyState revised its treatment of ongoing trail commissions payable to mortgage brokers. MyState recognised a liability of \$39.5 million within Other liabilities equal to the present value of expected future trail commissions payable and a corresponding increase in capitalised brokerage costs in Loans and advances. The equivalent treatment and an amount of \$11.3 million has been estimated for Auswide, and is shown as a pro forma adjustment in the Alignment of accounting policies column in the Merged Group Pro Forma Consolidated Balance Sheet table.

### 4. Items not reflected in the Merged Group Pro Forma Consolidated Balance Sheet table above

The Merged Group Pro Forma Consolidated Balance Sheet table above does not include Auswide's Final Dividend 2024 of 11 cps paid on 4 October 2024 to Auswide Shareholders on the Auswide Register at the record date of 20 September 2024 and MyState's Final Dividend 2024 of 11.5 cps paid on 16 September 2024 to MyState Shareholders on the register at the record date of 23 August 2024, the total amounts paid being \$5.7 million and \$12.7 million respectively.

### Items not reflected in the Merged Group Pro Forma Consolidated Balance Sheet

The Merged Group Pro Forma Consolidated Balance Sheet has not been adjusted to reflect:

- the trading of Auswide and MyState after 30 June 2024, and
- Auswide's Final Dividend 2024 and MyState's Final Dividend 2024.

On 17 October 2024, MyState settled a \$600m capital relief term Residential Mortgage Back Securities transaction (ConQuest 2024-1 Trust) in line with its funding plan.

### (e) No Other Material Information

Except as disclosed elsewhere in this Scheme Booklet, there is no other material information regarding MyState, or its intentions regarding Auswide and the Merged Group, that would be material to a Auswide Shareholder in deciding whether to vote in favour of the Scheme.



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7.

## RISK FACTORS

# 7. Risk Factors

## 7.1 Risks relating to the Scheme

In considering the Scheme, Auswide Shareholders should be aware that there are a number of risks, both general and specific, associated with the Scheme. This section 7 describes risks associated with:

- the implementation of the Scheme (section 7.2);
- the Merged Group (section 7.3);
- MyState Shares (section 7.4); and
- Auswide if the Scheme is not implemented (section 7.5).

This section 7 is a summary only and should not be relied on as an exhaustive list of all risks that Auswide Shareholders may face. There may be additional risks and uncertainties not currently known to Auswide or MyState or that are currently considered immaterial, which may become important factors that can have a material adverse effect on the Merged Group's operating and financial performance.

## 7.2 Risks associated with implementation of the Scheme

### (a) Market value of the Scheme Consideration

If the Scheme is implemented, Scheme Participants will receive the Scheme Consideration, comprising 1.112 New MyState Shares in respect of each Auswide Share (unless the Scheme Participant is an Ineligible Foreign Shareholder, in which case they will receive their pro rata share of Proceeds, instead of the Scheme Consideration).<sup>27</sup> This exchange ratio was agreed in the Scheme Implementation Agreement and will not be adjusted under the terms of the Scheme Implementation Agreement to reflect changes in the market price of Auswide Shares or MyState Shares, or any other event before the Implementation Date. As a result, the implied value of the Scheme Consideration will vary over time. Therefore, because the exchange ratio is fixed, prior to implementation of the Scheme, Auswide Shareholders cannot be sure of the market value of the Scheme Consideration that will be provided on the Implementation Date.

### (b) Conditions Precedent

The Scheme is subject to a number of Conditions Precedent as set out in clause 3.1 of the Scheme Implementation Agreement and summarised in section 3.14. These Conditions Precedent include obtaining all Regulatory Approvals. Certain Conditions Precedent are beyond the control of Auswide and MyState. There can be no guarantee that the Conditions Precedent will be satisfied or waived (where capable of waiver) in a timely manner or at all. Any failure or delay in satisfying the Conditions Precedent could prevent or delay the implementation of the Scheme, which could reduce the benefits that Auswide and MyState expect to obtain from the Scheme, increase the costs associated with the Scheme and impede the successful integration of Auswide and MyState's businesses.

If for any reason the Conditions Precedent are not satisfied or waived (where capable of waiver) and the Scheme is not completed, Auswide will continue, in the absence of a Superior Proposal, to operate as a standalone group and remain listed on ASX and Auswide Shareholders will retain their Auswide Shares and will not receive the Scheme Consideration.

### (c) Court approval

There is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, then the Court will have regard to that change in deciding how it should proceed. If such changes are so important that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

### (d) Integration

The success of the Scheme will depend, in part, on the ability of MyState to realise the anticipated benefits (including cost synergies) from combining the businesses of MyState and Auswide. MyState's ability to realise these anticipated benefits depends on the successful integration of the businesses of MyState and Auswide.

27. Ineligible Foreign Shareholders will be entitled to receive their pro rata share of the Proceeds under the Sale Facility, instead of the Scheme Consideration, as described in sections 3.11 and 3.12.

There is a risk that the parties have not identified all matters relevant to integration of Auswide and MyState's businesses, or that unforeseen matters, delays or costs may arise. There are risks that the integration of Auswide and MyState's businesses may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated.

Potential difficulties that may be encountered in the integration process include the following:

- differences in corporate culture between the businesses being integrated;
- lack of capability and talent to deliver integration;
- unanticipated or higher than expected costs, delays or failures relating to integration of businesses, support operations, accounting or other systems;
- unanticipated or higher than expected costs or extensive delays in the planned migration, integration and decommissioning of information technology systems and platforms;
- loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees; and
- disruption of ongoing operations of the Merged Group's business.

Any of these possibilities may impact the Merged Group's operating and financial position and performance.

#### **(e) Change in risk and investment profile**

After implementation of the Scheme, Scheme Participants (other than Ineligible Foreign Shareholders) will be exposed to additional risks relating to the MyState Group, and to certain additional risks relating to the Merged Group and the integration of the two businesses as set out in section 7.3. Those risks may be different from or additional to those related to the Auswide Group and you may prefer the risks and investment profile of the Auswide business as a standalone entity. Whilst the operations of Auswide and MyState are similar in a number of ways, the business mix, portfolio of customers, and size of the Merged Group will be different from that of Auswide currently. TPT Wealth (a subsidiary of MyState) also operates in areas that are not currently within the scope of services of Auswide. Scheme Participants will therefore be exposed to the risks associated with the TPT Wealth business and its asset management and trustee services and estate planning and trust administration.

It is noted that MyState is subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in MyState's share price that are not explained by MyState's fundamental operations and activities.

#### **(f) Taxation consequences**

If the Scheme is implemented, there may be tax consequences for Scheme Participants. The tax consequences will vary depending on a number of factors, including place of residence for tax purposes and individual tax circumstances. A summary of the general Australian income tax, stamp duty and GST consequences for Scheme Participants is set out in section 8.

#### **(g) Pro forma financial information**

The Merged Group Pro Forma Historical Information contained in this Scheme Booklet is presented for illustrative purposes only and may not be an indication of the Merged Group's financial condition or results for several reasons. For example, the Merged Group Pro Forma Historical Financial Information has been derived from the historical financial statements of Auswide and MyState and certain adjustments and assumptions have been made regarding MyState after giving effect to the Scheme. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. In addition, the Merged Group Pro Forma Financial Information does not reflect all costs that are expected to be incurred by MyState in connection with the Scheme. For example, the impact of any incremental costs incurred in integrating MyState and Auswide is not reflected in the Merged Group Pro Forma Historical Financial Information. As a result, the actual financial condition and results of the Merged Group following the implementation of the Scheme may not be consistent with the Merged Group Pro Forma Historical Information. The assumptions used in preparing the Merged Group Pro Forma Historical Financial Information may not prove to be accurate, and other factors may affect the financial condition and results of the Merged Group following the implementation of the Scheme.

## 7. Risk Factors

### (h) People retention

The success of the Merged Group's business and operations following the Scheme will depend in part on the Merged Group's ability to retain the talents and dedication of key employees currently employed by Auswide and MyState. It is possible that these employees may decide not to remain with Auswide or MyState, as applicable, while the Scheme is pending or with the Merged Group after the Scheme is implemented. If key employees terminate their employment, or if an insufficient number of employees is retained to maintain effective operations, the Merged Group's business activities may be adversely affected and management's attention may be diverted from integration matters to hiring suitable replacements, all of which may cause the Merged Group's business to suffer. In addition, Auswide and MyState may not be able to locate suitable replacements for any key employees who leave either company, or Auswide and MyState may not be able to offer employment to potential replacements on reasonable terms.

### (i) Customer retention and satisfaction

The success of the Merged Group's business and operations will depend in part on the Merged Group's ability to retain its customers. The occurrence of any unforeseen issue or event which impacts the Merged Group's performance or ability to provide services to its customers may result in a diminution of customer satisfaction and loyalty, and place the reputation of the Merged Group's brands at risk. Further, organisational culture can greatly influence individual and group behaviours. Poor culture can expose an organisation and lead to unfair customer outcomes. Behaviours or conduct that could expose the Merged Group to customer-satisfaction and retention related risks include:

- failure to manage existing or integrate new products and services in a way that is transparent, accessible, and easy for the Merged Group's customers to understand;
- failure to clearly communicate changes to any products or services effectively to customers;
- unmanaged conflicts of interest that could influence behaviour that is not in the customer's best interest;
- non-adherence to applicable learning and competency training requirements;
- selling, providing, or unduly influencing customers to purchase or receive products or services that may not meet their existing needs or that place the customer at risk of future hardship;
- making representations to customers about products or services that may not meet their existing needs or place the customer at risk of future hardship;
- being a party to fraud;
- failure to protect customers from fraud or scams when banking through digital channels or failure to respond adequately to customers impacted by external fraud or scams;
- non-adherence to application requirements or providing financial advice which is not appropriate or in the customer's interests;
- delays in appropriately escalating regulatory and compliance issues;
- failure to resolve issues and remediate customers in a timely manner and in accordance with community expectations;
  - failure to deliver on product and service commitments;
  - failure to remediate ineffective business processes and stop re-occurrence of issues in a timely manner; and
  - failure to act in accordance with the Merged Group's conduct policies.

These risks bear a risk of adversely impacting the financial performance of the Merged Group's business.

## **(j) Transaction costs**

Auswide and MyState expect to incur significant costs associated with the Scheme and combining the operations of the two groups. Fees and expenses related to the Scheme include financial adviser fees, filing fees, legal and accounting fees and regulatory fees, some of which will be paid regardless of whether the Scheme is implemented. MyState's costs in connection with the integration of the companies is difficult to predict before MyState begins the integration process, and MyState may incur unanticipated costs as a consequence of difficulties arising from its integration efforts.

## **(k) Due diligence**

Before executing the Scheme Implementation Agreement, Auswide and MyState undertook a period of mutual due diligence for the purpose of evaluating the merits and negotiating the terms of the Scheme. Although Auswide and MyState decided to proceed with the Scheme following that due diligence exercise, there is a risk that the due diligence undertaken was insufficient or failed to identify or appreciate the impact of key issues or identify all liabilities of either Auswide or MyState. These liabilities, and any additional risks and uncertainties related to the Scheme not currently known to Auswide or MyState, or that MyState may currently deem immaterial or unlikely to occur, could negatively impact the Merged Group's business, financial condition and results of operations.

## **(l) Termination rights under the Scheme Implementation Agreement**

Auswide, MyState Bank and MyState each have the right to terminate the Scheme Implementation Agreement in the circumstances described in section 9.10. As such, there is no certainty that the Scheme Implementation Agreement will not be terminated before the Scheme is implemented.

If the Scheme Implementation Agreement is terminated, Auswide can provide no assurances that another party would be willing to offer the same or greater consideration price for Auswide Shares than that which is offered under the Scheme Implementation Agreement and the Scheme.

In addition, under the Scheme Implementation Agreement:

- Auswide may have to pay the Break Fee of \$2 million to MyState if the Scheme does not proceed in certain circumstances; and
- MyState may have to pay the Reverse Break Fee of \$2 million to Auswide if the Scheme does not proceed in certain circumstances.

See section 9.10 for more details in respect of termination rights and the Break Fee and Reverse Break Fee under the Scheme Implementation Agreement.

## **(m) Contract Risks**

There is a risk that existing Auswide debt or securitisation-related, customer, supplier, or other contracts or instruments will contain change of control provisions, and that change of control consents will not be provided.

Auswide's securitisation warehouse ABA Trust No. 7 includes a change of control amortisation trigger. That securitisation warehouse and the Wide Bay Trust No. 5 securitisation warehouse include other amortisation triggers which may occur upon implementation of the Scheme. Auswide has requested waivers of all of those amortisation triggers from the relevant securitisation warehouse funders but there is no assurance that such waivers will be provided. If a securitisation warehouse goes into amortisation Auswide will not be able to obtain further funding from the relevant securitisation warehouse funder. This may have an adverse effect on Auswide's liquidity levels if Auswide requires that external funding for liquidity purposes and cannot obtain comparable funding elsewhere or can only obtain such funding at a higher cost of funds.

## **(n) A Superior Proposal for Auswide may yet emerge**

It is possible that a Superior Proposal for Auswide, which is more attractive for Auswide Shareholders than the Scheme, may materialise in the future. The implementation of the Scheme would mean that Auswide Shareholders would not obtain the benefit of any such proposal.

The Auswide Board is not currently aware of any such proposal and believes that since MyState and Auswide announced the Scheme on 19 August 2024, there has been opportunity for an alternative proposal for Auswide which provides a different outcome for Auswide Shareholders to emerge.

## 7. Risk Factors

### (o) Other risks

The above risks should not be taken as a complete list of the risks associated with the implementation of the Scheme. The risks outlined above and other risks specifically referred to may in the future materially adversely affect the value of MyState Shares and the financial performance of MyState. No assurance or guarantee or future performance or profitability of MyState or the value of MyState Shares is given.

### 7.3 Risks relating to the Merged Group

In the course of conducting the Merged Group's business operations, the Merged Group will be exposed to a variety of risks, some of which are inherent in the financial services and banking industry and others which are more specific to the Merged Group. The risk factors below could affect the business, results of operations and financial condition and make an investment in the Merged Group speculative or risky.

A number of these risks are, or will be, risks to which Auswide Shareholders are already exposed. However, the nature of the Merged Group's business will differ from that of Auswide as a standalone business and Auswide Shareholders may be subject to additional risks in respect of the Merged Group. These risks should be considered in conjunction with other information contained in this Scheme Booklet and do not take into account the individual investment objectives, financial situation, position or particular needs of Auswide Shareholders.

Please also refer to "Forward-looking statements" at the beginning of this Scheme Booklet with respect to forward looking information referred to in this section.

#### (a) Credit risk

As financial institutions, the Auswide Group and the MyState Group are exposed to the risks associated with extending credit to third parties. Credit risk is the risk of financial loss arising from a debtor or counterparty failing to meet their contractual debts and obligations, or the failure to recover the recorded value of secured assets. Credit risk arises in the context of Auswide's and MyState Bank's lending activities and loan portfolio, and Auswide's and the MyState Group's other trading activities. Other assets of the Auswide Group and MyState Group which are subject to credit risk include cash and cash equivalents, amounts due from other financial institutions, receivables, certificates of deposit, securitisation notes and deposits, loan commitments and bank guarantees.

Auswide's and MyState Bank's loan portfolios consists of mortgage lending, personal lending and commercial lending. Less favourable economic or business conditions or a deterioration in commercial and residential property markets, whether generally or in a specific industry sector or geographic region, or external events such as natural disasters and natural hazards (including climatic, biological (such as a pandemic), meteorological or geological) could cause the Merged Group's customers to experience an adverse financial situation, thereby exposing the Merged Group to the increased risk that those customers may fail to meet their contractual obligations. An increase in the failure of the Merged Group's customers to meet their contractual obligations to the Merged Group could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

The Merged Group's other trading activities (e.g. entry into interest rate swaps) and 'off-balance sheet exposures' (e.g. loan commitments and bank guarantees) also expose the Merged Group to counterparty risk, should the relevant counterparty to those arrangements be unable to honour their contractual obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Such counterparty risk is more acute in difficult market conditions where the risk of counterparty default is higher. Defaults or breaches by one or more relevant counterparties could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

#### (b) Market and interest rate risk

The Merged Group may suffer financial loss as a result of adverse changes in market prices, such as interest rates. Auswide's and MyState's cash and investment assets (including positions held in certain financial instruments, deposit and securitisation liabilities) are subject to the risk of changing interest rates. Such risks can be heightened during periods of high volatility, market disruption and periods of sustained low interest rates.

Accordingly, there is a risk that the Merged Group may suffer financial loss due to market volatility, which could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(c) Funding and liquidity risk**

Financial institutions (including Auswide and MyState Bank (and therefore the Merged Group, from implementation of the Scheme)) are impacted by prevailing global credit and capital market conditions, which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis and the more recent COVID-19 pandemic.

If market conditions deteriorate due to economic, financial, political, health or other reasons, the Merged Group's funding costs may be adversely impacted and its liquidity and funding of lending activities may be constrained. There is no assurance that the Merged Group will be able to obtain adequate funding at acceptable prices or at all.

Funding and liquidity risk is the risk that the Merged Group, although both Auswide and MyState are balance sheet solvent, may not be able to meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so on materially disadvantageous terms. Funding risk can occur due to an increase in competition for funding, or a change in risk premiums required by investors, which causes an increase in funding costs or increased difficulty accessing funding markets.

Auswide and MyState raise funding from a variety of sources, including customer deposits and wholesale funding to meet their funding obligations and to maintain or grow their businesses. If confidence in the Merged Group is damaged and the Merged Group's sources of funding prove to be insufficient or so expensive as to be uncompetitive, the Merged Group may be forced to seek alternative funding arrangements or curtail its business operations and limit loan growth. The Merged Group may also experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios (see 'Management of Merged Group's capital base', in section 7.3(f) below). The ability for the Merged Group to secure alternative funding will depend on a variety of factors, including prevailing market conditions, the availability of credit and the Merged Group's credit ratings.

For TPT Wealth, liquidity risk is the risk of having insufficient realisable cash, investments and borrowing capacity to fund redemption requests net of subscriptions. TPT Wealth's assets primarily comprise realisable securities which can be readily sold in normal market conditions. However not all securities or instruments invested in by TPT Wealth may be listed or rated and consequently liquidity of such securities or instruments may be low. TPT Wealth may also encounter difficulties in disposing of assets at a fair market price due to adverse market conditions. Investments may need to be sold if insufficient cash is available to finance redemptions from investors. If the size of disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the next asset value of a fund.

The financial performance of the Merged Group may also be impacted as a result of changes in monetary policy both in Australia and globally, broader economic conditions, and changes in the level of stimulus provided by central banks from time to time. The actions of central banks, such as interest rate settings and quantitative easing, can potentially impact the Merged Group's access to funding markets, liquidity levels, cost of funding, margin on products and, as a result, could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(d) Losses may differ materially from provisions**

The Auswide Group and the MyState Group provide for expected losses from loans, advances and other assets.

Estimating losses in the loan portfolio is, by its nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgements.

If the assumptions upon which these assessments are made prove to be inaccurate, the provisions for credit impairment may need to be revised. This may adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(e) Change in accounting policy and/or methods in which they are applied to the Merged Group (including goodwill assessments)**

The accounting policies and methods that the Auswide Group and the MyState Group apply are fundamental to how the groups record and report their financial position and results of their operations. AAS are issued by the AASB and are not within the control of the Merged Group and its directors.

Changes to the AAS or the interpretation of those standards or other pronouncements under the Corporations Act could impact the Merged Group's reported earnings and its financial position from time to time.

Management of the Merged Group must also exercise judgment in selecting and applying many of these accounting policies and methods as well as estimates, sensitivities and assumptions applied so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations.

## 7. Risk Factors

These accounting policies may be applied inaccurately, and/or incorrect assumptions, sensitivities or judgments made, resulting in a misstatement of, or material change from one financial reporting period to the next, of the Merged Group's financial position and results of operations, leading to an adverse impact on the Merged Group's financial performance, financial position, capital resources and/or prospects.

Consistent with the AAS, Auswide and MyState are periodically required to assess the value of their assets (including goodwill). Impairment testing for goodwill is performed annually, or earlier if there is an impairment indicator and is based on a number of assumptions and sensitivity analysis. Where the recoverable amount of an asset is assessed to be less than its carrying value, the Merged Group may be obliged to recognise an impairment charge in its profit and loss account and/or balance sheet. An impairment loss recognised for goodwill is not reversed in subsequent periods. There is a risk that the Merged Group may be required to recognise impairment charges in the future based on a number of factors. Impairment charges can be significant and operate to reduce the level of the Merged Group's profits and, accordingly, have an impact on the Merged Group's financial position and performance and level of dividends that may be declared or paid.

### (f) Management of Merged Group's capital base

Both Auswide and MyState's capital base is critical to the management of their businesses and access to funding. Auswide and MyState (and from implementation of the Scheme, the Merged Group) are required by the Australian Prudential Regulation Authority (APRA) to maintain adequate regulatory capital. Capital risk is the risk that Auswide or MyState do not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses and lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require the Merged Group to raise additional capital. There can be no certainty that any additional capital required from time to time would be available or could be raised on reasonable terms.

Additionally, if the information or the assumptions upon which the Merged Group's capital requirements are assessed prove to be inaccurate, this may adversely impact the Merged Group's reputation, operations, financial performance, financial position, capital resources and prospects.

### (g) Credit ratings risk

Credit ratings are opinions on the Merged Group's creditworthiness.

The Merged Group's credit ratings will impact the cost and availability of its funding from capital markets and other funding sources and may be important to customers or counterparties when evaluating the Merged Group's products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to Auswide and MyState (and following implementation of the Scheme, the Merged Group) by rating agencies are based on an evaluation of a number of factors, including financial strength, support from members of the company and structural considerations regarding the Australian financial system. A credit rating downgrade could be driven by the occurrence of one or more of the other events identified as risks in this section 7 or by other events, including changes to the methodologies used by the rating agencies to determine ratings.

If the Merged Group fails to maintain its credit ratings, this could impact the Merged Group's cost of funds and related margins, competitive position and its access to capital and funding markets. This could, in turn, adversely impact the Merged Group's businesses, financial performance, financial position, liquidity, capital resources and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether the ratings differ among agencies (i.e. split ratings) and whether any ratings changes also impact Merged Group's peers or the banking sector generally.

### (h) Regulatory, legal and compliance risk

As financial services providers, the Auswide Group and the MyState Group are subject to substantial regulatory and legal oversight in Australia. The key agencies with regulatory oversight of Auswide and MyState (and from implementation of the Scheme, the Merged Group) include APRA, the Reserve Bank of Australia, the ACCC, ASX, ASIC, AUSTRAC and the ATO.

Global economic conditions have resulted in increased supervision and regulation of the banking and financial services industries, as well as changes in the regulation of the markets in which MyState and Auswide operate. In addition, regulation is becoming increasingly extensive and complex.



In addition, legislation has been passed that broadens the range of misconduct that can attract a civil penalty. In particular, ASIC can commence civil penalty proceedings and seek significant civil penalties against an Australian financial services licensee (such as Auswide and MyState Bank) for failing to do all things necessary to ensure that financial services provided under its licence are provided efficiently, honestly and fairly. This trend towards increasing the scope of penalties for failing to meet compliance obligations could continue in the future and be expanded into other areas of regulation that Auswide and MyState are subject to.

Changes may also occur in the oversight approach of regulators, which could result in a regulator preferring its enforcement powers over a more consultative approach. In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators.

APRA has stated that it will use enforcement where appropriate to prevent and address serious prudential risks and hold entities and individuals to account. The current environment may see a shift in the nature of enforcement proceedings commenced by regulators. As well as conducting more civil penalty proceedings, the Merged Group's regulators may be more likely to bring criminal proceedings against institutions and/or their representatives in the future. Alternatively, regulators may elect to make criminal referrals to the Commonwealth Department of Public Prosecutions or other prosecutorial bodies.

The provision of new powers to regulators, coupled with the increasingly active supervisory and enforcement approaches adopted by them, increases the risk of adverse regulatory action being brought against the Merged Group. Further, the severity and consequences of that action may now be greater, given the expansion of penalties for corporate and financial sector misconduct (including due to the recent introduction of the Financial Accountability Regime (**FAR**), discussed below). Regulatory action brought against the Merged Group may expose the Merged Group to an increased risk of litigation brought by third parties (including through class action proceedings), which may result in the Merged Group being required to pay compensation to third parties and/or undertake remediation activities.

The nature and impact of future regulatory changes are not predictable and are beyond the Merged Group's control. There is operational and compliance risk and cost associated with the implementation of any new laws and regulations that apply to the Merged Group as a banking and financial services institution. In particular, changes in applicable laws, regulations, government policies or accounting standards, including changes in the interpretation or implementation of laws, regulations, government policies or accounting standards could impact one or more of the Merged Group's businesses and could result in Merged Group incurring substantial costs.

Further impacts include required levels or the measurement of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered, and/or reducing the fees which banks can charge for their financial services. APRA may introduce new prudential regulations or modify existing regulations, including those that apply to the Merged Group as an ADI. Any such event could adversely impact the business, reputation, operations, capital resources, financial performance, financial position and prospects of the Merged Group. In particular, new or amended prudential rules may result in changes to the Merged Group's capital adequacy ratio.

Auswide and the MyState Group are responsible for ensuring that they comply with all applicable legal and regulatory requirements (including accounting standards and rules and regulations relating to corrupt and illegal payments and money laundering) and industry codes of practice, as well as meeting its ethical standards. A failure by the Merged Group to comply with applicable regulations could result in suspensions, restrictions of operating licences, fines and penalties or other limitations on the Merged Group's ability to do business. They could also have reputational consequences. These costs, expenses and limitations could have an adverse impact on the Merged Group's operations, reputation, financial performance, financial position, capital resources and prospects.

The legal and regulatory requirements described above could also impact the profitability and prospects of the Merged Group to the extent that they limit or restrict the Merged Group's operations. The nature and impact of future changes in such requirements are not predictable and are beyond the Merged Group's control. Depending on their nature, implementation or enforcement of any regulatory requirements, they may have an adverse impact on the Merged Group's operations, reputation, financial performance, financial position, capital resources and prospects.

Regulatory compliance and the management of regulatory change is an increasingly important part of both Auswide's and MyState's strategic planning. Regulatory change may also impact the Merged Group's operations by requiring it to have higher levels, and better quality, of capital as well as place restrictions on the businesses the Merged Group operates or require the Merged Group to alter its product or service offerings. If regulatory change has any such impact, it could adversely impact the Merged Group's business, operations, reputation, financial performance, financial position, capital resources and prospects.

## 7. Risk Factors

### Financial Accountability Regime

FAR implements the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry to expand the existing Banking Executive Accountability Regime (**BEAR**) across the Australian financial services sector. FAR was established through the *Financial Accountability Regime Act 2023* (Cth) and took effect for Auswide, MyState Bank and other ADIs on 15 March 2024.

FAR imposes a strengthened responsibility and accountability framework for these entities (including Auswide and MyState), their directors and certain senior executives. Failures by the Merged Group or its directors or relevant senior executive to comply with their obligations under FAR could result in significant monetary penalties for both the Merged Group and those individuals which could impact the Merged Group's business, prospects, reputation, financial performance or financial position and the ability of the Merged Group to attract and retain high quality executives (see 'Failure to recruit and retain key executives, Directors and key personnel', in section 7.3(t), below).

### Financial Crime Obligations

Auswide and MyState are subject to anti-money laundering and counter-terrorism financing (**AML/CTF**) laws, anti-bribery and corruption laws, economic and trade sanctions laws and tax transparency laws in the jurisdictions in which they operate.

These laws can be complex and, in some circumstances, impose a diverse range of obligations. For example, under the *AML/CTF Act and the Anti-Money Laundering and Counter Terrorism Financing Rules Instrument 2007 (No.1)* Auswide and MyState must have in place an AML/CTF program (**Program**) specifying how they comply with the AML/CTF legislation. The purpose of the Program is to identify, mitigate and manage the risk the Auswide Group and MyState Group (as applicable) may reasonably face through the provision of any designated service offered by any member of the Auswide Group or MyState Group (as applicable).

The Program must consist of two parts, 'Part A' which defines how the processes and procedures help identify, mitigate and manage AML/CTF risks and 'Part B' which focuses on the procedures to identify customers and verify a customer's identity before Auswide or MyState, respectively, can offer any designated services. Auswide and MyState Bank, under their Programs, are also required to conduct ongoing due diligence on customers and undertake ongoing risk assessments. AML/CTF laws also require Auswide and MyState to report certain matters and transactions to relevant regulators (including in relation to International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports) and ensure that certain information is not disclosed to third parties in a way that would contravene the 'tipping off' provisions in AML/CTF legislation. The Program is to be approved by the board of Auswide and MyState (respectively), be reviewed annually and must be regularly independently reviewed.

In recent years there has been increased focus on compliance with financial crime obligations both in the banking and financial services industries, and otherwise (including, in particular, certain cash intensive businesses and industries), with regulators around the globe commencing large-scale investigations and taking enforcement action where they have identified non-compliance (often seeking significant monetary penalties).

Due to the volume of transactions that Auswide and MyState Bank process, the undetected failure or the ineffective implementation, monitoring or remediation of a system, policy, process or control (including in relation to a regulatory reporting obligation) could result in breaches of its AML/CTF obligations. This in turn could lead to significant monetary penalties. If Auswide or MyState Bank fails, or where Auswide or MyState Bank have failed, to comply with these obligations, the Merged Group could face regulatory enforcement action such as litigation, significant fines, penalties and the revocation, suspension or variation of its relevant licence conditions.

Non-compliance with financial crime obligations could also lead to litigation commenced by third parties (including class action proceedings) and cause reputational damage. These actions could, either individually or in aggregate, adversely impact the Merged Group's business, prospects, reputation, operations, financial performance or financial position.

## Other regulatory developments

Further inquiries and regulatory reviews impacting the financial services industry may be commissioned by any Australian government or regulatory body, which, depending on their scope, findings and recommendations, may adversely impact the Merged Group. Other reviews and regulatory reforms currently relevant to the Auswide Group and MyState Group which present a potential regulatory risk include:

- APRA finalised their substantial changes to the *Prudential Standard CPS 230 – Operational Risk Management* in 2023, with the commencement scheduled for 1 July 2025. APRA also finalised its guidance and expectations in relation to these changes with a Practice Guide issued in June 2024.
- Increased focus and assessment from APRA of cyber security and cyber resilience under *Prudential Standard CPS 234 – Information Security* obligations, including pursuit of breaches, identification of and action on control weaknesses and event responses, and associated remediation.
- Amendments to the *Privacy Act 1988* (Cth), following the review and the Commonwealth Government's response in September 2023, likely to result in enhanced transparency and consent obligations, use of personal information needing to be fair and reasonable, new individual data subject rights, and requirements for privacy impact assessments. The full outcome of future amendments remains uncertain. Additionally, penalties have already been substantially increased for a serious or repeated breach of privacy as per the *Privacy Legislation Amendment (Enforcement and Other Measures) Act 2022* (Cth).
- Monitoring by APRA of the revised obligations for remuneration frameworks, practices and disclosures (*Prudential Standard CPS 511 – Remuneration & FAR*).
- Regulation and monitoring by ASIC of ASIC Regulatory Guide 271 Internal Dispute Resolution, which extends the standards for complaints handling and management by financial services licensees, and is enforceable.
- APRA's review of the prudential standard on liquidity (*Prudential Standard APS 210 – Liquidity*), along with interest rate risk prudential requirements and guidance, to ensure they are fit for purpose and incorporate recent learnings.
- Changes to the Australian Banking Association Banking Code of Practice to the extent applicable to the Merged Group.
- APRA's review of *Prudential Standard CPS 510 – Governance*, entailing expectations of boards, which may result in revisions to requirements in 2024.
- Future legislation resulting from the Quality of Advice Review recommendations, into the accessibility and affordability of quality advice, and particularly how banks engage with their customers. The Commonwealth Government provided their final response to the review in December 2022. Further consultation steps may occur and final legislation is anticipated in 2024.
- Progression by APRA of the modernisation of the prudential architecture. While changes to the design of the regulatory framework are intended to make it clearer, simpler and more adaptable for institutions, some duplication and complexity may be created over the next couple of years which could add uncertainty to the Merged Group's compliance with certain prudential requirements.
- In November 2023, the Australian Government released a consultation paper on the proposed features of a Scams Code Framework as there is currently no overarching regulatory framework that sets clear roles and responsibilities for the Government, regulators, and the private sector in addressing scams. The Government has committed to introducing new mandatory industry codes to outline the responsibilities of the private sector in relation to scam activity, with a focus on banks, telecommunications providers and digital platforms. Given the Scams Code Framework is still to be drafted and finalised, the potential impacts of the framework remain uncertain.

### (i) Regulatory fines and sanctions

The upward trend in compliance breaches by global banks and the related fines and settlement sums means that these risks continue to be an area of focus for the Auswide Group and the MyState Group.

In particular, the risk of non-compliance with AML/CTF and trade sanction laws remains high. Failure to develop and implement a robust Program to combat AML/CTF, bribery and corruption or to ensure economic, trade sanction and market conduct laws and regulations could have serious legal, financial, and reputational consequences for the Merged Group and its employees.

Consequences could include fines, criminal and civil penalties (including custodial sentences), civil claims, reputational harm and possible limitations or amendments to the Merged Group's relevant licences along with limitations on its ability to operate in certain jurisdictions.

## 7. Risk Factors

### (j) Customer remediation risk

Operational risk, technology risk, conduct risk or compliance risk events could require the Merged Group to undertake customer remediation activity.

The Auswide Group and the MyState Group both rely on a large number of policies, processes, procedures, systems and people to conduct their business. Breakdowns or deficiencies in one of these areas (arising from one or more operational risk, technology risk, conduct risk or compliance risk events) could result in adverse outcomes for customers which the Merged Group is required to remediate.

These events could require the Merged Group to incur significant remediation costs (which may include compensation payments to customers, costs associated with correcting the underlying issue and costs associated with obtaining assurance that the remediation has been conducted appropriately), and result in reputational damage.

There are significant challenges and risks involved in customer remediation activities. Determining how to properly and fairly compensate customers can also be a complicated exercise involving numerous stakeholders, such as the impacted customers, regulators and industry bodies.

The Merged Group's proposed approach to a remediation action may be impacted by a number of events, such as a group of impacted customers commencing class action proceedings on behalf of the broader population of impacted customers, or a regulator exercising its powers to require that a particular approach to remediation be taken. These factors could impact the cost of, and timeframe for, completing the remediation activity, potentially resulting in the Merged Group failing to execute the remediation in a timely manner. A failure of this type could lead to a regulator commencing enforcement action against the Merged Group or result in customer or class action litigation against the Merged Group. The ineffective or slow completion of a remediation action may also expose the Merged Group to reputational damage, with the Merged Group potentially being criticised by regulators, impacted customers, the media and other stakeholders.

The significant challenges and risks involved in scoping and executing remediation actions in a timely way also creates the potential for remediation costs actually incurred to be higher than those initially estimated by the Merged Group. If the Merged Group cannot effectively scope, quantify or implement a remediation activity in a timely way, there could be an adverse impact to the Merged Group's financial performance, financial position, capital resources and prospects.

### (k) Strategic risk

Strategic risk is the risk associated with the pursuit of the Merged Group's strategic objectives including the risk that it fails to execute its chosen strategy effectively or within a timely manner. This may be as a result of factors within or outside the Merged Group's control.

A failure to execute the Merged Group's strategic objectives may result in a failure to achieve anticipated benefits and ultimately adversely impact the Merged Group's operations, financial position, financial performance and prospects (see also 'Merger, acquisition and divestment risk' at section 7.3(x)).

### (l) Dependence on relevant economies

The Merged Group's revenues and earnings will be dependent on economic activity and the level of financial services its customers require. In particular, the Merged Group's lending activities are dependent on customer and investor confidence, the state of the economy, the residential lending market and prevailing market interest rates in the jurisdictions it will be operating in across Australia. These factors are, in turn, impacted by both domestic and international economic and political events, natural disasters and the general state of the global and Australian economies.

Both the Auswide Group's and MyState Group's total arrears greater than 30 days past due increased between 30 June 2023 and 30 June 2024. A downturn in the Australian or applicable state economies may give rise to a continued increase in customer defaults (see also 'Credit risk', in section 7.3(a) above), which may, in turn, impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(m) Dependence on real estate markets**

The majority of Auswide's and MyState Bank's respective loan books are comprised of residential mortgage loans. Both Auswide and MyState Bank also typically request collateral in the form of residential property in the context of its corporate lending activities.

Accordingly, a significant decrease in residential property values or a significant slowdown in the Australian residential or commercial real estate markets could result in a decrease in the amount of new lending the Merged Group is able to write and/or result in losses from existing loans which, in either case, could impact the Merged Group's financial performance, financial position, capital resources and prospects.

Further, should the Merged Group's regulators impose new supervisory measures impacting the Merged Group's residential lending or if Australian housing price growth or property valuations decline, the demand for the Merged Group's home lending products may decrease, which could also impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(n) Competition**

There is substantial competition for the provision of banking and financial services in the markets in which the Auswide Group and the MyState Group operate. Existing participants or potential new entrants to the market (including foreign banks and non-bank competitors with lower costs and new operating and business models), especially in the Merged Group's main markets and products, could heighten competition and reduce margins or increase costs of participation, which could adversely impact the Merged Group's financial performance, financial position and prospects.

In addition, evolving industry trends, rapid technology changes and environmental, political and socio-economic factors may impact customer needs and preferences.

If the Merged Group does not adequately respond to the competition which it faces, this may have an adverse impact on the Merged Group's reputation, market share, prospects, and its financial position and performance.

As the financial services industry is a licensed and regulated industry, the prudential framework across industry participants creates its own challenges which provides scope for relative competitive advantage. Changes in the regulatory environment could potentially influence the industry's competitive dynamic which may in turn adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(o) Reputation risk**

Reputation risk may arise through the actions of the Merged Group, its directors, officers or employees or other banking or financial services market participants, and adversely impact perceptions of the Merged Group held by the public, holders of its securities, regulators or ratings agencies.

This risk may arise as a result of risk management failures, failures to comply with legal and regulatory requirements (including ethical issues, litigation, money laundering laws, employment laws, trade sanctions legislation, privacy laws, information security policies), inappropriately dealing with potential conflicts of interests, pricing policies, sales and trading practices, technology failures, security breaches and risk management failures.

Damage to the Merged Group's reputation may have an adverse impact on the Merged Group's financial performance, financial position, capital resources and prospects.

### **(p) Cyber security and privacy risks**

Most of the Auswide Group's and MyState Group's daily operations are computer-based and information systems applications and technology are essential to maintaining effective operations and communications with customers.

Auswide and MyState are conscious that threats to information systems applications and technology are continuously evolving and cyber threats and the risk of attacks are increasing. Both the Auswide Group and the MyState Group are required to collect and maintain confidential customer information and commercially sensitive data in the course of their business operations. Moreover, the impact of cyber incidents on privacy has been widely publicised recently through incidents involving large corporate organisations. The exposure of personal data leads to malicious activities such as extortion, targeted phishing and identity theft. The increasing rate of technological advancement and dependency on it, as well as greater accessibility, has resulted in greater actual and potential negative impacts on organisations and individuals. These risks may be further exacerbated by evolving geopolitical risks.

## 7. Risk Factors

The growing volume and sophistication of cyber threats, both locally and globally, is increasing the likelihood of compromised data and creates a risk for the Merged Group. The Merged Group may continue to be the target of cyberattacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Merged Group, its employees and customers, or otherwise disrupt the Merged Group or its customers' or other third parties' business operations.

The Merged Group may not be able to anticipate all attacks as they may be dynamic in nature, or implement effective measures to prevent or minimise disruptions caused by cyber attacks because the techniques used can be highly sophisticated and those perpetrating the attacks may be well resourced.

There can be no assurance that the Merged Group will not suffer productivity and revenue losses in the future as a result of such malicious activities, and such losses may adversely impact the Merged Group's business, operations, reputation, financial position and/or financial performance.

Whilst Auswide and the MyState Group have procedures in place to manage their information technology systems, there is a risk that the Merged Group or any of its suppliers may experience targeted cybercrime, data loss, fraud or system delay, failure or breakdown. The failure of key systems or solutions would be likely to be detrimental to the Merged Group, its performance and its ability to deliver services to customers and may also have an adverse impact on the Merged Group's reputation. This in turn could adversely impact the Merged Group's financial position, financial performance and prospects.

### (q) Disruptions to technology

The Auswide Group and the MyState Group are highly dependent on information systems and technology and, therefore, the reliability, resilience and security of their (and their third-party vendors') information technology systems and infrastructure are essential to the effective operation of the Merged Group's business and to its reputation, financial performance and financial position.

The reliability and resilience of technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date or faults or defects associated with doing so (for example, the recent 'CrowdStrike' software update incident), an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack.

The rapid evolution of technology in the banking and financial services industries and the increased expectation of customers for internet and mobile services on demand expose the Merged Group to new operational challenges. Any disruption to the Merged Group's technology (including disruption caused by, or to the technology systems of, the Merged Group's external providers) may be wholly or partially beyond Merged Group's control and may result in operational disruption, regulatory enforcement actions, customer remediation requirements, litigation, financial losses, theft or loss of customer data, loss of market share, loss of property or information, reputational damage, and may adversely impact the speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely impact the Merged Group's reputation, including the view of regulators or ratings agencies, which may result in loss of customers, a reduction in the price of the Merged Group's securities, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for the Merged Group and negatively impact the Merged Group's reputation.

### (r) Changes in technology

In order to deliver new products and better services to customers, comply with regulatory obligations (such as obligations to report certain data and information to regulators) and meet the demands of customers in a highly competitive banking environment, the Merged Group needs to regularly renew and enhance its technology. Failure to successfully implement and integrate, and remain competitive with, changes in technology can result in considerable costs, reputational damage and/or in the loss of market share to competitors.

Auswide and MyState currently have a number of strategic technology programs underway, that form a key component of their overarching strategy to enhance their respective capabilities by investing in digital frameworks and capabilities. Failure to deliver these projects successfully could result in substantial cost overruns, unrealised productivity, operational and system instability, failure to meet compliance obligations, reputational damage and/or result in the loss of market share to competitors. The delivery of these technology programs can have a direct adverse impact on the Merged Group's reputation and financial performance.

### **(s) People and safety risk**

Key members of the Merged Group's management team and other key employees may retire or resign from time to time. Material business interruption, loss of knowledge and loss of key customer relationships may follow the retirement or resignation of key employees, particularly if the individuals involved are sufficiently key and/or numerous.

Employees of the Merged Group are at risk of workplace accidents and incidents (be they physical or otherwise). In the event that an employee is injured or some other event or circumstance occurs giving rise to a claim, in each case in the course of their employment, the Merged Group may be subject to investigations and may be liable for penalties or damages (to the extent not covered by insurance).

Notwithstanding the preventative measures which the Merged Group may take, there can be no assurance that it will not lose any of its key employees, or that accidents or workplace incidents will not occur and result in injuries to, or impact, the Merged Group's personnel or third parties. Such events may result in additional costs and fines (in the case of workplace incidences), and may have an adverse impact on the Merged Group's reputation and operations and, in turn, its financial position, financial performance and prospects.

### **(t) Failure to recruit and retain key executives, directors and key personnel**

Key executives, Directors and key personnel play an integral role in the operation of the Merged Group's business and the pursuit of its strategic objectives. The unexpected departure of an individual in a key role, or the Merged Group's failure to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse impact on the Merged Group's reputation, operations, financial position, financial performance and prospects.

The Merged Group's capacity to attract and retain key personnel is dependent on its ability to design and implement effective remuneration structures. This process may be constrained by regulatory requirements (particularly in the highly regulated financial services sector), as well as investor expectations, which may be somewhat disparate.

There is also a risk that the Merged Group may experience high levels of turnover in its workforce and difficulty attracting, recruiting and retaining appropriately qualified staff in the future. This may have an impact on the Merged Group's operations and financial performance going forward.

### **(u) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems (including information security systems), or from external events.

The Merged Group is exposed to a variety of risks including those arising from human or process error, fraud, technology failure, customer services, staff level and skills, workplace safety, compliance, business continuity, crisis management, data storage, and processing errors, mis-selling of products and services and performance and product development and maintenance. Financial and identity crime, in particular, is an inherent risk within the financial services industry.

There are reputational implications inherent in the Merged Group's operations due to the range of the Merged Group's products and services, and the multiple markets and channels these products and services are delivered through.

There is no guarantee that the Merged Group will not suffer loss as a result of these risks (and an inherent risk also exists due to systems and internal controls failing to identify or prevent losses relating to these operational risks). Such losses can include fines, penalties, loss or theft of funds or assets, customer remediation (including compensation), loss of shareholder value, reputational damage, loss of life or injury to people and loss of property and information. Loss from such risks could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

### **(v) Conduct risk**

Conduct risk is the risk that the Merged Group's provision of services and products results in unsuitable or unfair outcomes for its stakeholders or undermines market integrity.

Conduct risk could occur through the provision of products and services to the Merged Group's customers that do not meet their needs or do not support market integrity, as well as the poor conduct of the Merged Group's employees, contractors, agents, authorised representatives and external service providers, which could include deliberate attempts by such individuals to circumvent the Merged Group's controls, processes and procedures.

This could occur through a failure to meet professional obligations to specific clients (including fiduciary and suitability requirements), poor product design and implementation, failure to adequately consider customer needs or selling products and services outside of customer target markets.

## 7. Risk Factors

Conduct risk may also arise where there has been a failure to adequately provide a product or services that the Merged Group had agreed to provide a customer.

While both Auswide and MyState have frameworks, policies, processes and controls that are designed to manage poor conduct outcomes, these policies and processes may not always have been or continue to be effective. The failure of these policies and processes could result in financial losses and reputational damage and this could adversely impact the Merged Group's reputation, relationship with its relevant regulators, financial performance, financial position and prospects.

### **(w) Fraudulent or inappropriate conduct**

Although Auswide and MyState have policies and procedures in place in relation to fraudulent and inappropriate conduct, there is a risk that the Merged Group's business may be the subject of fraudulent or inappropriate behaviour from time to time – either from those within, or external to, the business. Depending on its scope and severity, any such behaviour may have an adverse impact of the Merged Group's operations, reputation, or financial position or financial performance.

### **(x) Merger, acquisition and divestment risk**

From time to time, the Merged Group may engage in merger, acquisition or divestment activities which facilitate the Merged Group's strategic objectives. These activities may involve entering new markets, exiting investments and/or expanding the Merged Group's current investment portfolio and may impact the Merged Group's risk profile and change the sources of its earnings, potentially resulting in greater variability of earnings over time.

Any acquisition or divestment may result in a material positive or negative impact on the Merged Group's financial and capital position, including reported profit and loss and capital ratios. There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for the Merged Group's securities. The Merged Group's operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that the Merged Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources.

This could adversely affect the Merged Group's ability to conduct its business successfully and adversely impact the Merged Group's financial performance, financial position, capital resources and prospects. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment), and the loss of employees, customers, counterparties, suppliers and other business partners could adversely impact the Merged Group's financial performance, financial position and prospects.

Further, there may be significant risks associated with both the execution and implementation of merger, acquisition or divestment activities. For example, the integration of new businesses may be costly and occupy management's time, and the financial performance of investments and the economic conditions they operate within may result in investment impairment should the recoverable amount of the investment fall below its carrying value. Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired or merged businesses. Depending on the type of transaction, it could take a substantial period of time for the Merged Group to realise the financial benefits of a transaction, if any.

### **(y) Failure of risk management strategies**

Auswide and MyState have implemented risk management strategies and internal controls involving processes and procedures intended to identify, assess, measure, monitor, report and mitigate the known risks to which it is subject.

However, there are inherent limitations with any risk management framework as there may exist, or develop in the future, risks that the Merged Group has not anticipated or identified or controls that may not operate effectively.

If any of the Merged Group's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, the Merged Group could suffer unexpected losses and reputational damage which could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.



## **(z) Change management**

There is a risk that the implementation of changes to the Merged Group's business, operations and processes, supplier engagements, governance, personnel and culture from time to time (including in connection with the Scheme) may be disruptive, protracted, complex and costly, and may result in unexpected challenges and issues, and the diverting of management time, effort and attention.

There is also a risk that the anticipated benefits of certain changes (including the estimated contribution of those changes to the Merged Group's operating performance) may be less than anticipated, estimated or required.

## **(aa) Changes to banking licence**

The relevant entities within the Merged Group will be licensed to operate in the various states and territories in which the Merged Group conducts business. Unexpected changes in the conditions of its banking and financial services licences may prohibit or restrict the relevant Merged Group entity from operating in a manner that was previously permitted and may adversely impact the Merged Group's reputation, capital resources, financial performance, financial position and prospects.

The failure of the Merged Group to adhere to its business strategy, as a result of a change in any of its licence conditions, could adversely impact the Merged Group's financial performance, financial position, capital resources and prospects.

## **(bb) Insurance risk**

The Merged Group will hold insurance coverage that the Merged Group's board and management believe is appropriate and prudent to protect against major operating, business and other risks, having regard to the scope and scale of its activities.

However, not all risks are insured or insurable. If the Merged Group's third-party providers fail to perform their obligations and/or its third-party insurance cover (including directors and officers insurance and public liability insurance) is insufficient for a particular matter or group of related matters, the net loss to the Merged Group could adversely impact its financial position, financial performance and financial prospects.

If the Merged Group needs to make significant claims against its existing insurance policies, this may have an adverse impact on its insurance premiums and expenses going forward, which in turn may have an adverse impact on its financial position, financial performance, capital resources and prospects.

## **(cc) Litigation**

The Merged Group (like all entities in the banking or finance sectors) is exposed to the risk of litigation and/or regulatory reviews, investigations or proceedings brought by or on behalf of deposit holders, government agencies (including regulators) or other potential claimants.

If the Merged Group fails to meet its legal or regulatory requirements, or the requirements of applicable industry codes of practice, or its ethical standards, it may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or be subjected to enforced suspension of its operations or lose its licence to operate all or part of its business.

The Merged Group may be exposed to risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviours which do not appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in the course of its business activities.

In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of those investigations, reviews and enforcement actions can be wide ranging and, for example, have included and currently include a range of matters including responsible lending practices, product suitability, wealth advice and conduct in financial markets and capital (debt and equity) markets transactions.

There can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse impact on the Merged Group's businesses, operations, capital resources, financial performance, financial position or prospects.

If the Merged Group is involved in any such claims, litigation, disputes or other legal proceedings, this may disrupt the Merged Group's business operations, cause the Merged Group to incur significant legal costs and reputational damage, and/or may divert management's attention away from the day-to-day operation of the business.

## 7. Risk Factors

### (dd) Environmental risk

The Merged Group and its customers operate businesses and hold assets in a diverse range of sectors, asset types and geographical locations which are exposed to environmental risks as well as risks related to climate change, which is a growing risk to both the Merged Group and the Australian and global economies (see 'Climate change risk' in section 7.3(ee) below).

Environmental risks may arise from lending to customers in certain industries or taking possession of collateral with environmental damage. A failure to manage these risks and respond appropriately could adversely impact the Merged Group's reputation, financial performance and financial position.

### (ee) Climate change risk

The Merged Group, its customers and suppliers, may be adversely impacted by the physical risks (including possibility of destruction or disruption to human life, physical and natural capital) and socio-economic impacts (including impacts to liveability, food systems and infrastructure assets) of climate change. This may directly impact the Merged Group and its customers through damage to property, reduced asset values, insurance risk and business disruption and may have an adverse impact on the Merged Group's financial performance, financial position and prospects.

In particular, credit risk may arise as a result of climate change, including from:

- extreme weather and climate change-related events affecting property and asset values or causing customer losses due to damage and/or interruptions to business operations and supply chains;
- the effect of new laws, regulations and government policies designed to mitigate climate change; and
- the impact on certain customer segments as the economy transitions to renewable and low-emissions technology.

This may lead to increased levels of customer default in impacted business sectors. The impact of this on the Merged Group may be exacerbated by a decline in the value and liquidity of assets held by the Merged Group as collateral in these sectors, which may impact the Merged Group's ability to recover its funds when loans default. See further 'Credit risk' in section 7.3(a) above.

Failure of the Merged Group to effectively assess and respond to these risks or to be perceived as failing to do so, could adversely impact the Merged Group's reputation which could, in turn, adversely impact the Merged Group's financial performance, financial position and prospects.

In addition, natural disasters as a result of climate change including (but not limited to) cyclones, floods and earthquakes, and the economic and financial market implications of those disasters on domestic and global market conditions could adversely impact the Merged Group's financial position, financial performance and prospects.

## 7.4 Risks relating to the MyState Shares

### (a) Volatility of share market conditions

The price at which the MyState Shares are quoted on ASX may increase or decrease due to a number of factors.

These factors may include, but are not limited to, the demand for and availability of shares in MyState, fluctuations in the domestic and international market for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, investor sentiment, Australian and international economic conditions and outlook, announcement of new technologies, geopolitical instability, changes to government fiscal, monetary or regulatory policies and settings, country trade and importation policies, changes in legislation or regulation, the nature of the markets in which the Merged Group operates and general operational and business risks.

These factors may cause MyState Shares to trade in the future at prices below the Auswide or MyState share price on the Announcement Date. There is no assurance that the price of the MyState Shares will increase following implementation of the Scheme. The past performance of Auswide or MyState is not necessarily an indication as to the future performance of the Merged Group.

No assurance can be given that there will always be an active market for the MyState Shares.

### **(b) Market price may be adversely affected as a result of the Scheme**

On implementation of the Scheme, a significant number of additional MyState Shares will be issued and available for trading in the public market. The increase in the number of MyState Shares may lead to sales of such shares or the perception that such sales may occur (commonly referred to as “market overhang”), either of which may adversely affect the market for, and the market price of, MyState Shares.

In addition, if the Scheme is not implemented, the market price of MyState Shares could decline to the extent that it reflects an assumption that the Scheme will be implemented or is material to MyState’s business strategy.

### **(c) Dividends**

The payment of dividends on the MyState Shares following implementation of the Scheme is dependent on a range of factors including the Merged Group’s profitability, the availability of cash and capital requirements.

Any future dividend levels will be determined by the Merged Group board having regard to its operating results and financial position at the relevant time. Dividends are discretionary and do not accrue. There is no guarantee that any dividend will be paid by the Merged Group or, if paid, that they will be paid at previous MyState levels.

The level to which MyState (and following implementation, the Merged Group) is able to frank dividends declared is subject to a number of factors in addition to those outlined above. There is no guarantee that any dividend will be franked, or franked at previous MyState levels. For this reason, there is a risk that dividends may become less attractive compared to returns on comparable securities or investments.

## **7.5 Risks and implications for Auswide if the Scheme is not implemented**

If the Scheme does not proceed, and no Superior Proposal emerges and is consummated in relation to Auswide, the Auswide Group will remain a standalone group, and the Auswide Board intends to continue with its existing strategy. In such a situation, Auswide will remain exposed to a number of the operational and financial risks outlined in section 7.3, save to the extent that those risks are derived from the Merged Group’s exposure to Auswide, its business or operations.

Auswide Shareholders are also referred to Auswide’s 2023 Annual Report (released on ASX on 23 October 2023), for disclosure of Auswide’s risk management framework and the key risks identified in that context. Auswide’s 2024 Annual Report was provided to Auswide Shareholders on 17 October 2024.



8.

## TAX IMPLICATIONS OF THE SCHEME

# 8. Tax implications of the Scheme

## 8.1 Australian taxation outline

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes Effective) for Scheme Participants. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian law and administrative practice in effect as at the Last Practicable Date but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of an Auswide Shareholder. Auswide Shareholders should seek independent professional advice in relation to their own particular circumstances.

The income tax comments set out below are relevant only to those Auswide Shareholders who hold their Auswide Shares on capital account. The description does not address the Australian income tax consequences for Auswide Shareholders who:

- hold their Auswide Shares as trading stock or on revenue account for Australian income tax purposes;
- acquired their Auswide Shares pursuant to an employee share, option or rights plan;
- are financial institutions, insurance/life insurance companies, partnerships, superannuation funds, tax exempt organisations or temporary residents;
- are Australian residents who hold their Auswide Shares as part of an enterprise carried on at or through a permanent establishment in a foreign country;
- change their tax residence while holding Auswide Shares;
- invest indirectly into Auswide Shares through directed portfolio services, master funds or other portfolio administration services;
- are dealers in Auswide Shares; or
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Auswide Shares.

Auswide Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

## 8.2 Australian resident shareholders

### (a) General

The following is a general summary of the Australian income tax implications expected to arise for certain Australian resident Auswide Shareholders on the implementation of the Scheme. As this summary is necessarily general in nature, Auswide Shareholders should consult with a professional tax adviser regarding their particular circumstances.

### (b) ATO Class Ruling

Auswide has applied to the ATO for a class ruling to confirm the specific Australian income tax implications for certain Auswide Shareholders in relation to their disposal of Auswide Shares under the Scheme (including the availability of scrip-for-scrip roll-over relief) (**Class Ruling**). The Scheme is conditional on the ATO confirming that it is prepared to issue the Class Ruling.

While the ATO must provide confirmation that it is prepared to issue the Class Ruling before the Scheme can be implemented, the final Class Ruling is not expected to be issued until after implementation of the Scheme.

It is anticipated that the ATO's views to be expressed in the Class Ruling will be generally consistent with the summary of the key implications set out below. It is possible, however, that the ATO may take a different view to the consequences below.

### (c) Disposal of Auswide Shares

You may make a capital gain or capital loss on the disposal of your Auswide Shares to MyState Bank on the Implementation Date. You may make:

- a capital gain to the extent that your capital proceeds from the disposal exceed the cost base of your Auswide Shares; or
- a capital loss to the extent that your capital proceeds from the disposal are less than the reduced cost base of your Auswide Shares.

## 8. Tax implications of the Scheme

### (d) Capital proceeds received under the Scheme

The capital proceeds received from the disposal of your Auswide Shares should generally be equal to the market value of the Scheme Consideration you receive for your Auswide Shares (determined on the Implementation Date).

### (e) Cost base

Your cost base for an Auswide Share generally includes the cost of acquisition of the Auswide Share and certain incidental costs of acquisition and disposal of the Auswide Share, to the extent to which you have not claimed (and cannot claim) an income tax deduction for such costs.

The reduced cost base of an Auswide Share is usually determined in a similar, but not identical, manner. There are a number of circumstances which may result in your cost base or reduced cost base being calculated in a different manner to that outlined above. You should seek tax advice to confirm the cost base or reduced cost base of your Auswide Shares.

### (f) CGT (including CGT discount)

Any net capital gain in respect of an income year should be included in your assessable income for that income year. Broadly, your net capital gain in respect of an income year is calculated by aggregating all of your capital gains made in that income year and reducing that amount by your total amount of capital losses made in that income year and any available net capital losses from prior years that can be utilised. That amount may be further reduced by other concessions, such as under the discount CGT rules (where applicable).

Capital losses may not be deducted against other income for income tax purposes, but may be carried forward and offset against future capital gains (subject to the satisfaction of any applicable loss utilisation rules).

Individuals, trusts or complying superannuation funds may be eligible for discount CGT treatment in respect of Auswide Shares that have been held for at least 12 months at the time of the disposal, meaning the capital gain (after taking into account capital losses) will be reduced by 50% (in the case of individuals and certain trusts) or 33⅓% (in the case of complying superannuation funds). Companies are not eligible for discount CGT treatment. You should seek tax advice as to whether you can claim the CGT discount in your particular circumstances.

### (g) Scrip-for-scrip Roll-Over Relief from CGT

Scrip-for-scrip roll-over relief allows certain taxpayers to defer a capital gain made by a taxpayer if, broadly, under a single arrangement, a taxpayer exchanges a share in a company for a share in another company in certain circumstances (**Roll-Over Relief**). Auswide has applied to the ATO for a Class Ruling confirming that Roll-Over Relief is available for certain Auswide Shareholders.

If you are an Australian resident Auswide Shareholders and you exchange your Auswide Shares for New MyState Shares and would otherwise realise a capital gain in respect of the disposal of your Auswide Shares, Roll-Over Relief should be available if you choose to obtain Roll-Over Relief. Broadly, the consequences of you choosing Roll-Over Relief would be that:

- any capital gain made upon the disposal of your Auswide Shares will be deferred;
- the first element of cost base and reduced cost base of the New MyState Shares you receive will be equal to the cost base and reduced cost base (respectively) of your Auswide Shares for which the New MyState Shares were exchanged; and
- you will be deemed (for CGT discount purposes only) to have acquired the New MyState Shares at the time that you originally acquired, or were deemed to have acquired, your Auswide Shares. This may be relevant for CGT discount purposes in respect of future disposals.

If you elect to choose Roll-Over Relief, you should not include any capital gain from the disposal of your Auswide Shares in your net capital gain calculation for the year in which the Implementation Date occurs. You will provide sufficient evidence of having chosen Roll-Over Relief by the way you prepare your income tax return (i.e. by excluding the disregarded capital gain from assessable income). No formal election is required to be lodged in order to choose to obtain Roll-Over Relief.

If you do not wish to choose Roll-Over Relief, you should include in your net capital gain calculation for the year in which the Implementation Date occurs any capital gain realised by you on the disposal of your Auswide Shares.

If you would realise a capital loss as a result of disposing of your Auswide Shares under the Scheme, Roll-Over Relief will not be available and the capital loss should be realised.

You should seek tax advice as to whether it is appropriate for you to choose Roll-Over Relief in your particular circumstances.

## (h) Consequences of holding New MyState Shares

### (i) Dividends in respect of New MyState Shares

If you are entitled to receive a dividend in respect of your New MyState Shares, the amount of the dividend you are entitled to should be included in your assessable income in the income year in which it is paid. If the dividend is franked you will need to determine whether you are a “qualified person” in relation to the dividend. If you are, you should be entitled to use the attached franking credits in calculating your income tax liability for the income year in which the dividend is paid. In broad terms, a “qualified person” includes one who has held the shares “at risk” for 45 days (not including the day of acquisition or disposal of the shares).

### (ii) Future disposal of New MyState Shares

A future disposal of your New MyState Shares will be a CGT event, which may result in you realising a capital gain or a capital loss. The amount of that capital gain or capital loss will depend on your cost base, or reduced cost base, and the acquisition date of your New Auswide Shares. The acquisition date of your New Auswide Shares will depend on whether you chose Roll-Over Relief.

If Roll-Over Relief was available and you chose Roll-Over Relief then you will be deemed (for CGT discount purposes only) to have acquired your New Auswide Shares at the time that you originally acquired, or are deemed to have acquired, your Auswide Shares.

If Roll-Over Relief was not available or you did not choose Roll-Over Relief, then, to the extent you receive New MyState Shares as your Scheme Consideration:

- the first element of cost base and reduced cost base of your New MyState Shares received will be equal to the market value of your Auswide Shares on the Implementation Date; and
- the date of acquisition for CGT discount purposes of your New MyState Shares will be the Implementation Date.

## 8.3 Non-resident shareholders

### (a) Disposal of Auswide Shares

If you:

- are not a resident of Australia for Australian tax purposes; and
- do not hold your Auswide Shares in carrying on a business through a permanent establishment in Australia,

you will generally not have to pay Australian tax on any capital gain when you dispose of your Auswide Shares, unless both of the following requirements are satisfied:

- you hold a “non-portfolio interest” in Auswide; and
- the Auswide Shares pass the “principal asset test”.

You will hold a “non-portfolio interest” in Auswide if you (together with your Tax Associates) hold, or held, throughout a 12 month period during the 24 month period preceding the sale of your Auswide Shares, 10% or more of (broadly) all of the shares in Auswide.

Broadly, the Auswide Shares would pass the “principal asset test” if the market value of Auswide’s direct and indirect interests in Australian land (including leases) is more than the market value of its other assets at the time of the Implementation Date.<sup>28</sup> Detailed calculations are necessary to determine the results of the “principal asset test”. It is expected that the Auswide Shares will not pass the “principal asset test” and, as such, non-resident Auswide Shareholders should not be subject to Australian resident CGT.

If you buy and sell shares in the ordinary course of business, acquired the shares for resale at a profit or otherwise hold your Auswide Shares on revenue account, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief available under a double tax treaty that Australia has concluded with your country of residence). Again, you should seek your own tax advice.

You should also seek advice from your tax adviser as to the taxation implications of the Scheme in your country of residence.

A non-resident individual Auswide Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Auswide Shares as set out in sections 8.2(c) to 8.2(g).

28. The Australian government has proposed to replace this point in time test with a test which applies over a 365 day period with effect from 1 July 2025.

## 8. Tax implications of the Scheme

### 8.4 Foreign resident capital gains withholding tax

#### (a) Overview

Under the foreign resident capital gains withholding (**FRCGW**) rules in Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth), MyState may have the obligation to withhold an amount of up to 12.5%<sup>29</sup> of the Scheme Consideration payable to you and pay such amount to the ATO, if (very broadly):

- both the “non-portfolio test” and the “principal asset test” set out above are satisfied in relation your Auswide Shares; and
- any of the following apply:
  - MyState knows that you are a foreign resident for Australian tax purposes;
  - MyState reasonably believes that you are a foreign resident for Australian tax purposes;
  - MyState does not reasonably believe that you are a resident for Australian tax purposes and either:
    - » you have an address outside Australia (according to any record in MyState’s possession, or is kept or maintained on MyState’s behalf); or
    - » MyState is authorised to provide a financial benefit (e.g. payment of the Scheme Consideration) to a place outside Australia; or
  - you otherwise have a connection outside Australia of a kind specified in the tax regulations.

If MyState determines or reasonably believes that it has an obligation to withhold and make the above payment, MyState will (subject to the comments below in relation to relevant tax declarations and variations) withhold the applicable FRCGW amount from the Scheme Consideration payable to you and pay that amount to the ATO. This mechanism may be facilitated through the Sale Facility and for this purpose you may be deemed to be an Ineligible Foreign Shareholder (refer to sections 3.11 and 3.12). You will only receive the net proceeds and will be taken to receive the full Scheme Consideration for the purposes of the Scheme, such that MyState will be discharged of any liability to pay that amount of the Scheme Consideration to you.

Depending on your specific circumstances, you may be entitled to apply to the ATO, before the disposal of your Auswide Shares, for the ATO to vary and reduce the rate of withholding below 12.5% of the Scheme Consideration (including to nil).

#### (b) Declaration for non-withholding of FRCGW

If MyState considers that you may satisfy the “non-portfolio test” outlined in section 8.3(a) above, MyState may request certain Scheme Participants to provide MyState with a completed declaration to the effect that, for a specified period (during which period the Scheme is implemented) either:

- you are an Australian resident for Australian tax purposes (**Australian Residency Declaration**); or
- your Auswide Shares do not satisfy the non-portfolio test (see above) and/or do not satisfy the principal asset test (see above) (**Non-Portfolio Interest Declaration**).

If MyState requests you to provide a completed Australian Residency Declaration or Non-Portfolio Interest Declaration to MyState before MyState Bank acquires your Auswide Shares, and you provide such a declaration, MyState should not deduct any amount for FRCGW from the Scheme Consideration payable to you, unless MyState knows or reasonably believes the declaration to be false. If MyState does not request you to provide such a declaration in relation to your Auswide Shares, it is expected that MyState will not withhold FRCGW tax from the Scheme Consideration payable to you.

Auswide expects that the Auswide Shares would not satisfy the ‘principal asset test’ for the required period since the sum of the market values of Auswide’s assets that are direct or indirect (e.g. held via membership interests) interests in Australian real property is not expected to exceed the sum of the market values of its assets that are not direct or indirect (e.g. held via membership interests) interests in Australian real property. Accordingly, where an Auswide Shareholder is requested by MyState to, and provides to MyState, a completed Australian Residency Declaration or Non-Portfolio Interest Declaration and MyState does not know or reasonably believe the declaration to be false, no foreign resident capital gains withholding should apply.

29. The Australian Government has proposed to increase the rate to 15% from 1 January 2025.



### **(c) Credit for FRCGW tax**

Any amount withheld from the Scheme Consideration for FRCGW is not a final tax. You should be entitled to claim a credit in your Australian income tax return, for the relevant income year, for any amount withheld for FRCGW and remitted by MyState in respect of your Auswide Shares. To the extent the FRCGW tax exceeds your final Australian tax liability for the disposal of your Auswide Shares, you should be entitled to a refund of the difference.

### **8.5 Goods and services tax (GST)**

Auswide Shareholders should not be liable for GST in respect of a disposal of their Auswide Shares under the Scheme.

If Auswide Shareholders incur GST on acquisitions (e.g. GST on legal, financial or tax advice they seek), to the extent that any of these acquisitions relate to the disposal of their Auswide Shares, they may not be entitled to claim input tax credits or may only be entitled to reduced input tax credits in relation to any GST incurred on these acquisitions. Auswide Shareholders should seek independent tax advice in relation to their individual circumstances.

### **8.6 Stamp duty**

Auswide Shareholders should not be liable for any stamp duty in any Australian State or Territory in relation to the disposal of their Auswide Shares.

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## ADDITIONAL INFORMATION

# 9. Additional information

## 9.1 Substantial Shareholders

As at the Last Practicable Date, no person had notified Auswide that they had voting power of 5% or more of Auswide Shares.

## 9.2 Interests of Auswide Directors

As at the Last Practicable Date, the Auswide Directors have the following Relevant Interests in Auswide Shares:

DIRECTOR	CLASS OF SECURITIES	NUMBER OF SECURITIES
Sandra Birkenleigh	Ordinary Shares	Nil
Gregory Kenny	Ordinary Shares	15,000
Grant Murdoch	Ordinary Shares	15,249
Jacqueline Korhonen	Ordinary Shares	Nil
Cameron Mitchell	Ordinary Shares	2,350
Lyn McGrath	Ordinary Shares	Nil
Douglas Snell	Ordinary Shares	Nil

Cameron Mitchell acquired a Relevant Interest in 2,350 Auswide Shares and Grant Murdoch acquired a Relevant Interest in 1,249 Auswide Shares in the four months before the date of this Scheme Booklet. No other Auswide Directors have acquired or disposed of a Relevant Interest in any securities in Auswide during the four months before the date of this Scheme Booklet.

Each Auswide Director intends to vote any Auswide Shares held by or on behalf of him or her in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders. Auswide Shareholders should be aware that, if the Scheme is implemented it is intended that Sandra Birkenleigh, Jacqueline Korhonen and Gregory Kenny (who will be receiving Scheme Consideration, as a Scheme Participant) will be appointed to the MyState Board.

Except as stated in this section of the Scheme Booklet there are no marketable securities of Auswide held by or on behalf of Auswide Directors as at the date of this Scheme Booklet.

## 9.3 Benefits and agreements

### (a) Interests of Auswide Directors in MyState securities

No Auswide Director has a Relevant Interest in any securities in MyState. No Auswide Director has acquired or disposed of a Relevant Interest in any securities in MyState during the four months before the date of this Scheme Booklet.

### (b) Interests of Auswide Directors in contracts with MyState

No Auswide Director has any interest in any contract entered into by MyState, or any of its Related Bodies Corporate.

### (c) Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of Auswide (or of its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in Auswide (or any of its Related Bodies Corporate) in connection with, or that is materially affected by, implementation of the Scheme, other than may lawfully be paid in accordance with a contract of employment or in his or her capacity as an Auswide Shareholder.

Auswide pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its Directors and executive officers.

### (d) Benefits from MyState

No Auswide Director has agreed to receive, or is entitled to receive, any benefit from MyState, or any of its Related Bodies Corporate, which is conditional on, or is related to, the Scheme other than the matters described elsewhere in this Scheme Booklet. See section 6.4(b) in respect of the Auswide Directors who will be appointed to the MyState Board on implementation of the Scheme.

## 9. Additional information

### (e) Agreements connected with or conditional on the Scheme

Except as set out above or otherwise disclosed in this Scheme Booklet:

- no Auswide Director has any other interests in a contract entered into by MyState;
- there are no contracts or arrangements between Auswide, an Auswide Director and any person, including MyState in connection with or conditional on the outcome of the Scheme; and
- no Auswide Director has a material interest in relation to the Scheme other than in their capacity as an Auswide Shareholder.

### 9.4 Independent Expert

Kroll Australia Pty Ltd has prepared the Independent Expert Report set out in Annexure A advising as to whether, in its opinion, the Scheme is in the best interests of Auswide Shareholders.

The Independent Expert has concluded that the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders in the absence of a Superior Proposal.

### 9.5 Consents

Each person named in this section 9.5 has given, and before the time of registration of this Scheme Booklet with ASIC, has not withdrawn, their consent to being named in this Scheme Booklet in the capacity indicated next to their name.

- King & Wood Mallesons as legal adviser to Auswide;
- HWL Ebsworth Lawyers as legal adviser to MyState;
- Flagstaff Partners Pty Ltd and Ord Minnett Limited as joint financial advisers to Auswide;
- Kroll Australia Pty Ltd as Independent Expert;
- PricewaterhouseCoopers Securities Ltd as Investigating Accountant;
- Deloitte Touche Tohmatsu as independent auditor to Auswide;
- Deloitte Touche Tohmatsu as internal audit service provider to MyState;
- Wise Lord & Ferguson as independent auditor to MyState;
- Computershare Investor Services Pty Limited as Auswide's Share Registry;
- Computershare Investor Services Pty Limited as MyState's Share Registry;
- MyState as party to the Scheme Implementation Agreement and NOHC of the MyState Group; and
- MyState Bank as Bidder (as defined in the Scheme of Arrangement) under the Scheme.

Kroll Australia Pty Ltd has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in Annexure A in the form and context in which it is included and to all references in this Scheme Booklet to that report in the form and context in which they appear.

PricewaterhouseCoopers Securities Ltd has also given, and not withdrawn before the date of this Scheme Booklet, its written consent to the inclusion of the Investigating Accountant's Limited Assurance Report contained in Annexure B, in the form and context in which it appears.

MyState has also given and has not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the inclusion of the MyState Information in the form and context in which it is included and to all references in this Scheme Booklet to the MyState Information in the form and context in which they appear.

## 9.6 Disclaimers

None of the persons referred to in section 9.5 have authorised or caused the issue of this Scheme Booklet and do not make or purport to make any statement in this Scheme Booklet, other than:

- MyState in respect of the MyState Information;
- Kroll Australia Pty Ltd in respect of the Independent Expert's Report; and
- PricewaterhouseCoopers Securities Ltd in respect of the Investigating Accountant's Limited Assurance Report.

To the maximum extent permitted by law, each person referred to in section 9.5 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in this section with that person's consent.

The MyState Information has been prepared by and is the responsibility of MyState. Auswide does not assume responsibility for the accuracy or completeness of the MyState Information.

## 9.7 Fees

Each of the persons named in section 9.5 of this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Scheme is implemented, Auswide estimates that it will incur between approximately \$8.1 million and \$9.6 million (excluding GST) in external transaction costs relating to the Scheme, which includes:

- fees and expenses for professional services paid or payable to the persons listed in section 9.5; and
- other fees and expenses associated with the Court proceedings, Scheme Booklet design, printing and distribution, convening and holding the Scheme Meeting and other general and administrative expenses.

If the Scheme is not implemented, Auswide expects to pay between an aggregate of approximately \$3.4 million and \$3.7 million (excluding GST) in transaction costs, being costs that have already been incurred as at the Last Practicable Date or that will be incurred even if the Scheme is not implemented (but excluding any Break Fee that may be payable or Reverse Break Fee that may be receivable).

## 9.8 Foreign jurisdictions

No action has been taken to register or qualify the MyState Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available, Auswide Shareholders whose addresses are shown in the register on the Record Date as being in the following jurisdictions will be entitled to receive the Scheme Booklet and have MyState Shares issued to them under the Scheme subject to any qualifications set out below in respect of that jurisdiction:

- Australia;
- Hong Kong;
- New Zealand;
- United Arab Emirates, to all Auswide Shareholders outside the financial zones and to less than 50 persons who are Auswide Shareholders in each of the Abu Dhabi Global Market and Dubai International Financial Centre;
- United Kingdom;
- United States; and
- any other person or jurisdiction in respect of which Auswide reasonably believes that it is not prohibited and not unduly onerous or impractical to issue MyState Shares to an Auswide Shareholder with a registered address in such jurisdiction.

Nominees and custodians who hold Auswide Shares on behalf of a beneficial owner resident outside Australia, Hong Kong, New Zealand, Singapore, United Arab Emirates (excluding financial zones), United Kingdom and the United States may not forward this Scheme Booklet (or any accompanying document) to anyone outside these countries without the consent of Auswide.

## 9. Additional information

### (a) Hong Kong

**WARNING:** The contents of this Scheme Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Scheme Booklet, you should obtain independent professional advice.

This Scheme Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Scheme Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are “professional investors” (as defined in the Securities and Futures Ordinance and any rules made thereunder) or in other circumstances that do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Scheme Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

Copies of this Scheme Booklet may be issued to Auswide Shareholders in Hong Kong in a manner that does not constitute any issue, circulation or distribution of this Scheme Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. This Scheme Booklet is for the exclusive use of Auswide Shareholders in connection with the Scheme. No steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong.

This Scheme Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Scheme Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Scheme Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Scheme by Auswide Shareholders.

### (b) New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Financial Markets Conduct Act 2013* or any other New Zealand law. The offer of MyState Shares under the Scheme is being made to existing shareholders of Auswide in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

### (c) Singapore

This Scheme Booklet and any other document relating to the Scheme have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Scheme is not regulated by any financial supervisory authority in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act 2001 (**SFA**) will not apply.

This Scheme Booklet and any other document relating to the Scheme may not be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part 13 of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to MyState Shares being subsequently offered for sale to any other party in Singapore. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Scheme Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person. Any investment referred to in this Scheme Booklet may not be suitable for you and it is recommended that you consult an independent investment adviser if you are in doubt about such investment.

Neither Auswide nor MyState is in the business of dealing in securities or holds itself out, or purports to hold itself out, to be doing so. As such, Auswide and MyState are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

#### **(d) United Arab Emirates**

The Scheme Booklet does not constitute a public offer of securities in the United Arab Emirates and the MyState Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither the Scheme Booklet nor the MyState Shares have been approved by the Securities and Commodities Authority or any other authority in the UAE.

The Scheme Booklet may be distributed in the UAE only to existing shareholders of Auswide and may not be provided to any person other than the original recipient. Information about the Scheme may be found in the Scheme Booklet, which is available on Auswide's website. If a recipient of the Scheme Booklet ceases to be a shareholder of Auswide prior to the Record Date, then such person should discard the Scheme Booklet and may not participate in the Scheme.

No marketing of the MyState Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market).

In the Abu Dhabi Global Market and the Dubai International Financial Centre, the MyState Shares may be offered, and this Scheme Booklet may be distributed, only to existing shareholders of Auswide as an "Exempt Scheme", as defined and in compliance with the market rules issued by the regulatory authorities in these financial zones. No regulatory authority has approved this Scheme Booklet nor taken any steps to verify the information set out in it.

#### **(e) United Kingdom**

Neither this Scheme Booklet nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the MyState Shares.

This Scheme Booklet does not constitute an offer of transferable securities to the public within the meaning of the UK Prospectus Regulation or the FSMA. Accordingly, this Scheme Booklet does not constitute a prospectus for the purposes of the UK Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the MyState Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Auswide or MyState.

In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Booklet.

#### **(f) United States**

Auswide and MyState intend to rely on an exemption from the registration requirements of the *US Securities Act of 1933* provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of MyState Shares. Approval of the Scheme by an Australian court will be relied upon by Auswide and MyState for purposes of qualifying for the Section 3(a)(10) exemption.

US shareholders of Auswide should note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the Listing Rules. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

## 9. Additional information

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws since Auswide and MyState are located in Australia and most of their respective officers and directors reside outside the United States. You may not be able to sue Auswide, MyState or their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Auswide and its affiliates to subject themselves to a US court's judgment.

You should be aware that MyState may purchase securities otherwise than under the Scheme, such as in open market or privately negotiated purchases.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The MyState Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act or the securities laws of any US state or other jurisdiction. The Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

### 9.9 ASIC relief

#### (a) ASIC relief

##### (i) Paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations

Relief has been sought from ASIC in relation to paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations, which requires this Scheme Booklet to disclose particulars of payments made or benefits given to a director, secretary or executive officer of Auswide in relation to their retirement from office. Auswide has applied to ASIC for relief from this requirement so that this Scheme Booklet is only required to disclose particulars of payments or benefits described above where those payments or benefits are made in connection with or are materially affected by the Scheme.

##### (ii) Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations

Relief has been sought from ASIC in relation to paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations, which requires this Scheme Booklet to set out whether, within the knowledge of the Auswide Directors, the financial position of Auswide has materially changed since the date of the last balance sheet laid before Auswide in general meeting (being its financial statements for the year ended 30 June 2023) or sent to Auswide Shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change. Auswide has applied to ASIC for relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Auswide Directors, the financial position of Auswide has materially changed since 30 June 2024. Auswide will ensure that a copy of its annual financial statements for the financial year ended 30 June 2024 (**FY24 Annual Report**) is made available, free of charge, to any Auswide Shareholder who requests a copy before the Scheme is approved by the order of the Court.

### 9.10 Key terms of the Scheme Implementation Agreement

#### (a) Overview

Auswide and MyState entered into the Scheme Implementation Agreement on 19 August 2024. The Scheme Implementation Agreement sets out the steps required to be taken by Auswide, MyState Bank and MyState to give effect to the Scheme. Key terms of the Scheme Implementation Agreement are summarised below.

#### (b) Conditions Precedent

The Conditions Precedent are summarised in section 3.14 and are set out in full in clause 3.1 of the Scheme Implementation Agreement.

#### (c) Conduct of business

Both Auswide and the MyState Group must carry on their respective businesses in the ordinary course and in substantially the same manner as previously conducted.



#### (d) Exclusivity

Clause 10 of the Scheme Implementation Agreement contains certain exclusivity arrangements. As summarised below, during the Exclusivity Period:

- (i) **(No Shop)** Each of Auswide and MyState must ensure that neither it nor any of its Representatives directly or indirectly:
  - (A) solicits, invites, encourages or initiates any enquiries, negotiations or discussions (including by the provision of non public information to any third party); or
  - (B) communicates any intention to do any of these things,with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction or which could reasonably be expected or encourage or lead to the making of, an actual, proposed or potential Competing Transaction.
- (ii) **(No-talk)** Each of Auswide and MyState must ensure that neither it nor any of its Representatives directly or indirectly:
  - (A) negotiates or enters into; or
  - (B) participates in negotiations or discussions with any other person regarding,a Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by that party or any of its Representatives or the person has publicly announced the Competing Transaction.
- (iii) **(No due diligence information)** Each of Auswide and MyState must ensure that neither it nor any of its Representatives directly or indirectly, in relation to a Competing Transaction:
  - (A) enables any third party to undertake due diligence investigations on any member of the Auswide Group or MyState Group (as applicable) or their respective businesses or operations; or
  - (B) makes available to any third party, or permits any third party to receive, any non public information relating to any member of the Auswide Group or the MyState Group (as applicable) or their businesses or operations.
- (iv) **(Notification)** Auswide or MyState (as applicable) must promptly (and in any event within 24 hours) inform the other party if it, or any of its Related Bodies Corporate or Representatives, receives any direct, indirect, solicited or unsolicited approach with respect to any Competing Transaction and must disclose to the other party the fact that such an approach has been made and the general nature of the approach (that includes the identity of the proponent, together with all material terms and conditions, to the extent known).
- (v) **(Matching right)** Both Auswide and MyState:
  - (A) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party, the company (being Auswide or MyState (as applicable)) or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Transaction; and
  - (B) must use their best endeavours to procure that none of its directors change their recommendation in favour of the Scheme to publicly recommend an actual, proposed or potential Competing Transaction (or recommend against the Scheme),unless:
  - (C) the Auswide Board or MyState Board (as applicable) acting in good faith and in order to satisfy what the Auswide Board or MyState Board (as applicable) considers to be its statutory or fiduciary duties (having received written advice from its external legal advisers), determines that the Competing Transaction would be or would be likely to be an actual, proposed or potential Superior Proposal;
  - (D) it has provided the other party with the material terms and conditions of the actual, proposed or potential Competing Transaction, including price and the identity of the third party making the actual, proposed or potential Competing Transaction;
  - (E) it has given the other party at least 5 Business Days after the date of the provision of the information referred to in clause (D) above to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction; and
  - (F) the other party has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction by the expiry of the 5 Business Day period referred to in clause (E) above.

## 9. Additional information

- (vi) **(Counterproposal)** If either party proposes to the other, or announces amendments to the Scheme or a new proposal that constitutes a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction (**Counterproposal**) by the expiry of the 5 Business Day period referred to in clause (E) above, the other party must procure that the Auswide Board or MyState Board (as applicable) considers the Counterproposal and if the Auswide Board or MyState Board (as applicable), acting reasonably and in good faith, determines that the Counterproposal would provide an equivalent or superior outcome for Auswide Shareholders or shareholders of MyState (as applicable) as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Counterproposal, then:
- (A) both parties must use their best endeavours to agree the amendments to this document and, if applicable, the Scheme and Deed Poll or to enter into new documents that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable and procure that each director of Auswide continues to recommend the Scheme (as revised), subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders and there being no Superior Proposal; and
  - (B) both parties must use their best endeavours to procure that each of the directors of Auswide or MyState (as applicable) recommend the Scheme (as modified by the Counterproposal) to Auswide Shareholders and MyState Shareholders (as applicable), subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders and there being no Superior Proposal.
- (vii) **(Fiduciary exceptions)** The above 'no-talk' and 'no due diligence' provisions do not apply to the extent that they restrict a party or a party's board of directors from taking or refusing to take any action with respect to a genuine Competing Transaction (which was not solicited, invited, encouraged or initiated by that party in contravention of the Scheme Implementation Agreement) provided that the Auswide Board or MyState Board (as applicable) has determined, in good faith after:
- (A) consultation with its financial advisers, that the Competing Transaction is, or could reasonably be considered to become, a Superior Proposal; and
  - (B) having received written advice from its external legal advisers, that failing to respond to the Competing Transaction would be reasonably likely to constitute a breach of the fiduciary or statutory obligations of the directors of each MyState or MyState Bank (as applicable), or Auswide (as applicable).

### (e) Auswide Break Fee

Auswide agrees to pay the Break Fee of \$2 million to MyState if:

- (i) **(Auswide Competing Transaction)** on or before the Effective Date an Auswide Competing Transaction is announced and within 12 months of that announcement the third party who announced or made the Auswide Competing Transaction (or any of its Associates) completes the Auswide Competing Transaction;
- (ii) **(termination for Auswide Superior Proposal)** Auswide validly terminates the Scheme Implementation Agreement because it determines that an Auswide Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the Scheme Implementation Agreement is an Auswide Superior Proposal;
- (iii) **(change of recommendation)** the Scheme does not proceed and any Auswide Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme or that Auswide Shareholders should not vote in favour of the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of Auswide Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document) or by virtue of that director ceasing to be a director at the annual general meeting of Auswide or otherwise;
- (iv) **(termination for material breach)** MyState Bank or MyState validly terminates the Scheme Implementation Agreement due to a material breach by Auswide; or
- (v) **(termination for failure to satisfy Condition Precedent)** MyState Bank or MyState validly terminates the Scheme Implementation Agreement in relation to a failure to satisfy a Condition Precedent and the failure to satisfy the relevant Condition Precedent resulted from a breach of the Scheme Implementation Agreement by Auswide or a deliberate act or omission by Auswide.

The Break Fee is not payable by Auswide in the event that MyState Bank or MyState's decision to terminate the Scheme Implementation Agreement occurs wholly or substantially as a result of an Auswide Material Adverse Effect or the Scheme becomes Effective.

## (f) MyState Reverse Break Fee

MyState agrees to pay the Reverse Break Fee of \$2 million to Auswide if:

- (i) **(MyState Competing Transaction)** on or before the Effective Date a MyState Competing Transaction is announced and within 12 months of that announcement the third party who announced or made the MyState Competing Transaction (or any of its Associates) completes the MyState Competing Transaction;
- (ii) **(termination for MyState Superior Proposal)** MyState validly terminates the Scheme Implementation Agreement because it determines that a MyState Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the Scheme Implementation Agreement is a MyState Superior Proposal;
- (iii) **(termination for material breach)** Auswide validly terminates the Scheme Implementation Agreement due to a material breach by MyState Bank or MyState;
- (iv) **(termination for failure to satisfy Condition Precedent)** Auswide validly terminates the Scheme Implementation Agreement in relation to a failure to satisfy a Condition Precedent and the failure to satisfy the relevant Condition Precedent resulted from a breach of the Scheme Implementation Agreement by MyState Bank or MyState or a deliberate act or omission by MyState Bank or MyState; or
- (v) **(failure to pay Scheme Consideration)** MyState Bank does not procure the provision by MyState of (or MyState does not issue) the aggregate Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement, the Scheme and the Deed Poll.

The Reverse Break Fee is not payable by MyState in the event that Auswide's decision to terminate the Scheme Implementation Agreement occurs wholly or substantially as a result of a MyState Material Adverse Effect or the Scheme becomes Effective.

## (g) Representations and warranties

Auswide and MyState give each other representations and warranties, subject to certain qualifications and limitations, which are customary for a transaction of this nature. MyState Bank also gives Auswide certain customary representations and warranties.

## (h) Termination by MyState

MyState may terminate the Scheme Implementation Agreement at any time prior to 8.00am on the Second Court Date if the MyState Board determines that a MyState Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the Scheme Implementation Agreement is a MyState Superior Proposal.

## (i) Termination by Auswide

Auswide may terminate the Scheme Implementation Agreement at any time prior to 8.00am on the Second Court Date if the Auswide Board determines that an Auswide Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the Scheme Implementation Agreement is an Auswide Superior Proposal.

## (j) Termination by either party

Any of Auswide, MyState Bank or MyState may terminate the Scheme Implementation Agreement:

- (i) **(End Date)** if the Scheme has not become Effective on or before the End Date (31 March 2025 or another date agreed by the parties);
- (ii) **(lack of support)** at any time prior to 8.00am on the Second Court Date, if any Auswide Director publicly changes or withdraws their recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme, except where the change is made by virtue of that director ceasing to be a director at the annual general meeting of Auswide or otherwise;
- (iii) **(material breach)** at any time prior to 8.00am on the Second Court Date, if another party is in material breach of a term of the Scheme Implementation Agreement (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that MyState Bank, MyState or Auswide (as the case may be) has, if practicable, given notice to the other party or parties as applicable, setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time notice is given;

## 9. Additional information

(iv) **(consultation or appeal failure):**

- (A) if the parties are unable to reach an agreement when consulting on a non-fulfilment of a Condition Precedent; or
- (B) if the Court refuses to make orders convening the Scheme Meeting or approving the Scheme and the parties either agree not to appeal the decision, or receive advice from an independent senior counsel of the New South Wales bar stating that in their opinion, an appeal would have no reasonable prospects of success before the End Date; or

(v) **(agreement)** if agreed to in writing by MyState Bank, MyState and Auswide.

If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.

### 9.11 Regulatory

All regulatory approvals that are Conditions Precedent to the Scheme are set out in clause 3.1 of the Scheme Implementation Agreement and summarised in section 3.14.

### 9.12 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the Auswide Directors are aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Auswide Director or any director of a Related Body Corporate of Auswide which has not previously been disclosed to Auswide Shareholders.

### 9.13 Supplementary information

Auswide will issue a supplementary document to this Scheme Booklet if it becomes aware, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- that a material statement in this Scheme Booklet is false or misleading in a material respect;
- that there is a material omission from this Scheme Booklet;
- of a significant change affecting a matter included in this Scheme Booklet has occurred; or
- of a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

Depending on the nature and timing of the changed circumstances, and subject to compliance with any relevant laws and/or obtaining any relevant approvals, Auswide may circulate and publish any supplementary document by:

- making an application to the Court for a direction as to what is appropriate in the circumstances;
- making an announcement to the ASX;
- posting a statement on Auswide's website at [www.auswidebank.com.au](http://www.auswidebank.com.au);
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- sending the supplementary document to Auswide Shareholders at their address shown on the Auswide Register.



## 10.

# GLOSSARY

# 10. Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

TERM	MEANING
<b>AAS</b>	the Australian Accounting Standards.
<b>AASB</b>	the Australian Accounting Standards Board.
<b>ACCC</b>	the Australian Competition and Consumer Commission.
<b>ADI</b>	Authorised Deposit taking Institution.
<b>AEDT</b>	Australian Eastern Daylight Time.
<b>APRA</b>	the Australian Prudential Regulation Authority.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document and, if applicable, Auswide, MyState or MyState Bank (as the case may be) was the designated body.
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>ATO</b>	the Australian Tax Office.
<b>AUSTRAC</b>	the Australian Transaction Reports and Analysis Centre.
<b>Auswide</b>	Auswide Bank Ltd ACN 087 652 060.
<b>Auswide Bank Performance Rights Plan or PRP</b>	the performance rights plan operated by the Auswide Group.
<b>Auswide Board</b>	the board of directors of Auswide.
<b>Auswide Competing Transaction</b>	<p>an offer, expression of interest, proposal, transaction, agreement or arrangement (whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale of assets, sale, purchase or issue of securities, assignment of assets and liabilities, joint venture, deed of company arrangement, any debt for equity arrangement or otherwise) which, if entered into or completed substantially in accordance with its terms, would mean a person (other than MyState Bank or its Related Bodies Corporate) whether alone or together with its Associates would:</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly, acquire an interest (whether legal, beneficial or economic) or Relevant Interest in or become the holder of, 20% or more of the Auswide Shares (other than as custodian, nominee or bare trustee);</li> <li>(b) directly or indirectly acquire control of Auswide within the meaning of section 50AA of the Corporations Act;</li> <li>(c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain a legal, beneficial or economic interest in all or a substantial part or a material part of the assets of or business conducted by the Auswide Group;</li> <li>(d) otherwise acquire or merge (including by a reverse takeover bid, dual listed company structure, or other synthetic merger) with Auswide; or</li> <li>(e) require Auswide to abandon, or otherwise fail to proceed with, the Scheme, provided that the transactions expressly set out in the Selfco Transaction Documents or required for the Selfco Raise (whether individually or together) will not constitute an Auswide Competing Transaction.</li> </ul>
<b>Auswide Directors</b>	the directors of Auswide.
<b>Auswide Group</b>	Auswide and its subsidiaries.

TERM	MEANING
<b>Auswide Information</b>	all information contained in this Scheme Booklet (or any amendment or supplement), other than the MyState Information, the Independent Expert's Report (or references to the Independent Expert's analysis or conclusions), the Investigating Accountant's Limited Assurance Report, or any other report or opinion prepared by an external adviser to Auswide and/or MyState.
<b>Auswide Material Adverse Effect</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Auswide Performance Right</b>	a performance right or other convertible security issued under the Auswide Bank Performance Rights Plan.
<b>Auswide Prescribed Event</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Auswide Register</b>	the register of shareholders maintained by Auswide in accordance with the Corporations Act.
<b>Auswide Share</b>	a fully paid ordinary share in Auswide.
<b>Auswide Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>Auswide Superior Proposal</b>	<p>a genuine Auswide Competing Transaction (not resulting from a breach by Auswide of any of Auswide's obligations under the Scheme Implementation Agreement) which the Auswide Board, acting in good faith, and after taking advice from its legal and financial advisers, determines:</p> <p>(a) is reasonably capable of being completed within a reasonable timeframe; and</p> <p>(b) would, if completed substantially in accordance with its terms, result or be reasonably likely to result in an outcome that is more favourable to Auswide Shareholders (as a whole) than would result from the Scheme,</p> <p>each taking into account all aspects of the Competing Transaction, including its terms and conditions, any timing considerations, the identity, reputation and financial condition of the person making the proposal, legal, regulatory and financial matters (including the value and type of consideration or funding).</p>
<b>Banking Act</b>	the <i>Banking Act 1959</i> (Cth).
<b>Break Fee</b>	\$2,000,000.
<b>Business Day</b>	a business day as defined in the Listing Rules.
<b>CGT</b>	capital gains tax.
<b>Class Ruling</b>	means a binding public ruling issued by the Commissioner of Taxation pursuant to Division 358 of Schedule 1 of the <i>Tax Administration Act 1953</i> (Cth) and as described in the class ruling CR 2001/1.
<b>Competing Transaction</b>	an Auswide Competing Transaction or a MyState Competing Transaction, as the context requires.
<b>Condition Precedent</b>	each of the conditions in clause 3.1 of the Scheme Implementation Agreement, as summarised in section 3.14.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).
<b>Counterproposal</b>	has the meaning given in section 9.10(d)(vi) of this Scheme Booklet.

## 10. Glossary

TERM	MEANING
<b>Court</b>	the Supreme Court of New South Wales, or another court of competent jurisdiction under the Corporations Act.
<b>CTI</b>	cost to income ratio.
<b>Deed Poll</b>	the deed poll dated 17 October 2024 executed by MyState Bank and MyState under which MyState Bank and MyState covenants to carry out their obligations under the Scheme.
<b>Default Shares</b>	has the meaning given in section 5.14(h) of this Scheme Booklet.
<b>Effective</b>	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
<b>Effective Date</b>	the date on which the Scheme becomes Effective.
<b>EPS</b>	earnings per share.
<b>FSSA</b>	the <i>Financial Sector (Shareholdings) Act 1998</i> (Cth).
<b>FUM</b>	funds under management.
<b>FY24</b>	the financial year beginning on 1 July 2023 and ending 30 June 2024.
<b>FY26</b>	the financial year beginning on 1 July 2025 and ending 30 June 2026.
<b>FY27</b>	the financial year beginning on 1 July 2026 and ending 30 June 2027.
<b>GAC</b>	Group Audit Committee.
<b>IASB</b>	the International Accounting Standards Board.
<b>Independent Expert</b>	Kroll Australia Pty Ltd ABN 73 116 738 535.
<b>Independent Expert's Report</b>	the report of the Independent Expert, as set out in Annexure A of this Scheme Booklet.
<b>Ineligible Foreign Shareholder</b>	<p>a Shareholder:</p> <ul style="list-style-type: none"> <li>(a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States; or</li> <li>(b) whose address shown in the Auswide Register is a place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States or who is acting on behalf of such a person, unless MyState determines that:</li> <li>(c) it is lawful and not unduly onerous or unduly impracticable to issue that Shareholder with the New MyState Shares on implementation of the Scheme; and</li> <li>(d) it is lawful for that Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, United Kingdom, the United Arab Emirates and the United States.</li> </ul>
<b>IFRS</b>	the International Financial Reporting Standards.
<b>Ineligible Shares</b>	has the meaning given in section 3.12(a) of this Scheme Booklet.
<b>Investigating Accountant</b>	PricewaterhouseCoopers Securities Ltd ACN 003 311 617.



TERM	MEANING
<b>Investigating Accountant's Limited Assurance Report</b>	the report of the Investigating Accountant, as set out in Annexure B of this Scheme Booklet.
<b>Last Practicable Date</b>	17 October 2024 (AEDT), being the last practicable date to prepare information before finalising this Scheme Booklet for registration by ASIC.
<b>Listing Rules</b>	the official listing rules of the ASX.
<b>Material Contract</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Merged Group</b>	the MyState Group, including the Auswide Group following implementation of the Scheme.
<b>Merged Group Pro Forma Historical Financial Information</b>	has the meaning given in section 6.8(a) of this Scheme Booklet.
<b>Merger Proposal</b>	MyState's proposal for MyState Bank to acquire all of the Auswide Shares for 1.112 New MyState Shares per Auswide Share pursuant to a scheme of arrangement such proposal being initially announced to ASX by Auswide on 19 August 2024.
<b>MyState</b>	MyState Limited ACN 133 623 962.
<b>MyState Bank</b>	MyState Bank Limited ACN 067 729 195.
<b>MyState Board</b>	the board of directors of MyState.
<b>MyState Community Foundation or the Foundation</b>	MyState Community Foundation Ltd ACN 093 918 891 as trustee for the MyState Financial Community Foundation.
<b>MyState Competing Transaction</b>	<p>an offer, expression of interest, proposal, transaction, agreement or arrangement (whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back sale of assets, sale, purchase or issue of securities, assignment of assets and liabilities, joint venture, deed of company arrangement, any debt for equity arrangement or otherwise) which, if entered into or completed substantially in accordance with its terms, would mean a person (other than Auswide or its Related Bodies Corporate) whether alone or together with its Associates would:</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly, acquire an interest (whether legal, beneficial or economic) or Relevant Interest in or become the holder of 20% or more of the ordinary fully paid shares in the capital of MyState or the securities of MyState Bank (other than as custodian, nominee or bare trustee);</li> <li>(b) directly or indirectly acquire control of MyState or MyState Bank, within the meaning of section 50AA of the Corporations Act;</li> <li>(c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain a legal, beneficial or economic interest in all or a substantial part or a material part of the assets of or business conducted by the MyState Group;</li> <li>(d) otherwise acquire or merge (including by a reverse takeover bid, dual listed company structure, or other synthetic merger) with MyState or MyState Bank; or</li> <li>(e) require MyState or MyState Bank to abandon, or otherwise fail to proceed with, the Scheme.</li> </ul>
<b>MyState Historical Financial Information</b>	has the meaning given in section 5.18(a) of this Scheme Booklet.

## 10. Glossary

TERM	MEANING
<b>MyState Group</b>	MyState and its subsidiaries.
<b>MyState Information</b>	<p>information in this Scheme Booklet (or any amendment or supplement):</p> <p>(a) relating to MyState and MyState Bank, including in respect of the New MyState Shares and the Merged Group provided by MyState or MyState Bank to Auswide in writing for inclusion in this Scheme Booklet, being information regarding MyState and MyState Bank required to be included in this Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60, and includes:</p> <ul style="list-style-type: none"> <li>(i) the second, third and fifth paragraphs under the heading “Responsibility for information” in the “Important Notices” to the extent they relate to MyState;</li> <li>(ii) the information under the heading “Financial information” in the “Important Notices” to the extent it relates to MyState or the Merged Group;</li> <li>(iii) the last question under the heading “Matters relevant to your vote” in section 2;</li> <li>(iv) the third, fifth and sixth questions under the heading “Scheme Consideration” in section 2;</li> <li>(v) each question under the heading “Ineligible Foreign Shareholders” in section 2;</li> </ul>
<b>MyState Information</b> continued	<ul style="list-style-type: none"> <li>(vi) each question under the heading “Information about MyState Group” in section 2;</li> <li>(vii) each question under the heading “Information about the Merged Group” in section 2;</li> <li>(viii) the last sentence in section 3.9;</li> <li>(ix) sections 3.11, 3.12 (excluding the second last paragraph in section 3.12(a)) and 3.13;</li> <li>(x) the column “Status as at Last Practicable Date” in section 3.14 to the extent it relates to MyState or MyState Bank;</li> <li>(xi) section 5;</li> <li>(xii) section 6 (except the second last paragraph in section 6.3(b) and the corporate structure diagram in section 6.3(b) insofar as it relates to the Auswide Group prior to the Effective Date, the biographies of the Auswide Directors in section 6.4(b) and the second sentence in the first paragraph of section 6.6(a));</li> <li>(xiii) the last sentence in section 7.1;</li> <li>(xiv) section 7.2(d);</li> <li>(xv) the last paragraph in section 7.2(e);</li> </ul>

TERM	MEANING
	<ul style="list-style-type: none"> <li>(xvi) section 7.2(h) to the extent it relates to MyState or the Merged Group;</li> <li>(xvii) section 7.2(i);</li> <li>(xviii) the last sentence in section 7.2(j)</li> <li>(xix) the last two sentences in section 7.2(o);</li> <li>(xx) sections 7.3 and 7.4, excluding information relating to Auswide or the Auswide Group (including Selfco), prior to the Effective Date;</li> <li>(xxi) the third sentence in section 8.4(b);</li> <li>(xxii) the second last sentence in section 9.6;</li> <li>(xxiii) section 9.8; and</li> <li>(xxiv) all footnotes relating to the treatment of Ineligible Foreign Shareholders throughout the Scheme Booklet;</li> </ul> <p>(b) but excludes:</p> <ul style="list-style-type: none"> <li>(i) information about the Auswide Group including Selfco, any pro forma adjustments made in respect of the Selfco Transaction and the Auswide Information (except to the extent it relates to any statement of intention relating to the Auswide Group following the Effective Date as part of the Merged Group);</li> <li>(ii) information provided by Auswide to MyState or MyState Bank (or otherwise obtained from Auswide's public filings on ASX and ASIC) contained in, or used for the preparation of, the information regarding the Merged Group or the Independent Expert's Report; and</li> <li>(iii) the information contained in the Independent Expert's Report and the Investigating Accountant's Limited Assurance Report or other report or opinion prepared by an external adviser to Auswide.</li> </ul>
<b>MyState Limited Employee Share Plan</b>	the employee share plan operated by MyState.
<b>MyState Material Adverse Effect</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MyState Share</b>	a fully paid ordinary share in MyState.
<b>MyState's Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277.
<b>MyState Shareholders</b>	each person who is registered in the register of shareholders maintained by MyState in accordance with the Corporations Act from time to time, as the holder of a MyState Share.
<b>MyState Superior Proposal</b>	<p>a genuine MyState Competing Transaction (not resulting from a breach by MyState or MyState Bank of any of MyState's or MyState Bank's obligations under the Scheme Implementation Agreement) which the MyState Board, acting in good faith, and after taking advice from its legal and financial advisers, determines:</p> <ul style="list-style-type: none"> <li>(a) is reasonably capable of being completed within a reasonable timeframe; and</li> <li>(b) would, if completed substantially in accordance with its terms, result or be reasonably likely to result in an outcome that is more favourable to MyState Shareholders (as a whole) than would result from the Scheme,</li> </ul> <p>each taking into account all aspects of the Competing Transaction, including its terms and conditions, any timing considerations, the identity, reputation and financial condition of the person making the proposal, legal, regulatory and financial matters (including the value and type of consideration or funding).</p>

## 10. Glossary

TERM	MEANING
<b>New MyState Share</b>	a MyState Share to be issued to Scheme Participants as Scheme Consideration under the Scheme.
<b>NIM</b>	net interest margin.
<b>NOHC</b>	a non-operating holding company licensed under subsection 11AA(2) of the Banking Act.
<b>NPAT</b>	net profit after tax.
<b>pcp</b>	prior corresponding period.
<b>Proceeds</b>	the net cash proceeds of the sale of the New MyState Shares via the Sale Facility (after the deduction of any applicable brokerage, stamp duty or other selling costs, taxes and charges).
<b>PPA</b>	purchase price allocation.
<b>PRP</b>	has the meaning given in section 3.15 of this Scheme Booklet.
<b>Prudential Standard</b>	means a prudential standard made under section 11AF of the Banking Act.
<b>RBA</b>	Reserve Bank of Australia.
<b>Record Date</b>	7.00pm (AEDT) on the second Business Day following the Effective Date.
<b>Regulatory Approvals</b>	includes: (a) all approvals, consents, notices, permits, licences and authorisations; or (b) exemptions, notices of non-objection and waivers, from, to, by or with a Regulatory Authority, and includes any item contemplated by paragraphs (a) or (b) of this definition from, to, by or with of any Regulatory Authority to the Scheme or any aspect of it which is necessary or desirable to implement the Scheme.
<b>Regulatory Authority</b>	includes: (a) ASX, ACCC, ASIC, APRA and the Takeovers Panel; (b) a government or governmental, semi-governmental or judicial entity or authority; (c) the Treasurer, a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (d) any regulatory organisation established under statute.
<b>Related Body Corporate</b>	has the meaning given to it in the Corporations Act.
<b>Representative</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Relevant Interest</b>	has the meaning it has in sections 608 and 609 of the Corporations Act.
<b>Requisite Majorities</b>	in relation to the resolution to be put to the Scheme Meeting, the resolution being passed by a majority in number (more than 50%) of Auswide Shareholders, who are present and voting, either in person, online or by proxy, attorney or in the case of a corporation its duly appointed corporate representative and passed by at least 75% of the votes cast on the resolution by Auswide Shareholders present and voting (either in person, online or by proxy, attorney or, in the case of corporate Auswide Shareholders, body corporate representative).
<b>Reverse Break Fee</b>	\$2,000,000.
<b>ROE</b>	return on equity.
<b>Sale Agent</b>	the nominee appointed in accordance with the Sale Facility.

TERM	MEANING
<b>Sale Facility</b>	the mechanism under which the Scheme Consideration to which Ineligible Foreign Shareholders would otherwise have been entitled is sold by the Sale Agent and the proceeds remitted to Ineligible Foreign Shareholders.
<b>Scheme</b>	the scheme of arrangement between Auswide and the Scheme Participants as described in clause 4 of the Scheme Implementation Agreement.
<b>Scheme Booklet</b>	this booklet.
<b>Scheme Consideration</b>	1.112 New MyState Shares in respect of each Auswide Share.
<b>Scheme Implementation Agreement</b>	the scheme implementation agreement dated 19 August 2024 between Auswide and MyState relating to the implementation of the Scheme, as disclosed to the ASX on 19 August 2024.
<b>Scheme Meeting</b>	the meeting of Auswide Shareholders, ordered by the Court to be convened by Auswide under section 411(1) of the Corporations Act, at which Auswide Shareholders will vote on the Scheme and including any meeting following an adjournment or postponement of that meeting.
<b>Scheme Participants</b>	each person registered in the Auswide Register as the holder of an Auswide Share as at the Record Date.
<b>Second Court Date</b>	the first day of hearing of an application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
<b>Second Court Hearing</b>	the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
<b>Selfco</b>	has the meaning given in section 4.1(a) of this Scheme Booklet.
<b>Selfco Material Adverse Effect</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Selfco Raise</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Selfco Transaction</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Selfco Transaction Documents</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Shareholder or Auswide Shareholder</b>	each person who is registered in the Auswide Register from time to time as the holder of an Auswide Share.
<b>Shareholder Information Line</b>	the shareholder information line established by Auswide for Auswide Shareholders to call if they have any questions or require further information in relation to the Scheme.

## 10. Glossary

TERM	MEANING
<b>Superior Proposal</b>	<p>a genuine Auswide Competing Transaction (not resulting from a breach by Auswide of any of Auswide's obligations under the Scheme Implementation Agreement) which the Auswide Board, acting in good faith, and after taking advice from its legal and financial advisers, determines:</p> <p>(a) is reasonably capable of being completed within a reasonable timeframe; and</p> <p>(b) would, if completed substantially in accordance with its terms, result or be reasonably likely to result in an outcome that is more favourable to Auswide Shareholders (as a whole) than would result from the Scheme,</p> <p>each taking into account all aspects of the Auswide Competing Transaction, including its terms and conditions, any timing considerations, the identity, reputation and financial condition of the person making the proposal, legal, regulatory and financial matters (including the value and type of consideration or funding).</p>
<b>Tax Act</b>	the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth), or both as the context requires.
<b>Tax Associates</b>	has the same meaning given to "associates" in section 318 of the <i>Income Tax Assessment Act 1936</i> (Cth).
<b>TIC</b>	Transaction Implementation Committee.
<b>TPT Wealth</b>	TPT Wealth Limited ACN 009 475 629.
<b>Transitional Period</b>	has the meaning given in section 6.3 of this Scheme Booklet.
<b>Unvested Auswide Performance Rights</b>	those Auswide Performance Rights that have not vested in accordance with their terms.
<b>Vested Auswide Performance Rights</b>	those Auswide Performance Rights that have vested in accordance with their terms.
<b>Wise Lord &amp; Ferguson</b>	N Carter & J Doyle & D.M Johnson & S.G Jones & A.M Leis & P.D Lyons & M.T Marshall & C Mcconnon & R.J Meredith & M Salter & D.I Thomson, trading as Wise Lord & Ferguson.

### Interpretation

In this Scheme Booklet (other than the Annexures):

- (a) except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act;
- (b) headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- (c) words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- (d) all dates and times are Australian Eastern Daylight Time, unless otherwise stated;
- (e) a reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated; and
- (f) a reference to a section or Annexure is to a section in or Annexure to this Scheme Booklet, unless otherwise stated.



**AUSWIDE**  
**BANK**



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## ANNEXURE A

# INDEPENDENT EXPERT'S REPORT

For personal use only

# Annexure A Independent Expert's Report

Kroll Australia Pty Ltd  
Level 32, 85 Castlereagh St  
Sydney NSW 2000  
[www.kroll.com](http://www.kroll.com)

Ph: +61 2 8286 7200  
ABN: 73 116 738 535



The Directors  
Auswide Bank Ltd  
Level 3  
16-20 Barolin Street  
Bundaberg QLD 4670

23 October 2024

Dear Directors

## Part One – Independent Expert's Report

### 1 Introduction

On 19 August 2024, Auswide Bank Ltd (**Auswide**) announced that it had entered into a binding Scheme Implementation Agreement with MyState Limited (**MyState**) and its subsidiary, MyState Bank Limited (**MyState Bank**) (**Scheme Implementation Agreement**) under which it is proposed that MyState Bank will acquire all of the Auswide shares on issue (**Auswide Shares**) (**Merger Proposal**). The Merger Proposal is to be effected by way of a scheme of arrangement pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (the **Scheme**). If implemented, holders of Auswide Shares (**Auswide Shareholders**) will receive 1.112 new MyState shares (**New MyState Shares**) for each Auswide Share (**Scheme Consideration**) held by them on the Record Date.<sup>1</sup>

'Ineligible Foreign Shareholders' as defined in Section 3.11 of the scheme booklet to be sent to Auswide Shareholders in relation to the Scheme (**Scheme Booklet**) will receive cash proceeds through a 'Sale Facility' as described in Section 3.12 of the Scheme Booklet.

Following the implementation of the Merger Proposal, Auswide and MyState Bank will be wholly-owned subsidiaries of MyState (together, the **Merged Group**). Upon the implementation of the Merger Proposal, former Auswide Shareholders are expected to own approximately 33.9% of the Merged Group and existing holders of ordinary shares in MyState (**MyState Shareholders**) are expected to own approximately 66.1% of the Merged Group.<sup>2</sup>

Concurrently with the announcement of its entry into the Scheme Implementation Agreement, Auswide announced its entry into a binding agreement to acquire 100% of Specialist Equipment Leasing Finance Company Pty. Limited (**Selfco**), an established non-bank Small to Medium Enterprise (**SME**) asset finance lender, for \$6.5 million, comprising of an initial consideration of \$5.0 million of Auswide scrip and contingent payments of up to \$1.5 million based on the achievement of certain profit-related performance hurdles (**Selfco Acquisition**). On 28 August 2024, Auswide announced the completion of the Selfco Acquisition.

On 20 August 2024, Auswide announced the completion of a fully underwritten \$12.0 million institutional placement (**Placement**). On 16 September 2024, it announced that it had raised a further approximately

<sup>1</sup> 7:00pm Australian Eastern Daylight Time (**AEDT**) on Wednesday, 11 December 2024.

<sup>2</sup> Based on the assumptions that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to 'Ineligible Foreign Shareholders'), the total Auswide Shares on issue on implementation of the Scheme (**Implementation**) will be 51,800,677 Auswide Shares and the total MyState Shares on issue (pre- Scheme Consideration) will be 110,942,598 MyState Shares.





\$3.0 million under a non-underwritten Share Purchase Plan (**SPP** and together with the Placement, the **Offer**). In each instance, the shares were issued at \$4.00 per share.

On 26 August 2024, Auswide declared a fully franked dividend of 11.0 cents.

Auswide is an Australian-based Authorised Deposit-taking Institution (**ADI**) and licensed credit and financial services provider headquartered in Bundaberg, Queensland, and listed on the Australian Securities Exchange (**ASX**). It provides a wide range of personal and business banking products and services to retail and business customers, principally in Queensland, as well as New South Wales and Victoria. It operates through an omni-channel distribution strategy that includes a branch network of 16 branches across Queensland and a business centre in Queensland, as well as strategic relationships, and online and digital channels, including mortgage aggregators. As at market close on 16 August 2024, the last trading day immediately prior to the announcement of the Merger Proposal, Auswide had a market capitalisation of approximately \$202.8 million.<sup>3</sup>

MyState is an ASX listed holding company headquartered in Hobart, Tasmania, which provides banking, trustee and managed fund products and services through its wholly owned subsidiaries, MyState Bank and TPT Wealth Limited (**TPT Wealth**). MyState Bank offers retail and business banking products and services, while TPT Wealth provides financial products including funds management and trustee services. As at market close on 16 August 2024, the last trading day immediately prior to the announcement of the Merger Proposal, MyState had a market capitalisation of approximately \$435.8 million.<sup>4</sup>

Completion of the Merger Proposal requires Auswide Shareholder approval of the Scheme and is subject to the satisfaction of a number of other conditions precedent. Further details in relation to the Merger Proposal and the conditions precedent are outlined in Section 5 of this report.

The Scheme is subject to approval by Auswide Shareholders at a meeting (the **Scheme Meeting**) to be held at 11:00am (AEDT) on Monday, 2 December 2024. Auswide Shareholders registered as a holder of Auswide Shares as at 11:00am (AEDT) on Saturday, 30 November 2024 will be entitled to attend and vote on the resolution to approve the Scheme (**Scheme Resolution**). For the Scheme to proceed, the Scheme Resolution must be approved by at least 75.0% of the total number of votes cast by eligible Auswide Shareholders (either online or in person, or by proxy, attorney, or corporate representative) and more than 50.0% in number of all eligible Auswide Shareholders who have cast their vote on the Scheme Resolution (either online or in person, or by proxy, attorney or corporate representative) at the Scheme Meeting (the **Requisite Majorities**).

In order to assist Auswide Shareholders in assessing the Scheme and informing their vote on the Scheme Resolution, the Directors of Auswide (**Auswide Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**) (as 'Independent Expert'<sup>5</sup>), to prepare an independent expert's report setting out whether, in our opinion, the Scheme is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal.<sup>6</sup>

This report sets out Kroll's opinion as to whether the Scheme is in the best interests of Auswide Shareholders and will be included in the Scheme Booklet issued by Auswide in respect of the Scheme.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1 of this report.

Kroll's Financial Services Guide is contained in Part Two of this report.

## 2 Scope of report

The Merger Proposal is to be implemented by way of a scheme of arrangement under Part 5.1 of the Corporations Act and requires the approval of Auswide Shareholders.

<sup>3</sup> Calculated as the closing price of Auswide Shares on 16 August 2024 of \$4.35, multiplied by 46,630,859 quoted Auswide Shares outstanding as at 16 August 2024 as per ASX announcement Appendix 2A dated 26 March 2024.

<sup>4</sup> Calculated as the closing price of MyState Shares on 16 August 2024 of \$3.94, multiplied by 110,600,801 quoted MyState Shares outstanding as at 16 August 2024 as per ASX announcement Appendix 2A dated 22 March 2024.

<sup>5</sup> As defined in the Scheme Implementation Agreement.

<sup>6</sup> As defined in the Scheme Implementation Agreement.

# Annexure A Independent Expert's Report



There is no legal requirement for an independent expert's report to be prepared and provided to Auswide Shareholders in connection with the Scheme. However, it is a condition precedent under the Scheme Implementation Agreement that an independent expert issues an independent expert's report which concludes that the Scheme is in the best interests of Auswide Shareholders.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular, Regulatory Guide 111 'Content of expert reports' (**RG 111**), which outlines the principles and matters which it expects a person preparing an independent expert report to consider.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

## 3 Opinion

### 3.1 Background

Auswide's origins can be traced back to the 1960's through various Queensland-based building societies and credit unions. In 2015, Auswide Bank was rebranded out of Capricorn Building Society (**Wide Bay Capricorn**) and converted from a building society into a bank. Auswide's subsequent 2016 merger with Queensland Professional Credit Union (trading as Your Credit Union) created a financial institution with a customer loan book of approximately \$3.0 billion.

Auswide has had success in growing its loan book organically over the past decade, with a \$4.4 billion portfolio as at 30 June 2024. However, in the context of the Australian banking sector which has in excess of \$6 trillion in assets and over \$4 billion in loans and advances,<sup>7</sup> Auswide is a small player with regional strength in Queensland.

Ongoing thematic of higher regulatory compliance costs in the Australian banking sector, alongside increasing investment in technology platforms and cyber security, has driven Australian banks and non-bank lenders to seek greater scale via consolidation. Recent examples of consolidation in the industry include Australia and New Zealand Banking Group Limited's (**ANZ**) acquisition (announced in 2022) of Suncorp Bank from Suncorp Group Limited and Bank of Queensland Limited's (**BOQ**) acquisition (announced in 2021) of Members Equity Bank Limited (**ME Bank**). Merger activity has also been evident amongst mutuals with Bank Australia and Qudos Bank recently announcing a potential merger, which has followed Newcastle Permanent Building Society Limited and Greater Bank Limited's merger in March 2023, and People's Choice Credit Union and Heritage Bank's merger in March 2023.

The Merger Proposal (announced on 19 August 2024) builds on the growing consolidation occurring within the industry, driven from higher regulatory costs and the need for banks to continue to invest in digital platforms and customer security. The Merged Group will combine Auswide's \$4.5 billion loan portfolio with MyState's \$8.1 billion loan portfolio to create a \$12.6 billion loan portfolio.<sup>8</sup> The Merged Group will have greater scale to manage regulatory costs, invest in capabilities, including digital banking solutions, automation, and cybersecurity, and is likely to benefit from substantial operating cost synergies.

The Merger Proposal was negotiated on the basis that there was a need for both MyState and Auswide to combine and increase their scale in order to survive in an increasingly competitive environment. In addition, it was anticipated that both Auswide Shareholders and MyState Shareholders would achieve synergies as a Merged Group that would be shared between the shareholders of each company in proportion to their ownership in the Merged Group.

It is in this context that we have evaluated the Scheme recognising that the Merger Proposal will bring together two very similar businesses although primarily in separate geographies with complementary assets and strategies within the Australian market.

<sup>7</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

<sup>8</sup> As at 30 June 2024. Pro forma Auswide loan portfolio includes impact of Selfco Acquisition.



### 3.2 Summary of opinion

**In our opinion the Scheme, taking into consideration the implications of the Merger Proposal as a whole, is in the best interests of Auswide Shareholders in the absence of a superior proposal.**

Whilst the Merger Proposal cannot be precisely categorised as a 'merger of equals', as the proposed ownership shares in the Merged Group (33.9%/66.1%) are outside the outer bounds of what has thus far been considered a 'merger of equals', in Kroll's opinion, the better view, on balance, is that a merger analysis is the appropriate basis on which to undertake an evaluation. Nevertheless, Kroll has also considered the terms of the Proposed Merger from the perspective of a change of control transaction. Refer to Section 6.2 of this report for an analysis of the factors that are relevant to decision as to whether to adopt a 'merger of equals' analysis and control transaction analysis.

#### **Merger of equals analysis**

In adopting a merger of equals analysis, we have assessed whether the Merger Proposal is in the best interests of Auswide Shareholders by considering whether Auswide Shareholders as a whole are, on balance, better off, or at least not worse off, if the Merger Proposal proceeds than if it does not. This assessment has been undertaken through evaluation of the advantages and disadvantages of the Merger Proposal.

In evaluating the advantages and disadvantages of the Merger Proposal, we have considered the financial impact of the Merger Proposal to Auswide Shareholders as a whole. We have assessed the financial impact (or fairness) of the Merger Proposal by using the 'merger of equals' construct under RG 111, as in Kroll's opinion for the reasons set out in Section 6.2 of this report, the merger analysis is the appropriate basis from which to assess the financial benefits of the Merger Proposal. In this context, our assessment of fairness forms part of the overall judgement as to whether or not the Scheme is in the best interests of Auswide Shareholders.

#### **Control transaction analysis**

While, as discussed, Kroll does not consider it to necessarily be the appropriate basis for evaluation, the Merger Proposal can also be considered to be a takeover/change of control transaction. On this basis, the Merger Proposal is not fair, however, there are compelling reasons that despite not being fair, the Merger Proposal is reasonable.

The merger of Auswide and MyState to form the Merged Group is expected to result in a range of financial (including synergies), strategic, and other benefits for Auswide Shareholders. There are also other changes as a consequence of the Merger Proposal. These benefits and changes include the following.

#### **Financial benefits**

Following completion of the Merger Proposal, Auswide Shareholders and MyState Shareholders will hold approximately 33.9% and 66.1% of the Merged Group, respectively. The proposed proportionate ownership in the Merged Group that will be held by Auswide Shareholders falls within the range of the underlying equity value contribution ratios that Auswide Shareholders are making to the Merged Group. Therefore, we consider the financial terms of the Scheme are fair to Auswide Shareholders.

Auswide Shareholders (and MyState Shareholders) are expected to benefit from the synergies generated as a result of combining the two companies, including operating cost synergies (estimated annualised full run-rate of \$20.0 million to \$25.0 million expected to be realised within three years of the implementation of the Scheme). Our analysis of the underlying equity value contributed by Auswide Shareholders compared to the underlying equity value on completion of the Merger Proposal (inclusive of synergies) indicates that they should benefit from an increase in the underlying value of their shares (on an equivalent basis).

Should the Merger Proposal be completed, the Merged Group will be a larger and more diversified company relative to Auswide, with pro forma gross loans and advances of \$12.6 billion,<sup>9</sup> customer deposits of \$9.6 billion, and total revenue of \$265 million for the financial year ended 30 June 2024

<sup>9</sup> As at 30 June 2024. Includes the impact of the Selfco Acquisition.

# Annexure A Independent Expert's Report



This is anticipated to enhance financial resilience and prudential stability, and may result in a more robust financial base from which the Merged Group will be able to accelerate and sustain its growth strategy and potentially increase future dividends through stronger capital generation (noting that the payment of dividends is dependent on a range of factors and there is no guarantee of similar dividend income following implementation of the Scheme). The Merged Group is also like to benefit from the ability to spread operational costs and future investment costs across larger customer base and loan portfolio.

## Strategic benefits

The Merger Proposal will bring together two businesses with highly complementary business models with aligned strategy and values. Both businesses share customer centric cultures, relationship-based strategies with a national footprint through their networks of mobile lenders and brokers, and are committed to maintaining physical points of presence in existing regional centres through a branch network across Queensland (MyState) and Tasmania (Auswide). Moreover, both Auswide and MyState have strong operating histories and quality lending portfolios, as seen by both businesses low arrears in recent years.

The Merger Proposal provides for a number of strategic benefits which are not directly quantifiable (refer to Section 3.3.2 of this report) including:

- a larger portfolio of home loans, with increased diversification across geographies and risk profiles. The Merged Group is expected to have a gross loan portfolio of \$12.6 billion, approximately 180.2% higher than Auswide's loan portfolio at 30 June 2024.<sup>10</sup> The larger loan book will give the Merged Group a greater presence in the Australian banking market than Auswide on a standalone basis, with a more geographically diverse customer base;
- greater revenue diversification. Auswide has historically had significant revenue concentration risk from home loans which has resulted in some earnings volatility as seen in FY24 earnings (see Section 8.4.1 of this report for further information). MyState's exposure to wealth management revenues through its subsidiary TPT Wealth will ease a portion of this concentration risk, albeit TPT Wealth is not currently a significant contributor to MyState earnings (7.9% in FY24) and will, therefore, likely contribute a smaller share of earnings in the Merged Group;
- other potential benefits of scale including higher cost efficiency and negotiating power with suppliers and customers. It is likely that the Merged Group will benefit from greater scale and negotiating power across technology, wholesale funding and securitisation program costs, amongst other benefits. The increased scale of the Merged Group in comparison to Auswide on a standalone basis, may also enable the Merged Group to benefit from a positive credit re-rating in the future, which will improve access to funding markets; and
- greater depth of management and governance talent.

## Liquidity

Relative to trading in Auswide Shares on the ASX, which has been relatively illiquid (see Section 8.9.3 of this report for further analysis), liquidity in Merged Group shares is expected to be enhanced as a result of the Merged Group's expanded shareholder base, greater scale and likely inclusion in the S&P/ASX 300 index.<sup>11</sup>

<sup>10</sup> Based on 30 June 2024 pro forma balances which include the Selfco Acquisition.

<sup>11</sup> Based on the share prices of Auswide Shares and MyState Shares as at the Last Practicable Date, the pro forma market capitalisation of the Merged Group would have been approximately \$634.8 million, which is sufficient for inclusion in the S&P/ASX 300 index.



### 3.3 Advantages and disadvantages

#### 3.3.1 Fairness based on a 'merger of equals' analysis

##### The merger ratio is fair

###### Underlying valuation of Auswide and MyState

In order to assess the fairness of the Scheme to Auswide Shareholders, Kroll has compared the underlying value contributed to the Merged Group by Auswide Shareholders to the share of the Merged Group that will be owned by Auswide Shareholders following completion of the Merger Proposal.

Kroll has determined the underlying equity value of Auswide and MyState having regard to the estimated fair value of each of the companies' operating businesses with allowance for any surplus assets or liabilities (if any). Kroll has assessed the underlying equity value of Auswide to be in the range of \$215.0 million to \$250.0 million and the underlying equity value of MyState to be in the range of \$420.0 million to \$485.0 million. This valuation is a subjective judgement having regard to a market approach analysis. As our valuation is on the basis of a merger of equals analysis, the assessed value represents the underlying stand-alone value of a portfolio interest in Auswide and MyState and in that respect excludes a premium for control and the value for synergies that may be available to acquirers of Auswide and MyState.

The earnings multiples and net assets multiples implied by the valuation of the equity of Auswide and MyState are summarised in the following tables.

##### Auswide Implied Valuation Parameters

	Parameter (\$ million)	Range of Parameters	
		Low	High
<b>Auswide's equity value</b>		<b>215.0</b>	<b>250.0</b>
<b>Multiple of Underlying NPAT (times)</b>			
FY24 Underlying Pro Forma <sup>1</sup>	9.2	23.3x	27.1x
FY25 Broker Consensus	16.8	12.8x	14.9x
FY26 Broker Consensus	25.5	8.4x	9.8x
<b>Multiple of assets (times)</b>			
Pro Forma NTA as at 30 June 2024 <sup>2</sup>	252.5	0.9x	1.0x

Source: Kroll analysis.

Notes:

- FY24 Underlying Pro Forma is Auswide's FY24 Pro Forma NPAT of \$10.2 million (which includes pro forma adjustments for the Selfco Acquisition) less gain on sale of investment in Financial Advice Matters of \$1.1 million plus fees relating to potential M&A activities of \$0.2 million.
- NTA is net tangible assets. Pro forma figure as at 30 June 2024 includes pro forma adjustments relating to the Offer, Selfco Acquisition, and repayment of Selfco Warehouse Trust. Calculated as net assets of \$308.0 million less intangible assets and goodwill of \$55.5 million.

##### MyState Implied Valuation Parameters

	Parameter (\$ million)	Range of Parameters	
		Low	High
<b>MyState's equity value</b>		<b>420.0</b>	<b>485.0</b>
<b>Multiple of NPAT (times)</b>			
FY24 Underlying Actual	35.3	11.9x	13.7x
FY25 Broker Consensus	38.2	11.0x	12.7x
FY26 Broker Consensus	44.6	9.4x	10.9x
<b>Multiple of assets as at 30 June 2024 (times)</b>			
NTA	379.2	1.1x	1.3x

Source: Kroll analysis.

Note:

- No adjustments have been made to MyState's statutory FY24 NPAT to arrive at FY24 Underlying Actual NPAT.

# Annexure A Independent Expert's Report



In assessing the underlying value of Auswide and MyState's equity, Kroll has adopted the market approach (refer to Section 11.1 of this report for further detail on methodology). This approach provides a value of the operating businesses of each company to which the value of any surplus assets/liabilities (if any) are added/subtracted to determine the equity value of each business.

In line with industry practice for valuing financial institutions, we have adopted NPAT as the earnings base for our valuation. Further, in order to facilitate meaningful comparison, we have based our analysis on underlying NPAT (which approximates reported cash NPAT for many of the listed comparable companies) as an earnings definition to remove distortions to value caused by items such as gains and losses from hedging and financial instruments, gains of disposal of assets and other one-off significant items which are not part of ongoing operations.

To inform our assessed value range, Kroll has had regard to historical and forward P/E multiples for selected ASX listed banks and non-bank lenders, as well as transactions involving ASX-listed banks and non-bank lenders (refer to Section 11.4 of this report). As additional evidence we have also compared the implied P/NTA multiples for Auswide and MyState to those of comparable companies and transactions. We consider that the implied valuation multiples for both Auswide and MyState are reasonable in comparison to the sharemarket and transaction evidence.

#### *Assessment of the merger ratio*

Pursuant to the underlying valuations set out previously, Kroll has assessed the contribution by Auswide Shareholders to the aggregate estimated underlying equity value of the Merged Group (excluding synergies) as follows.

#### **Relative Contribution by Underlying Equity Value (\$ millions)**

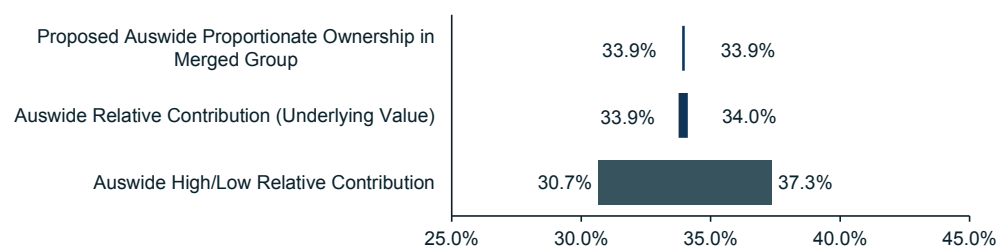
	Underlying Equity Value	
	Low	High
Auswide (equity value)	215.0	250.0
MyState (equity value)	420.0	485.0
<b>Combined Group (aggregate)</b>	<b>635.0</b>	<b>735.0</b>
<i>Relative underlying value contributed</i>		
<b>Auswide Shareholders</b>	<b>33.9%</b>	<b>34.0%</b>
MyState Shareholders	66.1%	66.0%

Source: Kroll analysis.



A comparison of our assessed relative contribution of underlying value by Auswide to the Merged Group, to the proposed approximate 33.9% proportionate ownership percentage (i.e. based on the merger ratio) by Auswide Shareholders in the Merged Group is illustrated as follows.

#### Fairness Assessment



Source: Kroll analysis.

#### Notes:

1. The 33.9% proposed Auswide proportionate ownership in Merged Group is approximate and is based on the assumptions that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to 'Ineligible Foreign Shareholders'), the total Auswide Shares on issue on Implementation will be 51,800,677 Auswide Shares and the total MyState Shares on issue (pre- Scheme Consideration) will be 110,942,598 MyState Shares.
2. The Auswide High/Low Relative Contribution represents the relative contribution range implied when Auswide's 'Low' equity value (\$215.0 million) is compared with MyState's 'High' equity value (\$420.0 million) (30.7%) and vice-versa (37.3%).

We consider that under a merger of equals analysis, the Scheme should be considered fair if the proportionate ownership of the Merged Group that Auswide Shareholders are receiving is greater than or falls within the range of relative contributions that Auswide Shareholders are making to the Merged Group.

Kroll's analysis indicates that Auswide Shareholders are contributing approximately 33.9% (based on the low end of the valuation range for Auswide and MyState) to 34.0% (based on the high end of the valuation range) of the aggregate estimated underlying value of the Merged Group compared to the approximately 33.9% of the Merged Group that they will receive. The range of Auswide's relative contribution is fairly narrow as a result of similar valuation ranges between the low and high selected equity values for each business of approximately 15%.

Kroll considers that the value per share for Auswide and MyState could fall anywhere in the range of assessed values. If the Auswide 'Low' valuation is compared to the 'High' valuation for MyState, Auswide's relative contribution decreases to 30.7% (minimum value contribution ratio), with the reverse scenario implying an Auswide relative contribution of 37.3% (maximum value contribution ratio). As the proposed proportionate ownership in the Merged Group that will be held by Auswide Shareholders falls within the range of the underlying value contribution ratios that Auswide Shareholders are making to the Merged Group, **the Scheme is fair to Auswide Shareholders. As the Scheme is fair, consistent with RG111 it is also reasonable.**

#### Cross-check of market value relative contribution

As a cross-check to our primary approach, Kroll has also conducted analysis of the relative contributions of market value (as measured by market capitalisation) made by Auswide and MyState. Although these market values can be more volatile than underlying values, they are objective in that they reflect a wide range of views (for example, concerning the broader economic and business conditions including the highly competitive mortgage and deposit markets within Australia, and company specific matters such as operating performance) and can be smoothed out over time. However, we note that share price analysis for Auswide and MyState can be sensitive as a result of limited broker coverage, high retail shareholder ownership and lower levels of share price liquidity, particularly in the case of Auswide.

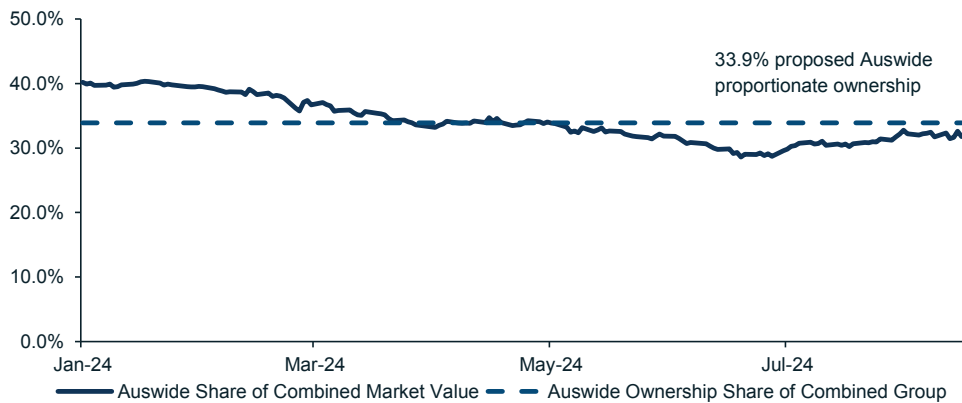
Auswide's relative contribution to the aggregate sharemarket value of the two companies (based on daily share closing prices) over the course of 2024 and prior to the announcement of the Merger Proposal, compared to the proposed proportionate share of the Merged Group to be received by Auswide

# Annexure A Independent Expert's Report



Shareholders, is depicted in the following chart. Refer to Sections 8.9 and 9.9 of this report for share price performance analysis of Auswide and MyState.

### Auswide's Share of Combined Market Value



Source: S&P Capital IQ, Kroll Analysis.

Note:

1. Market capitalisations are calculated based on daily closing prices multiplied by the fully diluted number of shares outstanding as at the last practicable date.
2. The 33.9% proposed Auswide proportionate ownership in Merged Group is approximate and is based on the assumptions that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to 'Ineligible Foreign Shareholders'), the total Auswide Shares on issue on Implementation will be 51,800,677 Auswide Shares and the total MyState Shares on issue (pre- Scheme Consideration) will be 110,942,598 MyState Shares.

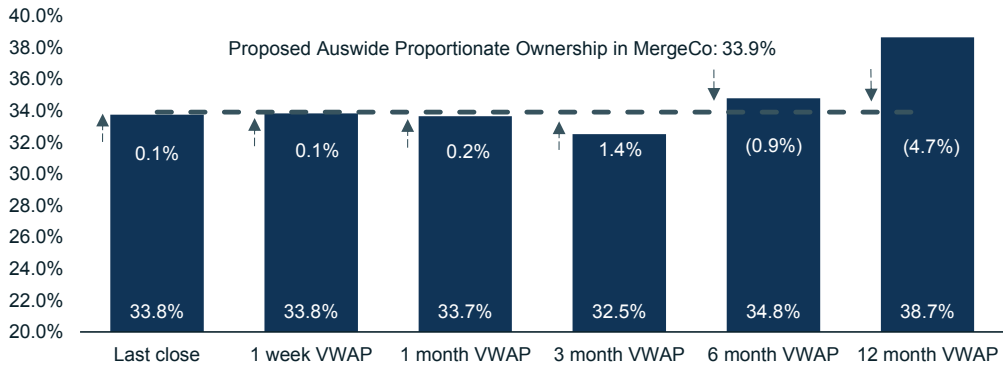
The previous chart reflects the share price underperformance of Auswide from early 2024 until mid-2024 as Auswide's financial performance deteriorated due to its fixed rate loan book, while MyState's share price experienced support over this period. Arguably, the most recent share price performance is the most relevant.

The following graph shows Auswide's relative contributions based on volume weighted average prices (**VWAPs**) across different periods prior to the announcement of the Merger Proposal, compared to the proposed proportionate share of the Merged Group received by Auswide Shareholders.





**Comparison of Proposed Auswide Proportional Ownership in Merged Group to Auswide's Share of the Auswide-MyState Combined Market Value up to 16 August 2024**



Source: Kroll analysis.

Note:

- The 33.9% proposed Auswide proportionate ownership in Merged Group is approximate and is based on the assumptions that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration (including New MyState Shares to be issued to the Sale Agent that would otherwise be issued to 'Ineligible Foreign Shareholders'), the total Auswide Shares on issue on Implementation will be 51,800,677 Auswide Shares and the total MyState Shares on issue (pre- Scheme Consideration) will be 110,942,598 MyState Shares.

Kroll's analysis of the relative contributions of market value made by Auswide and MyState across a 1 week, 1 month and 3 month period up to the announcement of the Merger Proposal shows that Auswide Shareholders were consistently contributing, although not materially, a lower share of the combined market value than they are receiving (approximately 33.9%). On a 6 month and 12 month basis, Auswide Shareholders are contributing a higher share of the combined market value (refer to Auswide and MyState relative share price commentary in Section 3.3.1 of this report).

As at 16 August 2024, the last trading day prior to the announcement of the Merger Proposal, Auswide's closing share price was \$4.35 and MyState's closing share price was \$3.94. Based on these share prices, the implied ratio of Auswide's and MyState's ordinary share prices at 16 August is 1.104, which approximates the exchange ratio of 1.112, with a slight benefit to Auswide Shareholders.

# Annexure A Independent Expert's Report



## Cross-check of other relative contribution parameters

Other parameters are also useful in considering whether the proposed proportionate ownership by Auswide Shareholders in the Merged Group is fair, as set out in the following table.

### Relative Contribution of Auswide and MyState – Other Parameters

	Parameter		Contribution (%)	
	Auswide <sup>1</sup>	MyState	Auswide	MyState
<b>NPAT (\$ millions)</b>				
FY24 Actual/pro forma	10.2	35.3	22.4%	77.6%
FY25 Broker forecast	16.8	38.2	30.5%	69.5%
FY26 Broker forecast	25.5	44.6	36.4%	63.6%
<b>Size Metrics (\$ millions)</b>				
FY24 Loans and advances	4,407	8,022	35.3%	64.7%
FY24 Total Assets	5,284	9,168	36.6%	63.4%
FY24 Net Assets	308.0	464.9	39.9%	60.1%
<b>Total revenue (\$ millions)</b>				
FY24 Actual/pro forma	85.5	152.4	35.9%	64.1%
FY25 Broker forecast	96.9	164.2	37.1%	62.9%
FY26 Broker forecast	114.5	178.1	39.1%	60.9%

Source: Auswide, MyState, Refinitiv, Broker reports, Kroll analysis.

Note:

1. Auswide's FY24 figures are pro forma and include pro forma adjustments relating to the Offer, the Selfco Acquisition, and the repayment of Selfco Warehouse Trust.

In relation to the preceding relative contributions, we note:

- FY24 NPAT results are favourable to Auswide on a relative contribution basis, with Auswide only contributing 22.4% to the Merged Group on a pro-forma basis. This low contribution can be explained by a decline in Auswide's FY24 operating performance, with NPAT falling by 55.4% (on a statutory, Auswide historical basis, see Section 8.4 of this report for further analysis of Auswide's historical financial performance). If Auswide's FY24 NPAT is adjusted to remove the one-off impact of fixed rate hedging losses in FY24 (i.e. assuming 80% hedging), the contribution of Auswide's FY24 earnings increases to 34.7% (see Section 11.2.1 of this report). However, we recognise this analysis is simplistic and does not take into account the present value of future losses that Auswide will incur on these loans, any corresponding adjustments to MyState's earnings (over and above items identified as non-recurring in the financial statements) or the selected earnings multiple that is appropriate to each business;
- broker forecasts of FY25 NPAT levels favour Auswide on a relative contribution basis, with expectations that Auswide would only contribute 30.5% of a Merged Group's total FY25 NPAT, however Auswide's near term financial performance is likely to be impacted by fixed rate loans rolling off (see Section 11.2.1 of this report). FY26 broker forecasts favours MyState with Auswide contributing 36.4% of the Merged Group's total FY26 NPAT, as Auswide's performance improves significantly from its weak FY24 performance. This analysis does not take into account the expected losses on the fixed rate loans that Auswide is expected to incur from now until FY26 nor the relative FY26 NPAT multiples that are appropriate for each company, noting MyState is larger and more diversified so should trade at a higher multiple of FY26 NPAT. Furthermore, Kroll notes that broker coverage of both Auswide and MyState is limited and therefore significant weight should not be given to the broker forecasts due to the limited sample size;
- while it appears that Auswide is contributing a greater proportion of loan book assets (as measured by total loans and advances) than it is receiving under the proposed ownership ratio, a portion of these loans is unprofitable due to the fixed rate loans written prior to FY24. Moreover, MyState has non-banking revenues derived from TPT wealth and as such generates relatively greater other income outside income on the loan book. This is indicated in Auswide's significantly lower ROTE than MyState; and

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- revenue comparisons are simplistic as they do not take into account the difference in margins, with MyState's FY24 NPAT margin higher than that of Auswide's, at 23.2% and 11.9% (Auswide FY24 pro forma) respectively.

This analysis, however, should be treated with a degree of caution as the financial metrics are sensitive to the time window analysed. Auswide's worsening financial performance in FY24 distorts analysis of its relative contribution based on its depressed FY24 earnings. Further, an earnings contribution ignores the multiples applied to earnings, which can be impacted by various factors including degree of diversification, scale and future growth outlook. Similarly, size metrics represent point-in-time metrics as at 30 June 2024, may not reflect underlying business contributions and could be subject to some volatility.

Despite the limitations of the analysis, we find the results to be generally supportive of our underlying value analysis.

### 3.3.2 Fairness based on a control transaction analysis

While Kroll does not consider it to necessarily be the appropriate basis for evaluation, the Merger Proposal could also be evaluated as a takeover/change of control transaction. Under this construct, it is necessary to assess a value for the consideration being offered.

Under the Merger Proposal, Auswide Shareholders will receive 1.112 shares in MyState for each Auswide Share that they own. The value of the consideration is the market value of a share in MyState (rather than the underlying value). This is essentially a minority value. The relevant benchmark is the likely post- Merger Proposal share price rather than pre- Merger Proposal share price as that is the consideration being received by Auswide Shareholders and should reflect the terms of the Merger Proposal and announced synergies.

Conventionally, for a scrip transaction the starting point is the recent traded price of the offeror's shares (i.e. MyState Shares) on the share market. Kroll has considered whether there is any reason why the market price is not an appropriate reflection of the market value of MyState Shares and whether the Merger Proposal, if implemented, will have a material impact on the price.

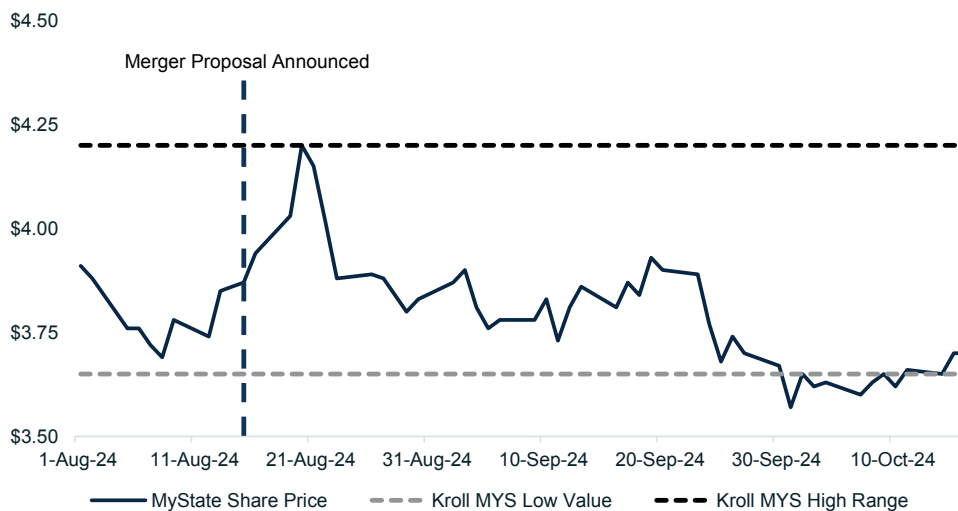
As discussed in Section 9.9.3 of this report, MyState Shares are reasonably liquid although there are relatively few analysts that cover MyState. Since the announcement of the Merger Proposal, MyState shares have been reasonably liquid, with higher volumes since the announcement relative to MyState's 2024 trading volumes prior to the announcement of the Merger Proposal.

Since the announcement of the Merger Proposal, the MyState share price has traded within the range of \$3.55 to \$4.25, at a VWAP of \$3.84.

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## MyState Trading since 1 August 2024



Source: S&P Capital IQ, Iress, Kroll Analysis.  
 Note: Based on the daily closing prices of MyState Shares.

The Merger Proposal will have a material impact on MyState, increasing its issued capital by over 50% and the anticipated broker consensus FY25 NPAT by more than 40%, increasing geographical diversification and realising (if achieved) pre-tax cost synergies of \$20 to \$25 million per annum. However, the impact of the Merger Proposal (and the Offer and Selfco acquisition) on MyState's key performance indicators and financial performance were disclosed in the merger announcement and the terms of the Merger Proposal and estimated cost synergies have been in the public domain since 19 August 2024. In this respect, their impacts should be already incorporated into the MyState share price. On the other hand, the market may be pricing in the risk that the Merger Proposal does not proceed. Overall, the post announcement market trading would suggest that a reasonable market value estimate for MyState Shares is \$3.65 to \$4.20.

Kroll has assessed the value of Auswide Shares on a 100% basis to be in the range of \$5.73 to \$7.81. This analysis incorporates synergies available to a pool of potential acquirers, rather than the combined synergies within both Auswide and MyState that are expected to be achieved on implementation of the Merger Proposal. Synergies paid in transactions involving financial services companies are broadly in the range of 20% to 35% of the target's cost base and the median integration costs as a multiple of announced synergies is 2.0 times.<sup>12</sup> Kroll has applied a multiple of 11.0 times NPAT to the synergies, which is consistent with the multiple implied by the valuation of the synergies for the Merger Proposal (refer to Section 3.3.3 of this report). The valuation is presented in the following table.

<sup>12</sup> ANZ/Suncorp (2022), synergies as a percentage of target's cost base is 35% (integration costs 2.6 times announced synergies); NAB/Citi's Australian consumer business (2021), 30% (2.7 times); BoQ/ME Bank (2021), 26% to 30% 1.6 to 2.0 times); Westpac/Lloyds Bank (2013), 50% (1.9 times); Commonwealth Bank/BankWest (2008), 20% to 25% (1.5 times); Westpac/St George (2008), 20% to 25% (2.0 to 2.5 times).



#### Value of Auswide Shares (100% Basis) (\$ millions)

	Underlying Value	
	Low	High
<b>Auswide equity value (minority basis)</b>	<b>215</b>	<b>250</b>
Add: Value of cost synergies (net of implementation costs) <sup>2</sup>	82	154
<b>Auswide equity value (including synergies)</b>	<b>297</b>	<b>404</b>
<b>Value per Auswide Share<sup>1</sup> (including synergies)</b>	<b>\$5.73</b>	<b>\$7.81</b>

Source: Kroll analysis.

Notes:

1. Calculated as the equity value divided by 51.8 million fully diluted Auswide Shares on issue.
2. The value of the cost synergies is an estimate based on achieving pre-tax synergies of between 20% to 35% of Auswide's operating cost base. Implementation costs have been assumed to reflect two years worth of annual post-tax synergy benefits. An 11.0 times NPAT multiple has been applied to the synergies.

The consideration being offered of \$4.06 to \$4.67 (based on the trading price of MyState Shares of \$3.65 to \$4.20) represents a significant discount to the value per Auswide Share (100% basis) of \$5.73 to \$7.81.

#### Fairness Assessment (Control Transaction Analysis) (\$ millions)

	Underlying Value	
	Low	High
Value per MyState Share (minority basis)	\$3.65	\$4.20
Value of consideration per Auswide Share (based on merger ratio of 1.112)	\$4.06	\$4.67
Value per Auswide Share (including synergies)	\$5.73	\$7.81
<b>Premium/(discount)<sup>1</sup></b>	<b>(29.1%)</b>	<b>(40.2%)</b>

Source: Kroll analysis.

Notes:

1. Calculated as the value per Auswide Share (based on the MyState Trading Value per Share times the Merger ratio) divided by the Value per Auswide Share (including synergies) minus 100%.

On the basis of the above analysis, the Merger Proposal is not fair. However, there are compelling reasons that despite not being fair (when analysed on the basis of a control transaction analysis) the Merger Proposal is reasonable, including:

- the Auswide Shareholders have an ongoing exposure to the future performance of the business and will share in the material synergy benefits that are realised in proportion to their ownership of the Merged Group. As a result of these synergies, Auswide Shareholders would receive a material financial benefit as part of the Merged Group that would not be possible in the absence of the Merger Proposal;
- Auswide Shareholders will own shares in a larger, more diversified business that is better able to compete in an increasingly competitive landscape, and may benefit from greater liquidity and a potential re-rating;
- no superior proposal has emerged since the Merger Proposal was announced on 19 August 2024; and
- Auswide Shareholders will still have the potential to receive an offer for the Merged Group incorporating a premium for control (noting that Auswide Shareholders will have already benefited from the merger synergies).

### 3.3.3 Reasonableness

#### The merger of Auswide and MyState is expected to result in substantial synergies

The characteristics of Auswide and MyState, as two smaller scale Australian banks with significant regulatory compliance, cyber and technology costs, make them conducive to realising synergies through a combination. The Scheme provides an opportunity for significant pre-tax cost synergies of \$20 million to \$25 million per annum (representing approximately 13.0% to 16.0% of the Merged Group cost base), which are expected to be fully realised over the three years from the implementation of the Scheme to be realised

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across human resources, technology and administrative functions. Section 10.3.4 of this report highlights the synergy potential associated with the Merger Proposal.

The main sources of synergies are expected to be derived from:

- consolidation and adoption of best available technology platform;
- refined board and leadership team;
- integration of shared services; and
- consolidation of third-party providers.

However, since these companies deal with market prices for mortgages and deposit products sold across the highly competitive Australian banking market, mergers do not confer pricing power in this industry. Moreover, given the footprint of retail branch assets for Auswide in Queensland and MyState in Tasmania, and the importance of branches to attracting deposits, it is unlikely that there will be synergies achievable in terms of branch footprint. However, synergies in other shared expense functions may be achieved over the medium term, including duplicated head office expenditures and across corporate functions, marketing functions, technology platforms, support services and funding costs.

Kroll has valued the stated pre-tax operating cost synergies of approximately \$20 million to \$25 million per annum in the range of \$147 million to \$171 million based on a high-level DCF analysis (and deducting taxation), which includes the impact of approximately \$29 million in estimated non-recurring costs required to achieve the synergies.

To present the potential value change that may be realised by Auswide Shareholders through the Merger Proposal, inclusive of synergies, Kroll has compared the underlying value contributed by Auswide Shareholders to the aggregate value that they will hold in the Merged Group post-Merger Proposal in absolute terms – that is, the indicative value realised through the Merger Proposal. This analysis is presented including the indicative effect of the stated potential cost synergies of \$20 million to \$25 million per annum, net of implementation costs. The analysis is as follows.

**Value Contributed / Value Post- Merger Proposal Analysis (\$ millions)**

	Underlying Value	
	Low	High
<b>Auswide Equity Value Contributed</b>	<b>215</b>	<b>250</b>
Equity Value Contributed per Auswide Share <sup>1</sup>	\$4.15	\$4.83
<b>Indicative Auswide Value Post- Merger Proposal</b>		
Auswide (Underlying equity value)	215	250
MyState (Underlying equity value)	420	485
Add: Value of cost synergies (inclusive of implementation costs) <sup>2</sup>	147	171
<b>Merged Group Underlying equity value (including synergies)</b>	<b>782</b>	<b>906</b>
<b>Auswide Shareholders' Share of Merged Group (approximately 33.9%)</b>	<b>265</b>	<b>307</b>
Indicative Equity Value per Auswide Share <sup>1</sup>	\$5.12	\$5.94
<b>Indicative increase in value (including synergies) (%)<sup>3</sup></b>	<b>23.4%</b>	<b>23.0%</b>

Source: Kroll analysis.

Notes:

1. Calculated as the equity value divided by 51.8 million fully diluted Auswide Shares on issue.
2. The value of the cost synergies is an estimate based on the stated potential annual cost synergies of \$20-\$25 million less approximately \$29 million in one-off implementation costs.
3. Value realised is calculated as Auswide's Share (approximately 33.9%) of the Merged Group underlying equity value divided by the Auswide equity value contributed expressed as a percentage increase/(decrease).
4. Changes in value are indicative estimates only and may not be representative of resulting changes in value arising from completion of the Merger Proposal.

The analysis indicates that Auswide Shareholders should benefit from an increase in the underlying value of their shares post-Merger Proposal inclusive of the value of any synergies derived as a result of the Merger Proposal. In this regard, we note that there are risks associated with the realisation of the synergies, as well as potential upside opportunities that have not been quantified. Kroll's analysis of synergies did not



include potential upside scenarios related to lower funding costs, with potential for the Merged Group to access lower wholesale and securitisation funding costs.

There is a risk that not all operating cost synergies are achieved, or that there are delays in achieving those savings, or that integration and Merger Proposal costs are greater than expected. Mitigating factors include that the quoted synergies are, in the opinion of Auswide management, realistic and achievable. Kroll has also assessed the level of synergies to be in line with or below the anticipated synergies (as a % of target cost base) of other comparable transactions in the banking industry.

**The Merger Proposal will allow Auswide Shareholders to share in earnings accretion generated by Merged Group**

A benefit of the Merger Proposal is the potential to realise earnings accretion. The extent of accretion for Auswide Shareholders will vary depending on the level and timing of synergies that are realised.

Merged Group Shareholders are ultimately expected to benefit from 13.3 cents earnings per share growth (excluding the impact of transaction and implementation costs) as a result of synergies expected to be achieved within three years of the Scheme being Implemented.<sup>13</sup> Based on the merger ratio of 1.112 MyState shares per Auswide shares, this represents 14.7 cents earnings per share growth for Auswide Shareholders, a 43.4% increase on Auswide's broker consensus EPS of 34.0 cents per share.

However, it should be noted that statutory EPS in the years following the close of the Merger Proposal may be negatively impacted by transaction and integration costs and there is no certainty that the Merged Group will be able to achieve all of the assumed operating cost synergies of approximately \$20 million to \$25 million.

We note that the Scheme is expected to be earnings per share accretive from FY26 on a post synergies run rate basis (excluding integration and transaction costs) assuming that by FY26 the Merged Group achieves:

- an improved cost to income ratio through the achievement of cost synergies. As standalone entities, MyState and Auswide have historically had cost to income ratios exceeding 60%, while the Merged Group is expected to achieve a lower cost to income ratio as duplicate costs (or synergies) from the standalone businesses are removed through the optimisation of human resources, technology and administrative functions;
- modest growth in home lending; and
- maintaining existing levels of credit quality.

**Enhanced financial scale and strength**

Auswide shareholders will benefit from the expected 180.2% growth in gross loans and advances in the Merged Group, with the Merged Group expected to benefit from gross loans and advances of \$12.6 billion, funded with \$9.6 billion of customer deposits.<sup>14</sup> Enhanced financial scale and strength is important in many industries but particularly banking with costs incurred adhering to regulatory, cyber and technological requirements.

Should the Merger Proposal be completed, the Merged Group is expected to benefit from improved operating efficiency associated with this larger balance sheet and increased funding flexibility. Whilst Kroll has not directly accounted for synergies associated with lower funding costs, it is possible that the Merged Group will be able to access more competitive wholesale funding costs as a result of greater scale and, potentially, a stronger credit rating.

**Key performance indicators**

Auswide Shareholders should also benefit from improved operational efficiencies on a Merged Group basis. The following table highlights key performance indicators (KPIs) for both banks, and the improvement that Auswide would have experienced in FY24 if Auswide was part of the Merged Group. Auswide would have

<sup>13</sup> Calculated as the midpoint of the stated full run-rate pre-tax synergies of \$20 million to \$25 million, adjusted for tax and divided by the fully diluted number of shares in the Merged Group (169,671,482).

<sup>14</sup> Based on Auswide pro forma balances as at 30 June 2024 which include the impact of the Selfco Acquisition.

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benefitted from an improved NIM lower cost to income ratio and an improved return on equity in FY24 had it been part of the Merged Group.

#### Auswide and MyState FY24 KPIs<sup>15</sup>

	Auswide	Selfco	MyState	Merged Group <sup>4</sup>
NIM <sup>1</sup>	1.42%	3.00%	1.76%	1.64%
Cost to Income <sup>2</sup>	79.9%	130.2%	71.3%	74.7% <sup>5</sup>
Return on Equity (%) <sup>3</sup>	3.9%	n.m.	7.7%	6.0% <sup>6</sup>
Common Equity Tier 1 (CET1) Capital Ratio	12.1%	n.a.	12.0%	11.8%

Source: Auswide: Merger with MyState, Acquisition of Selfco and Equity Raising. 19 August 2024.

Notes:

- NIM is presented under Auswide's reporting methodology.
- MyState's NIM and cost to income adjusted to align with Auswide's reporting methodology.
- Return on Equity calculated based on FY24 statutory NPAT and average of the net assets as at 30 June 2024 (in respect of Auswide and Selfco unaudited), 31 December 2023 and 30 June 2023.
- Except for the CET1 capital ratio, excludes pro forma adjustments in relation to the Placement, payout of Selfco's warehouse facilities and the impact of the purchase price allocation exercise which will be undertaken upon completion. Merged Group CET1 capital ratio calculated as 30 June 2024 Merged Group CET1 capital of \$538.1 million divided by total risk weighted assets of \$4,579.0 million, expressed as a percentage.
- Based on 66.2% pro forma run-rate pre-tax cost synergies of approximately \$22.5m (mid-point of estimated synergy range).
- Based on 8.0% pro forma run-rate post-tax cost synergies of approximately \$15.8 million (assuming 30% tax rate).
- n.m. represents not meaningful. n.a. represents not available.

#### Integration and transaction costs are not insignificant

The costs to implement the Merger Proposal are meaningful and include an estimated \$29.0 million in integration costs to achieve the synergies as well as an estimated \$15.0 million in transaction costs to be incurred by Auswide and MyState, including associated tax impact of \$3.0 million. These costs are expected to be offset by operating cost synergies across a similar time period. Kroll has captured these costs in the valuation of the Merged Group Underlying equity value.

Transaction costs will be incurred by Auswide (estimated between \$3.4 million to \$3.7 million) regardless of whether or not the Merger Proposal is completed.

#### The Merger Proposal provides a number of non-financial strategic benefits

The Merger Proposal provides for a number of strategic benefits that are expected to enhance the Merged Group's operating performance over time, but which are not directly quantifiable and as such, are not included in the synergy analysis (refer to Section 10.3.4 of this report).

#### Scale

There are strategic benefits to scale that the Merged Group may realise than Auswide on a standalone basis:

- a larger entity may generate a stronger market presence, brand recognition, and marketing power. The Merged Group will in different geographical areas, providing access to new markets and to a larger customer pool. A more diversified customer base can also lower risk exposure to localised economic downturns; and
- the Merged Group may be able to better leverage its investment in capabilities, including digital banking solutions, automation, and cybersecurity. It may also have more resources to develop innovative products and services.

#### Diversification

The Merged Group will have a more diversified loan portfolio and greater diversification of revenues than Auswide on a standalone basis, as a result of:

<sup>15</sup> Auswide: Merger with MyState, Acquisition of Selfco and Equity Raising. 19 August 2024.





- **geographic diversification:** Auswide has significant exposure to the Queensland housing market (refer to Section 8.1 of this report). Whilst Auswide has reduced this reliance on Queensland in recent years, 61.9% of Auswide's loan book is still concentrated in Queensland (refer to Section 8.3.3 of this report for further discussion of Auswide's loan book composition). In contrast, MyState's largest geographic exposure is from the Tasmanian market, representing 31.9% of MyState's total loan book as at 30 June 2024. The combination of MyState's larger, more geographical diverse loan book is a clear strategic benefit for Auswide shareholders who, in the absence of the Merger Proposal, will continue to have risks associated with its concentration of loans in Queensland; and
- **entry into the wealth management market:** MyState's ownership of TPT Wealth has historically provided stable non-interest income for MyState, and Auswide Shareholders will benefit from this diversified revenue stream, albeit its contribution to the Merged Group's total revenue is likely to be limited.

#### *Additional growth opportunities*

The Merged Group is expected to have a customer base of over 272,000 customers. By combining product and service offerings, this may enable further cross-selling opportunities within the Merged Group over time.

In addition, the Merger Proposal has the potential to unlock further growth, with increased capacity to invest in profitable growth opportunities. The Merged Group expects to benefit from greater opportunities as part of a larger business with an increased ability to invest in capability across people, processes and systems, potentially improving outcomes for customers, employees and stakeholders.

#### *Greater depth of management talent*

The Merged Group is expected to have a greater depth of management talent to draw upon by bringing together the strengths and quality of the workforce across both Auswide and MyState.

#### **Liquidity and potential for a sharemarket re-rating**

The Merged Group is likely to have greater relevance to equity investors through increased scale relative to Auswide on a standalone basis. Based on the share prices of Auswide Shares and MyState Shares as at the Last Practicable Date, the pro forma market capitalisation of the Merged Group would have been approximately \$634.8 million. This will position the Merged Group comfortably within the S&P/ASX 300 Index (refer to Section 1.1(e) of the Scheme Booklet for further details on market positioning).

Presently, trading of Auswide Shares is relatively illiquid whilst MyState has moderate liquidity (refer to Sections 8.9.3 and 9.9.3 of this report for further analysis), and both Auswide and MyState Shares are not widely covered by brokers. The larger market capitalisation of the Merged Group is expected to result in an increased daily trading volume for the Merged Group in comparison to Auswide standalone.

Additionally, the Merger Proposal increases the free float and is likely to increase liquidity of the Merged Group. The larger size of the Merged Group may also increase coverage by brokers, attracting the interest of institutional shareholders and leading to a potential for a positive sharemarket re-rating, noting that scale is a factor in determining trading multiples for Australian banks.

### **3.3.4 Other Considerations**

#### **Change in risk profile**

In the course of conducting the Merged Group's business operations, the Merged Group will be exposed to a variety of risks. A number of these risks are, or will be, risks to which Auswide Shareholders are already exposed. However, the nature of the Merged Group's business will differ from that of Auswide as a standalone business and Auswide Shareholders may be subject to additional risks in respect of the Merged Group.

Auswide Shareholders will have risk exposures arising from the new Management and Board of the Merged Group. In addition, there is a change in risk profile for Auswide Shareholders as Auswide Shareholders now hold a smaller shareholding, with less voting power, in the larger Merger Group. A detailed discussion of the risk factors relating to the business and operations of the Merged Group is set out in Section 7.3 of the Scheme Booklet.

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## Integration risks

There is a risk that Merged Group will not successfully combine the businesses of Auswide and MyState in an efficient and effective manner, the anticipated benefits and synergies of the transaction may not be realised fully, or at all, or may take longer to materialise or cost more than expected such that the value of the Merged Group Shares is adversely affected. There is also a risk that integration costs may be greater than anticipated, cost synergies may not be fully realised or may be delayed, and capital expenditure savings may not be achieved such that integration, compensation and transaction costs need to be funded.

## Change in dividend policy

We note that although MyState has a history of constant dividend payment and growth and has indicated an expectation of increased future capital generation and an ambition to increase future dividends as capital generation grows, there is no certainty that Auswide Shareholders will receive a similar or greater amount of dividend income if the Scheme is implemented, as they would receive as Auswide Shareholders in Auswide's current form.

In this respect, we note that the Auswide Board's current dividend policy targets a payout ratio of between 70% and 80% of Auswide's underlying NPAT, while MyState's Board's dividend policy targets a payout ratio between 60% and 80% of MyState's underlying NPAT.

## Transaction costs

If the Scheme is implemented, Auswide estimates that it will incur between approximately \$8.1 million and \$9.6 million (excluding GST) in external transaction costs relating to the Scheme, which includes fees and expenses for professional services paid or payable, as well as other fees and expenses associated with the Court proceedings, Scheme Booklet design, printing and distribution, convening and holding the Scheme Meeting and other general and administrative expenses.

A combined estimated \$15.0 million of transaction costs are expected to be incurred by Auswide and MyState, including associated tax impact of \$3.0 million.

## Alignment of values and cultures

Auswide and MyState have very similar cultures and values, with a customer focus at the heart of both businesses. Both businesses have strong operating histories with quality loan books evidenced by low arrears by industry standards and loyal customer bases. Auswide and MyState have continued to invest in branch networks in their respective home states (Queensland for Auswide and Tasmania for MyState). This cultural alignment provides confidence that the Merged Group will continue its support for the communities that both franchises have served.

## No significant tax consequences for individual Auswide Shareholders

Auswide shareholders should consider tax implications arising from the Scheme. Section 9 of the Scheme Booklet sets out a general description of the Australian tax consequences for:

- Australian resident Auswide Shareholders;
- Non-resident Auswide Shareholders; and
- Foreign resident Auswide Shareholders.

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes Effective) for Auswide Shareholders. It does not constitute tax advice and should not be relied upon as such. Auswide Shareholders should consult with a professional tax adviser regarding their particular circumstances.

### *Australian resident Auswide Shareholders*

If the Scheme is Implemented, Australian resident Auswide Shareholders will be deemed to have disposed of each of their Auswide Shares in exchange for New MyState Shares and the disposal will constitute a capital gains tax event. Auswide has applied for a Class Ruling with the Australian Tax Office (ATO) for the benefit for Australian resident Auswide Shareholders, which seeks to confirm certain Australian income tax implications of the Scheme, including the availability of scrip for scrip rollover relief for those shareholders



**(Class Ruling).** The Scheme is conditional on the ATO confirming that it is prepared to issue the Class Ruling.

Assuming that Auswide receives the Class Ruling from the ATO confirming that such relief is available, and to the extent that a capital gain is realised, the rollover relief, which defers the capital gain, should be available if the Auswide Shareholder chooses to obtain the relief. This choice can be evidenced by the way in which the Auswide Shareholder completes their income tax return in the income year in which they disposed of their Auswide Shares.

The finalised Class Ruling is expected to be published after the Scheme becomes effective. Refer to Section 8.2 of the Scheme Booklet for further details.

#### *Non-resident Auswide Shareholders*

If you are not a resident of Australia for Australian tax purposes and do not hold your Auswide Shares in carrying on a business through a permanent establishment in Australia, you will generally not have to pay Australian tax on any capital gain when you dispose of your Auswide Shares (there are exceptions for Auswide Shareholders who hold 10% or more of all of the shares in Auswide).

Auswide Shareholders who are tax residents of a country other than Australia should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law. Refer to Section 8.3 of the Scheme Booklet for further details.

#### *Foreign resident Auswide Shareholders*

On the basis that MyState does not consider the Auswide Shares held by foreign resident Auswide Shareholders meet the requirements of being "indirect Australian real property interests", the Australian Foreign Resident capital gains withholding tax regime should not apply. Accordingly, MyState should not be required to withhold an amount of the Scheme Consideration from foreign resident Auswide Shareholders. Refer to Section 8.4 of the Scheme Booklet for further details.

Auswide Shareholders who are tax residents of a country other than Australia should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

### **3.3.5 Consequences if the Scheme does not proceed**

In the event that the Scheme is not approved, or any conditions precedent prevent the Scheme from being Implemented, Auswide will continue to operate in its current form and remain listed on the ASX. Current Auswide Shareholders will remain Shareholders. As a consequence:

- Auswide will continue to operate as a standalone ASX-listed entity with management continuing to implement the financial and operating strategies that it had in place prior to the announcement of the Merger Proposal;
- Auswide Shareholders will continue to be exposed to the risks and benefits associated with an investment in Auswide, including the risks and benefits associated with the global macroeconomic environment, competition in the Australian banking sector, structural trends in the Australian banking sector (including increasing regulatory, compliance, cyber security, and technological trends), and other issues common to banks;
- Auswide Shareholders will not benefit from the expected financial, strategic, and other benefits associated with the Merger Proposal;
- the price of Auswide Shares may rise, or fall (in the absence of a superior proposal for Auswide), noting that it is difficult to predict with any certainty what the change in price may be;
- Auswide may be liable for a \$2.0 million termination fee payable to MyState (or alternatively, MyState may be liable for a \$2.0 million termination fee payable to Auswide) depending on the circumstances of the termination. Those circumstances do not include the failure by Auswide Shareholders to approve the Scheme at the Scheme Meeting in and of itself, absent other circumstances. Further information regarding termination fees and the parties' rights to terminate the Scheme Implementation Agreement can be found in Section 9.10 of the Scheme Booklet; and

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- Auswide will incur an estimated \$3.4 million to \$3.7 million of one-off transaction costs in relation to the Merger Proposal, being costs that have already been incurred or that will be incurred even if the Scheme is not implemented.

## 4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Auswide Shareholders in considering whether to vote in favour of the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Auswide Shareholders. This advice therefore does not consider the financial situation, objectives or needs of individual Auswide Shareholders.

The decision of Auswide Shareholders as to whether or not to approve the Scheme is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the Scheme Resolution may be influenced by their particular circumstances, we recommend that individual Auswide Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information, are set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

All currency amounts in this report are denominated in Australian dollars (\$) unless otherwise stated. References to a financial year have been abbreviated to FY and references to a calendar year have been abbreviated to CY. For Auswide, MyState and the Merged Group, the financial year is the 12 months to 30 June.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read "Ian Jedlin".

Ian Jedlin  
Authorised Representative

A handwritten signature in black ink, appearing to read "Celeste Oakley".

Celeste Oakley  
Authorised Representative



Independent Expert's Report  
and  
Financial Services Guide  
In relation to the proposed merger of Auswide Bank Ltd  
and MyState Limited



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## 5 The Scheme

### 5.1 Overview

On 19 August 2024, Auswide announced that it had entered into a binding Scheme Implementation Agreement with MyState and MyState Bank under which it is proposed that MyState Bank will acquire all of the Auswide Shares to be effected by way of the Scheme. If implemented, Auswide Shareholders will receive the Scheme Consideration of 1.112 New MyState Shares for each Auswide Share held by them on the Record Date.<sup>16</sup>

'Ineligible Foreign Shareholders' as defined in Section 3.11 of the Scheme Booklet will receive cash proceeds through a 'Sale Facility' as described in Section 3.12 of the Scheme Booklet.

Following the implementation of the Merger Proposal, Auswide and MyState Bank will each be wholly-owned subsidiaries of MyState. Upon the implementation of the Merger Proposal, former Auswide Shareholders are expected to own approximately 33.9% of the Merged Group and existing MyState Shareholders are expected to own approximately 66.1% of the Merged Group.

Concurrently with the announcement of its entry into the Scheme Implementation Agreement, Auswide announced its entry into a binding agreement to acquire 100% of Selfco, an established non-bank SME asset finance lender, for \$6.5 million, comprising of an initial consideration of \$5.0 million of Auswide scrip and contingent payments of up to \$1.5 million, based on the achievement of certain profit-related hurdles. On 28 August 2024, Auswide announced the completion of the Selfco Acquisition.

On 20 August 2024, Auswide announced the completion of a fully underwritten \$12.0 million institutional placement. On 16 September 2024, it announced that it had raised approximately \$3.0 million under the SPP.

On 26 August 2024, Auswide declared a fully franked dividend of 11.0 cents.

The Scheme is subject to a number of conditions precedent which are summarised in Section 5.2 of this report.

The Auswide Directors unanimously recommend that Auswide Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal<sup>17</sup> and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Auswide Shareholders. Subject to the same qualifications, each Auswide Director intends to vote, or procure the voting of, all Auswide Shares which they hold or control in favour of the Scheme.

### 5.2 Conditions precedent

Implementation of the Scheme is subject to certain conditions precedent as set out in Clause 3.1 of the Scheme Implementation Agreement. The Scheme will not be implemented unless all of the conditions precedent to the Scheme are satisfied (or alternatively waived, in the case of certain conditions precedent that are capable of being waived).

In summary, these include (amongst others):

- approval of the Scheme by Auswide Shareholders at the Scheme Meeting by the Requisite Majorities;
- approval of the Supreme Court of New South Wales in respect of the Scheme;
- the Independent Expert issuing a report which concludes that the Scheme is in the best interests of Auswide Shareholders before the date on which the Scheme Booklet is lodged with ASIC (and not changing or withdrawing that conclusion prior to 8.00am on the second court date);

<sup>16</sup> 7:00pm (AEDT) on Wednesday, 11 December 2024.

<sup>17</sup> As defined in the Scheme Implementation Agreement.



- certain regulatory approvals being obtained, including approval from (if applicable) ASIC, the Australian Securities Exchange (ASX), the Australian Competition and Consumer Commission (ACCC) and Treasurer (or the Australian Prudential Regulation Authority (APRA) if such power has been delegated) under the Financial Sector (Shareholdings) Act 1998 (Cth) (FSSA) and under the Banking Act 1959 (Cth);
- Auswide obtaining counterparty consents (or, if applicable, written waivers) in respect of certain contracts to which it or any of its subsidiaries (together the **Auswide Group**) is party and which Auswide and MyState have agreed is a 'Material Contract' (as that term is defined in the Scheme Implementation Agreement);
- no material adverse change or prescribed event occurring, various representations and warranties continuing to be true and correct, no enforcement action or investigation is announced or commenced and no relevant litigation being announced, commenced or threatened, in each case in respect of Auswide or any member of the Auswide Group (as applicable); and
- receipt of confirmation from the Australian Taxation Office (ATO) that is prepared to grant scrip-for-scrip rollover relief.

### 5.3 Exclusivity provisions

The Scheme Implementation Agreement contains certain customary exclusivity provisions that apply during the Exclusivity Period,<sup>18</sup> including 'no shop', 'no talk' and 'no due diligence' restrictions ('no talk', 'no due diligence' and 'matching right' provisions are subject to a fiduciary carve out), a 'notice of approach' obligation, a 'matching right' and a 'counterproposal' regime that applies in respect of an equivalent or Superior Proposal<sup>19</sup> made or otherwise received by Auswide. A break fee of \$2.0 million may be payable by Auswide to MyState in certain circumstances and a reverse break fee of \$2.0 million may be payable by MyState to Auswide in certain circumstances.

### 5.4 Transaction costs

If the Scheme is implemented, Auswide estimates that it will incur between approximately \$8.1 million and \$9.6 million (excluding GST) in external transaction costs relating to the Scheme, which includes fees and expenses for professional services paid or payable, as well as other fees and expenses associated with the Court proceedings, Scheme Booklet design, printing and distribution, convening and holding the Scheme Meeting and other general and administrative expenses.

If the Scheme is not implemented, Auswide expects to pay between \$3.4 million to \$3.7 million in transaction costs

## 6 Scope of the report

### 6.1 Purpose

The Merger Proposal is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act and requires approval of Auswide Shareholders. Section 411(3) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement includes (amongst other items) information that is material to the making of a decision by a creditor or member whether or not to agree to the proposed compromise or arrangement.

Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth) (**Corporations Regulations**) specifies that the information to be lodged with ASIC must include a report prepared by an expert:

<sup>18</sup> The Exclusivity Period is the period from and including the date of the Scheme Implementation Agreement to the earlier of: (a) termination of the Scheme Implementation Agreement in accordance with its terms; (b) the 'Implementation Date' for the Scheme (as that term is defined in the Scheme Implementation Agreement); and (c) the 'End Date' for the Scheme (as that term is defined in the Scheme Implementation Agreement).

<sup>19</sup> As defined in the Scheme Implementation Agreement.

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- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

The report prepared by the expert must state whether, in the Independent Expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the Independent Expert's reason(s) for forming that opinion.

There is no legal requirement for an Independent Expert's Report to be prepared for Auswide Shareholders. However, it is a condition precedent under the Scheme Implementation Agreement that an Independent Expert issues an Independent Expert's Report which concludes that the Scheme is in the best interests of Auswide Shareholders.

### 6.2 Basis of assessment

#### Regulatory Guidance

We have referred to guidance provided by ASIC in its Regulatory Guides, in particular, RG 111, which outlines the principles and matters which it expects a person preparing an Independent Expert's Report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of the shareholders of a company.

RG 111 distinguishes between the analysis required for control transactions and other transactions. In the absence of a change of control, change in the underlying economic interests of security holders or selective treatment of different security holders, the expert should provide an opinion as to whether the advantages outweigh the disadvantages.

#### Control transaction analysis

RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid to give effect to a control transaction, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In relation to control transactions, RG 111.10 to 12 states:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the bidder or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant shareholding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.



RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members of the company.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the target and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target entity. That is, RG 111.11 provides that the value of the target should be assessed as if the bidder was acquiring 100% of the issued equity in the target (i.e. on a controlling interest basis). In addition, any special value of the target to a particular bidder (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

#### **Merger of equals analysis**

RG 111 provides for some flexibility in the basis of the assessment of fairness depending on the particular circumstances of the transaction. RG 111.31 states that, "... the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the merged entity will be shared equally between the 'bidder' and the 'target'. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'." This alternative analysis is generally referred to as a 'merger of equals' analysis and typically involves a comparison of the exchange ratio with the relative contributions of each set of securityholders across a range of parameters (e.g. security price, estimated fundamental value, cash flows, and earnings).

In the case of a 'merger of equals', the merger will be in the best interests of shareholders if they are likely to be better off if the merger proceeds than if it does not. This requires consideration of the overall commercial effect of the Merger Proposal, the circumstances that have led to the proposal and the alternatives available. It is necessary to weigh up the advantages and disadvantages of the Merger Proposal and form an overall view as to whether shareholders are likely to be better off if the Merger Proposal is implemented than if it is not. If the advantages outweigh the disadvantages and shareholders are likely to be better off, then the Merger Proposal is in the best interests of shareholders.

In forming our opinion as to whether the Merger Proposal can be characterised more appropriately as a 'merger of equals', we have considered the following:

- whether the Merger Proposal is structured as a 'merger of equals';
- the interest of the shareholders of Auswide and MyState in the Merged Group;
- the relative contribution of Auswide and MyState Shareholders to the Merged Group;
- whether any shareholders will be able to control the Merged Group;
- the board and management composition of the Merged Group;
- the nature of the underlying assets of Auswide and MyState; and
- the relative size and nature of Auswide and MyState.

#### **Assessment as to whether the Merger Proposal is a 'merger of equals'**

Although Auswide's and MyState's merger announcements both describe the transaction as a 'proposed merger', and the transaction has been structured this way, there are factors that would suggest that there is a 'change of control':

- upon implementation of the Proposed Merger, Auswide Shareholders will, in aggregate, own only 33.9% of the Merged Group and Auswide's relative contribution to the Merged Group based on other metrics (Section 3.3.1 of this report) is below the bounds of what might typically be considered a 'merger of equals'. Although Auswide's contribution to net assets of 39.9% is within the bounds of other transactions that have been considered a 'merger of equals', Kroll notes that a portion of Auswide's loan book is represented by fixed rate loans that are expected to generate losses in the short term;

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- only three Auswide directors will be appointed to the Merged Group board (which has eight members) (which is in effect 37.5% of board appointees and above the merger ratio), however, it is also significant that the current Chair of Auswide, Sandra Birkenleigh, will be the Chair of the Merged Group.
- the CEO of MyState, Brett Morgan, will remain in that role for the Merged Group.

On the other hand:

- at the time negotiations between MyState and Auswide commenced, their relative market capitalisations were approximately 60%/40%, which is within the bounds of what might be considered a 'merger of equals' analysis based on precedent independent expert reports. Since then, the Auswide share price declined significantly, reducing the allocation of market capitalisation to approximately 31.8%/68.2% at the time of announcement of the Merger Proposal;
- the Proposed Merger was negotiated on the basis that there was a need for both Auswide and MyState to combine in order to increase their scale and profitable in an increasingly competitive environment. The analysis of synergies that could be achieved was undertaken collaboratively with representatives from both Auswide and MyState, based on costs that could be eliminated within each of the companies. It was intended that the Auswide and MyState shareholders will share in the combined synergies in proportion to their ownership in the Merged Group;
- the agreed terms imply a premium for Auswide Shareholders of 0.1% based on closing share prices on 16 August 2024, the day prior to the announcement of the Merger Proposal;
- from a shareholder perspective the critical issue for control is shareholdings. Post implementation, there will be no shareholders with a 5.0% interest or greater in the Merged Group. Auswide shareholders will therefore retain the opportunity to receive a control premium at some time in the future;
- the Merger is a full scrip offer (with no cash alternative), so shareholders are in a situation different from a cash offer, where they would clearly be selling 'control' and would not retain any exposure going forward; and
- although there is no guarantee that the proposed level of board representation will be maintained into the future, it should be recognised that a change of control at a board and management level should not be confused with a change of control from the perspective of a shareholder. The board serves on behalf of shareholders and former Auswide shareholders will, collectively, have a significant vote. In turn, management is appointed by the board.

While the Merger Proposal does not precisely fit a 'merger of equals', in Kroll's opinion, the better view, on balance, is that merger analysis is the appropriate basis on which to undertake an evaluation.

Nevertheless, as the relative ownership shares (33.9%/66.1%) are outside the outer bounds of what has thus far been considered a 'merger of equals', Kroll has also considered the terms of the Proposed Merger from the perspective of a change of control transaction.

### Analysis of the Merger Proposal

In the case of a 'merger of equals', the merger will be in the best interests of shareholders if they are likely to be better off if the merger proceeds than if it does not. This requires consideration of the overall commercial effect of the Merger Proposal, the circumstances that have led to the proposal and the alternatives available. It is necessary to weigh up the advantages and disadvantages of the Merger Proposal and form an overall view as to whether shareholders are likely to be better off if the Merger Proposal is implemented than if it is not. If the advantages outweigh the disadvantages and shareholders are likely to be better off, then the Merger Proposal is in the best interests of shareholders.

A control transaction will be in the best interests of shareholders if the transaction is either fair and reasonable or not fair but reasonable.

In forming our opinion as to whether the Merger Proposal is in the best interests of Auswide Shareholders, we have had regard to the following:

- financial benefits:

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- fairness (merger of equals analysis): a comparison of the share of the Merged Group that Auswide Shareholders will receive with the relative contributions of Auswide Shareholders (including Selfco, post completion of the Offer) to the Merged Group across a range of parameters (e.g. market capitalisation, fundamental value, cash flows, earnings, loan book, net assets); and
- fairness (control transaction analysis): a comparison of the full underlying value of Auswide (100% basis) with the value of the consideration based on the post transaction value of MyState Shares (minority basis); and
- a comparison of the equity value of the Merged Group with the equity value of Auswide (including Selfco, post completion of the Offer);
- the rationale for the Merger Proposal and its terms;
- degree of operational alignment between Auswide and MyState;
- impact on scale and portfolio diversification of lending book and deposit base;
- impact on KPIs (e.g. NIM, cost to income ratio (**CTI**), return on equity (**ROE**), CET1 capital ratio);
- the financial implications for Auswide (e.g. synergies (governance and people, technology and other), customer deposits, access to capital, investment grade balance sheet strength and potential to pursue further growth opportunities, debt ratings, financial covenants, operating margins, impact on free cash flow, EPS accretion and ability to pay dividends);
- impact of changes in strategy, management and board composition;
- potential for a sharemarket re-rating (e.g. liquidity, breadth of investor base, inclusion in S&P/ASX 300, greater level of diversification);
- any potential taxation risks and/or consequences for Auswide Shareholders, including any impact on non-resident shareholders;
- relative risk profile of Auswide and the Merged Group;
- potential regulatory risks;
- transaction costs;
- the alternative options available to Auswide and the likelihood of those options occurring;
- any other advantages and disadvantages that would have an impact on Auswide Shareholders; and
- implications if the Scheme is not approved.

## 7 Industry

Auswide and MyState are Australian registered ADIs who provide a range of retail and business banking products and services. Retail banking, primarily retail deposits and residential mortgage lending, represents the core activity of both companies, with residential mortgage lending representing 97.9%<sup>20</sup> of Auswide's and 99.2%<sup>21</sup> of MyState's total loan book as at 30 June 2024. The following section provides an overview of the banking sector in Australia with a focus on retail banking and residential mortgage lending.

### 7.1 Overview

The banking sector is a systemically important pillar of the Australian economy, providing a range of financial products and services to Australian households and businesses. As at 30 June 2024, Australian ADIs held \$6.2 trillion in total assets including approximately \$4.2 trillion in gross loans and advances.<sup>22</sup> This puts total bank assets at almost 3.6 times the size of the Australian economy (measured as Australia's annual gross domestic product (**GDP**)), with outstanding gross loans at approximately 2.4 times Australia's

<sup>20</sup> Auswide: FY24 Investor Presentation.

<sup>21</sup> MyState: FY24 Annual Report.

<sup>22</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

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annual GDP. The Australian banking sector has been relatively resilient through economic cycles, highlighting its prudential strength and relative attractiveness internationally, with Australian banks generally characterised as having high levels of capital, significant holdings of liquid assets, ongoing profitability, and being beneficiaries of policy support provided by the Australian Government, central bank, and other regulators.<sup>23</sup>

The provision of banking services in Australia is highly concentrated among four large banks collectively known as the "Big Four", which include ANZ, Commonwealth Bank of Australia (**Commonwealth Bank**), National Australia Bank Limited (**NAB**), and Westpac Banking Corporation (**Westpac**). Smaller domestic banks and other Australian non-bank ADIs provide consumers with alternatives to the Big Four and often have concentrated customer presences in single states or regional areas.<sup>24</sup> These banks are typically disadvantaged compared to the Big Four due to their smaller scale, which results in higher costs for sourcing funds and the inability to spread fixed costs and technology investment costs across a larger asset base to the same degree as the Big Four. As a result, Australia has seen a period of consolidation amongst smaller ADIs, particularly amongst credit unions and building societies, with the total number of ADIs falling by 46.9% between 2004 and 2024.<sup>25</sup> Outside of ADIs, a range of non-bank lenders have emerged in recent years, primarily to compete in the residential mortgage lending and small to medium enterprises (**SMEs**) lending space.

## 7.2 Market structure

To provide banking services in Australia, entities are required to be granted an ADI licence from the Australian Prudential Regulation Authority (**APRA**), which allows these entities to fund their operations from deposits sourced from retail and non-retail customers. The main types of ADIs include:

- banks, including both domestic banks and foreign bank branches and subsidiaries; and
- building societies and credit unions, which effectively perform the same functions as a bank for its members but are typically not-for-profit, customer or member-owned, and operate with narrower product lines focused on retail customers.

The Big Four Australian banks dominate the local market, accounting for approximately 75.9% of gross loans and 76.2% of total deposits.<sup>26</sup> Other smaller Australian banks (when measured by gross loans and total deposits) include Macquarie Bank Limited (**Macquarie Bank**), BOQ, Bendigo and Adelaide Bank Limited (**BEN**), Auswide, and MyState, representing 12.7% of gross loans and 13.4% of deposits. The smaller of these banks tend to operate in more defined geographies and have more narrow product lines focused on retail and/or SME lending. They are also more heavily reliant on their branch network to derive the deposits which form a critical source of their funding.

The remainder of the banking sector is comprised of foreign bank branches and subsidiaries,<sup>27</sup> such as subsidiaries of ING Group and HSBC Holdings plc, and other non-bank ADIs, which together represent 11.4% of gross loans. Other participants in Australian lending markets include non-bank lenders (or non-ADIs) such as Firstmac Limited, La Trobe Financial Services Pty Limited, Mortgage House and Resimac Group Limited.

## 7.3 Lending markets

Lending activities can be segmented into two broad categories: retail lending (which consists of residential mortgage and personal lending), and business lending. Collectively the Big Four Australian banks account for approximately 67.6% of business lending,<sup>28</sup> while non-Big Four lenders collectively have a greater focus

<sup>23</sup> The Reserve Bank of Australia (**RBA**), The Australian and Global Financial Systems. April 2020.

<sup>24</sup> ACCC: Statement of Preliminary Views Australia and New Zealand Banking Group Limited- application for merger authorisation MA1000023, April 2023.

<sup>25</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

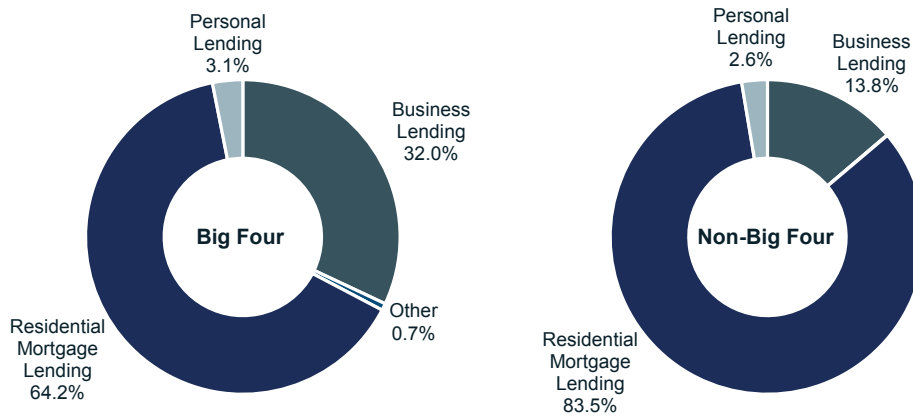
<sup>26</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

<sup>27</sup> Foreign subsidiary banks carry on a business through a locally incorporated subsidiary which is separate from the foreign parent. Foreign bank branches differ from foreign subsidiary banks as they are not separately incorporated in Australia.

<sup>28</sup> APRA: Monthly ADI performance statistics, July 2024 (released August 2024).

on retail lending – particularly residential mortgage lending.<sup>29</sup> The mix of lending products offered by Australian banks is illustrated as follows.

**Product by Share of Resident Gross Loans for Big Four vs Non-Big Four Banks<sup>30</sup>**



Source: APRA, Monthly ADI performance statistics, June 2024 (released August 2024).

**Retail lending**

Retail lending includes loans to retail customers and consists of residential mortgagings and personal loans. Residential mortgages represent the majority of resident gross loans as at June 2024, accounting for 64.2% of resident gross loans for the Big Four Australian banks and 83.5% for non-Big Four lenders.<sup>31</sup> These loans typically have maturities between 20 to 30 years and can have fixed or variable interest rates, with variable rate mortgages historically representing between 60.0% to 85.0% of total mortgages.<sup>32</sup> Residential mortgages can be further segmented into owner-occupied, investment loans and non-housing loans<sup>33</sup> with owner-occupied and investment loans comprising the vast majority of mortgages (67.0% and 30.2% respectively).<sup>34</sup> The significance of mortgage lending to Australian banks is reflective of the country’s strong tradition of home ownership as well as the popularity of housing as an investment due to tax incentives and strong population growth compared to other advanced economies.<sup>35</sup>

Personal lending, which includes credit cards and other household loans, represents a small share of retail lending. Personal loans are typically unsecured and have a higher interest rate compared to other types of loans. Personal loans represent 2.6% of gross loans from non-Big Four lenders.

**Business lending**

The business lending market represents a smaller portion of gross loans from Australian banks and includes secured term loans, overdraft facilities, invoice financing, and business credit cards. The business lending industry is typically higher margin and has lower levels of competition compared to mortgage lending.<sup>36</sup> The majority of business loans written by Australian banks are directed at SME’s who represent approximately

<sup>29</sup> There are of course exceptions, with Judo Bank Limited (**Judo Bank**) having greater focus on SME lending.  
<sup>30</sup> Resident is defined as any institutional unit whose principal place of residence or principal place of production is within Australia.  
<sup>31</sup> APRA: Monthly ADI performance statistics, July 2024 (released August 2024).  
<sup>32</sup> Reserve Bank of Australia: Statement on Monetary Policy, February 2023.  
<sup>33</sup> A loan secured by residential property where the funds are not used for the purchase, renovation or development of residential property. For example, personal loans secured by residential property.  
<sup>34</sup> APRA: Quarterly ADI Property Exposure Statistics, July 2024 (released August 2024).  
<sup>35</sup> Reserve Bank of Australia: Housing Market Cycles and Fundamentals, May 2024.  
<sup>36</sup> Australian Financial Review: The big banks are about to strangle their golden goose, September 2024.

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49.0% of total business loans.<sup>37</sup> Compared to the Big Four Australian banks, business lending constitutes a smaller share of the product mix for non-Big Four lenders who are typically more concentrated in the mortgage lending market.

## 7.4 Key drivers and performance of Australian retail lending

The following section outlines key drivers of the Australian retail lending sector, recent trends and expected short-to-medium term outlook. The key drivers include changes in interest rates, macroeconomic factors, digitisation of banking services and competition in the residential mortgage market.

### 7.4.1 Interest rate impacts on lending rates and the cost of funding

Since early 2022, the Australian economy has experienced persistently high inflation above the Reserve Bank of Australia's (RBA) target rate of two to three percent. In response, the RBA began a cycle of tightening monetary policy, increasing the cash rate by 425 basis points between May 2022 and November 2023.<sup>38</sup> The rapid increase in the cash rate has increased funding costs for Australian banks with deposit and short-term wholesale debt funding costs estimated to have increased by 325 basis points and 400 basis points respectively over the same period.<sup>39</sup> Overall, this has resulted in bank non-equity funding costs increasing by approximately 380 basis points. Looking ahead, economists forecast the cash rate to reduce by 110 basis points over the next two years to December 2026 as inflation is expected to moderate and return to the RBA's target band. This is expected to result in a similar reduction in funding costs.<sup>40</sup>

The recent tightening cycle has had a smaller impact on banks' lending rates, as mortgage rates have on average increased by approximately 321 basis points over the current tightening cycle, corresponding to 75.5% of the increase in the cash rate.<sup>41</sup> This has been driven by the inability to pass on full rate rises to borrowers due to a historically large share of fixed rate mortgages which peaked at approximately 40.0% of total household credit in early 2022 prior to the tightening cycle.<sup>42</sup> The higher fixed rate mortgages effectively locked-in low fixed interest rates resulting in a decline in lending spreads<sup>43</sup> and has been a key contributor to declining net interest margins in recent years. However, despite the recent declines in lending spreads, the use of hedging to reduce interest rate risk has meant that lending spreads have remained relatively stable compared to jurisdictions where hedging is less prevalent.<sup>44</sup>

### 7.4.2 Recent macroeconomic performance

Since the beginning of the RBA's monetary tightening cycle, minimum scheduled mortgage payments have been estimated to have increased between 30.0% to 60.0% and consumer sentiment has declined to weak levels by historical standards, driving an increase in housing arrears.<sup>45</sup> However, due to low unemployment and significant household savings buffers arising during the COVID-19 pandemic, overall mortgage arrears have remained below pre-COVID-19 pandemic levels and the share of loans for major banks in negative equity remains low at around 1.0%.<sup>46</sup> This indicates that banks are not expected to experience significant loan losses from the increased arrears.<sup>47</sup>

Looking ahead, banks and the RBA forecast a slight increase in housing arrears as household budget pressures are forecast to persist and unemployment is expected to increase. Despite this, banks are well

<sup>37</sup> Australian Banking Association: Bank On It: Customer Trends 2024, June 2024.

<sup>38</sup> RBA: Bank Funding and the Recent Tightening of Monetary Policy, April 2024.

<sup>39</sup> RBA: Bank Funding and the Recent Tightening of Monetary Policy, April 2024.

<sup>40</sup> RBA: Market Economists' Forecasts- Median Cash rate forecasts, August 2024.

<sup>41</sup> RBA: Cash Rate Pass-through to Outstanding Mortgage Rates, April 2024.

<sup>42</sup> RBA: Cash Rate Pass-through to Outstanding Mortgage Rates, April 2024.

<sup>43</sup> Lending spread is the difference between the nominal average lending rate and the nominal average borrowing rate.

<sup>44</sup> RBA: Bank Funding and the Recent Tightening of Monetary Policy, April 2024.

<sup>45</sup> RBA: Financial Stability Review, March 2024.

<sup>46</sup> RBA: Recent Drivers of Housing Loan Arrears, July 2024.

<sup>47</sup> RBA: How the RBA Uses the Securitisation Dataset to Assess Financial Stability Risks from Mortgage Lending, July 2024.





positioned to absorb further loan losses due to previous provisioning, strong profits and robust capital positions.<sup>48</sup>

#### 7.4.3 Digitisation of banking

Banking in Australia has followed the global trend of increasing digitisation, with banking interactions conducted online or through a software application, increasing by 39% between FY19 and FY23<sup>49</sup> and interactions via face-to-face channels declining with nearly 40% of bank branches closing between 2017 and 2023.<sup>50</sup>

The greater demand for technology offerings has resulted in the provision of new product and services to customers, however, it has required banks to invest heavily and continuously to improve digital services and to upgrade infrastructure to prevent cyber-attacks, financial crime and fraud. Cyber risks and fraud are consistently ranked among the top risks to the Australian financial system.<sup>51</sup>

Increased technology requirements have been a challenge for smaller banks in particular, who have struggled to upgrade digital services at the same scale as larger banks due to their inability to spread costs across a larger asset base to the same degree as the Big Four Australian banks.<sup>52</sup> The need to scale technology and compliance costs has been a key driver of consolidation in the banking industry especially among smaller customer-owned banks.<sup>53</sup>

Furthermore, despite the overall digitisation of banking services the importance of face-to-face interactions remains for a range of consumers including older and regional customers, and branches continue to be critical in gathering deposits for many smaller regional banks.

#### 7.4.4 Competition

Australian banks have experienced increased competition especially in mortgage lending during the latest monetary tightening cycle contributing to declining NIMs.<sup>54</sup> Between May 2022 and December 2023, mortgage lending rates have increased approximately 105 basis points less than the corresponding increase in the cash rate. Alongside the aforementioned impact of high levels of fixed rate mortgages, the inability for banks to pass-through the full cash rate hike has been due to greater lending competition as borrowers have sought to reduce interest payments by negotiating with existing lenders or externally refinancing (as evidenced by rates of external refinancing doubling in comparison to pre-COVID-19 pandemic levels).<sup>55</sup> Through this, banks have experienced a compression in margins with the NIMs of major banks recently falling below their pre-COVID-19 pandemic levels.

#### 7.4.5 Distribution

The increasing prevalence of mortgage brokers and aggregators has further driven increased competition in the mortgage market. Mortgage brokers who serve as intermediaries between borrowers and lenders have allowed smaller banks without widespread branch networks to grow their portfolios. The rate of new residential home loans settled by mortgage brokers has increased by 22 percentage points from 1Q20 to 74.1% in 1Q24.<sup>56</sup>

### 7.5 Sources of funds

The cost and size of funding for banks is critical to their growth as they are used to make loans, undertake capital expenditure, and meet operational costs.<sup>57</sup> Key funding sources for Australian banks include

<sup>48</sup> RBA: Recent Drivers of Housing Loan Arrears, July 2024.

<sup>49</sup> Australian Banking Association: Bank on It: Customer Trends 2024, June 2024.

<sup>50</sup> Parliament of Australia: Bank closures in regional Australia, May 2024.

<sup>51</sup> Council of Financial Regulators, RBA, 2024.

<sup>52</sup> Productivity Commission: Competition in the Australian Financial System Inquiry Report, June 2018.

<sup>53</sup> Allens: Key considerations for customer-owned bank mergers, July 2023.

<sup>54</sup> Australian Financial Review: Bank lending margins are on an unrelenting three-decade slide. 17 November 2023.

<sup>55</sup> RBA: Cash rate pass through to outstanding mortgage rates, April 2024.

<sup>56</sup> Australian Broker News: How high can broker market share get?, June 2024.

<sup>57</sup> APRA: Retail Deposits Inquiry, December 2023.

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deposits, wholesale debt and securitisation, with approximately two-thirds of bank funding coming from deposits. Funding costs represent the largest expense for banks, accounting for 77.2% of total expenses for the year ended June 2024<sup>58</sup> and are broadly influenced by the prevailing cash rate as well as other supply factors.<sup>59</sup>

## 7.5.1 Recent trends in funding costs

In 2020, as a response to the COVID-19 pandemic, the RBA reduced its cash rate target to historically low levels and announced other measures to lower the cost of funding for banks and support the supply of credit to households and businesses. As a result, banks' debt funding costs and lending rates declined substantially during 2020 and 2021.

The RBA's Term Funding Facility (TFF) which had fully matured in June 2024, provided an additional low-cost funding source to banks. Interest expenses on the TFF were substantially lower than all other funding sources and aimed to provide further economic support by lowering the cost of funds for banks during the COVID-19 pandemic.

## 7.5.2 Deposit market

Deposits, which include at call and term deposits, represent the largest funding source for Australian banks.<sup>60</sup> At call deposits allow depositors to access their funds at any time and represent the majority of deposits. Alternatively, term deposits require deposits to be maintained for a fixed term typically ranging from one month to up to three years, generally with a fixed lending rate. Term deposits typically incur higher interest expenses for banks when compared to at call deposits to compensate customers for the restrictions in accessing funds.<sup>61</sup> This difference in interest rates between term and at call deposits has grown during the recent monetary tightening cycle as banks have passed on larger increases to term deposit rates primarily to attract further term funding after the expiry of the TFF.<sup>62</sup> As a result, the share of term deposits has increased relative to at call deposits, generally increasing funding costs for ADIs.

Deposits provide a stable source of long-term funding for banks and offer a range of advantages compared to other funding sources, including relatively lower funding costs as deposits typically have lower transaction costs, lower interest rates, and banks can set the interest rate at their discretion, lower liquidity risk, and higher diversification providing additional stability.<sup>63</sup> Deposits comprise a larger share of the funding mix for non-Big Four lenders as smaller institutions have more limited access to the wholesale debt market compared to the Big Four Australian banks.

## 7.5.3 Wholesale debt and securitisation

Debt funding which encompasses securitisation, short-term facilities including repurchase agreements and commercial paper, and long-time facilities including secured and unsecured long-term debt, represent the second largest source of funding for banks after deposits.<sup>64</sup> Interest expenses on debt are primarily variable and are linked to a market reference rate (typically the bank-bill swap (BBSW) rate) which in turn is highly correlated to the underlying cash rate set by the RBA.<sup>65</sup> Securitisation, which includes the issuance of interest-bearing securities backed by loans, represents a small portion of bank funding and is more commonly relied upon by smaller banks compared to the Big Four Australian banks.

Non-Big Four domestic lenders typically face greater challenges in acquiring funding compared to the Big Four Australian Banks, with the Big Four benefiting from a substantial funding cost advantage. Regarding the deposit market, larger banks have benefited from greater brand recognition and the perception of greater stability compared to competitors. This is highlighted by consumers being more likely to consider a

<sup>58</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

<sup>59</sup> RBA: Banks' Funding Costs and Lending Rates. 2024.

<sup>60</sup> RBA: Bank Funding and the Recent Tightening of Monetary Policy, April 2024.

<sup>61</sup> APRA: Retail Deposits Inquiry, December 2023.

<sup>62</sup> RBA: Bank Funding and the Recent Tightening of Monetary Policy, April 2024.

<sup>63</sup> APRA: Retail Deposits Inquiry, December 2023.

<sup>64</sup> APRA: Monthly ADI performance statistics, July 2024 (released August 2024).

<sup>65</sup> RBA: Banks' Funding Costs and Lending Rates.



Big Four Australian bank for transaction and savings account products compared to smaller banks.<sup>66</sup> Regarding wholesale funding, the Big Four Australian banks have historically achieved lower funding costs as a result of the perception that major banks are lower risk borrowers due to scale, greater portfolio diversification, better credit ratings, greater capital requirements as domestic systemically important banks, and a perceived higher likelihood of government support in times of distress.<sup>67</sup>

## 7.6 Regulation

### 7.6.1 Key regulatory bodies

The primary bodies responsible for regulation and oversight of the Australian banking industry include APRA, ASIC, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and the RBA.

- **APRA:** the primary regulatory body responsible for the supervision of Australian Banks and is principally concerned with maintaining the safety and soundness of financial institutions to ensure stability of the Australian financial system. APRA's key responsibilities include the provision of ADI Licenses, the establishment of minimum capital requirements for ADIs, the establishment of prudential standards to ensure proper risk management and governance and the administration of the Financial Claims Scheme in the event of a bank failure.
- **ASIC:** responsible for regulating the conduct of the Australian banking industry, and Australian companies and financial markets as a whole with the aim of preserving market integrity and achieving beneficial outcomes for consumers and investors.
- **RBA:** Australia's central bank which is responsible for conducting monetary policy in order to maintain full employment, inflation, currency stability and general economic prosperity through the setting of the cash rate and by providing oversight of the entire financial system. Furthermore, the RBA serves as the lender-of-last-resort to the banking industry in times of significant stress. The RBA, through the setting of the cash rate, is the key determinant of bank's cost of funds.
- **AUSTRAC:** responsible for the detection and disruption of criminal abuse of the Australian financial system. Australian banks are required to report international funds transfer instructions and suspicious matters to AUSTRAC.

### 7.6.2 Capital adequacy requirements<sup>68</sup>

In order to ensure system-wide stability in times of economic stress and protect depositors, APRA requires banks to maintain sufficient levels of capital to ensure that financial institutions can absorb unexpected losses. A bank's mandated capital requirement is dependent on the lending activities undertaken, with those holding riskier assets required to maintain greater levels of capital.

Additionally, APRA has mandated that banks hold additional capital buffers on top of the minimal capital requirements to further reinforce the stability of the banking industry.<sup>69</sup> As illustrated below, the level of CET1 capital (the highest quality of capital deemed by APRA) held by banks has increased steadily since 2013, with current average CET1 capital ratios well above APRA's "unquestionably strong" benchmark of 10.5%.<sup>70</sup>

<sup>66</sup> APRA: Retail Deposits Inquiry, December 2023

<sup>67</sup> APRA: Retail Deposits Inquiry, December 2023

<sup>68</sup> APRA: Prudential Standard APS 110- Capital Requirements

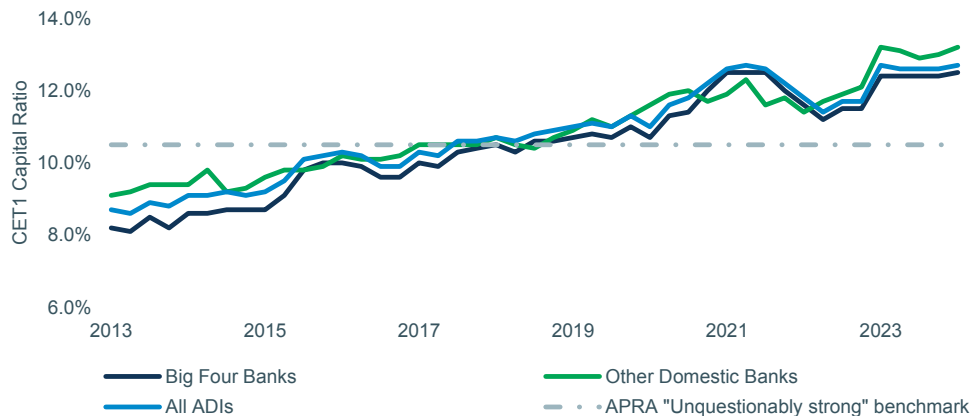
<sup>69</sup> APRA: Capital Buffers.

<sup>70</sup> Australian Banking Association: Bank On It: Customer Trends 2024, June 2024.

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**CET1 Capital Ratios of Australian Banks**



Source: APRA, Quarterly ADI performance statistics, June 2024 (released September 2024)

Following the failure of three US banks in 2023, APRA has sought to further reform its capital framework, specifically proposing to replace Additional Tier 1 (AT1) Capital requirements (regulatory capital only subordinate to CET1) with greater Tier 2 capital requirements for smaller banks and a mix of greater CET1 and Tier 2 capital requirements for larger internationally active banks. Formal consultation on potential changes to the framework are expected to occur in 1H 2025.<sup>71</sup>

### 7.6.3 Regulatory developments

The Federal Government and other regulatory bodies in recent years have announced a number of initiatives relating to the banking industry. These initiatives have primarily focused on increasing competition in the banking industry and strengthening reforms and enforcement actions relating to anti-money laundering. Key developments include:

- Australia's Open Banking Regime:** Open banking was first introduced in 2020 after the implementation of the Consumer Data Right (CDR) in 2018. Open banking has aimed to facilitate the sharing of consumer banking data between accredited third parties allowing consumers to find more tailored banking products and to more easily switch between banks.<sup>72</sup> Through this, Open banking has sought to facilitate greater choice for consumers and improve competition between banks. However, despite the intended competition benefits for banks, implementation costs for the banking industry have been extensive with banks estimated to have spent \$1.5 billion since 2018 to implement the CDR, with smaller banks incurring disproportionality higher costs compared to the Big Four Australian banks;<sup>73</sup>
- Retail Deposit Rates:** Recent enquires conducted by the ACCC and commissioned by the Australian Government criticised the banking industry for "opaque" pricing of savings products restricting savers' abilities to compare products.<sup>74</sup> Announced legislative changes in response to the ACCC report included requiring banks to notify customers regarding changes in deposit rates and the potential development of industry standards regarding the disclosure of bonus interest rates offers to customers;<sup>75</sup> and

<sup>71</sup> A more effective capital framework for a crisis, September 2024.

<sup>72</sup> Australian Banking Association: Open Banking

<sup>73</sup> Australian Banking Association: Consumer Data Right Strategic Review, July 2024

<sup>74</sup> Australian Financial Review: ACCC lashes banks for 'opaque' pricing of savings products, December 2023

<sup>75</sup> The Hon Dr Jim Chalmers MP: Helping Australians get a better deal on banking products, June 2024



- **AUSTRAC Enforcement:** AUSTRAC has conducted significant enforcement activity in recent years focusing on customer due diligence, risk procedures and reporting. This enforcement activity has resulted in significant fines levied on major banks including \$1.3 billion levied on Westpac in 2020 and \$700 million levied on Commonwealth Bank in 2018.<sup>76</sup> The trend of heavy scrutiny by AUSTRAC over Australian banks is expected to continue with AUSTRAC reaffirming the high risk nature of the banking industry and its continued focus on money laundering and terrorism financing risk assessments and anti-money laundering and counter terrorism programs in its priorities for 2024.<sup>77</sup>

Given the existing complexity and the ever-changing nature of the regulatory environment, banks face an increasing regulatory burden and high costs of compliance. The impact of this has been more profound for smaller banks which, due to their smaller scale, have experienced disproportionately higher compliance costs compared to the Big Four Australian banks as they have had to spread their fixed regulatory costs over a smaller revenue and asset base.

## 8 Profile of Auswide

### 8.1 Background

Auswide's history can be traced back to the founding of Burnett Permanent Building Society (**Burnett Permanent**) in 1966. In 1979, Burnett Permanent merged with Maryborough Permanent Building Society to form Wide Bay Capricorn Building Society (**Wide Bay Capricorn**). Wide Bay Capricorn subsequently expanded through several other mergers.

In 1994, Wide Bay Capricorn listed on the ASX. In 2003, Wide Bay Capricorn obtained their AFSL, allowing it to operate as a financial services business and changed its name to Wide Bay Australia. Wide Bay Australia continued to grow, acquiring ASX-listed Mackay Permanent Building Society in 2008, making it the largest building society in Queensland with over 40 branches and agencies, providing a broad range of personal and commercial financial products.

In April 2015, Wide Bay converted from a building society into a bank, changed its name to Auswide Bank and rebranded. At the time, Auswide was Australia's tenth and Queensland's third bank listed and trading on the ASX.<sup>78</sup> In 2016, Auswide merged with Queensland Professional Credit Union (trading as Your Credit Union), a retail financial services provider, with a combined customer loan book value of \$3.0 billion.

On 28 August 2024, Auswide announced that it had completed the acquisition of Selfco. Selfco provides asset and equipment financing and operates nationally via a national network of accredited finance brokers. The strategic acquisition facilitates Auswide's entry into the SME asset financing market. It also provides the opportunity for possible future portfolio diversification by reducing concentration in home loans, with potential for revenue growth and NIM expansion, although the acquisition is relatively small in the context of Auswide's total loan book pre-acquisition. Total consideration for the transaction is up to \$6.5 million, comprising of an initial consideration of \$5.0 million in Auswide scrip and contingent payments of up to \$1.5 million based on the achievement of certain profit-related performance hurdles.<sup>79</sup>

### 8.2 Strategy

Auswide's strategy cycle was refreshed in January 2023. The three year corporate plan highlighted four pillars of focus:<sup>80</sup>

- loan book and deposit acquisition growth: enhancing growth through Auswide's existing third party and private banking channels;
- inorganic growth: pursuing inorganic growth via mergers and acquisitions to improve Auswide's ability to scale or step change its capacity;

<sup>76</sup> Australian Financial Review: Westpac settles AUSTRAC case for \$1.3b, September 2020.

<sup>77</sup> Allens: Seven key themes shaping regulatory enforcement risk in Australia, February 2024.

<sup>78</sup> Wide Bay Australia Ltd is now Auswide Bank Ltd, 1 April 2015.

<sup>79</sup> Auswide: Merger with MyState, Acquisition of Selfco and Equity Raising, 19 August 2024.

<sup>80</sup> Auswide Chair's Address to Shareholders, 24 November 2023.

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## KROLL

- customer experience: provide exceptional customer experience across all channels to grow and ensure customer retention; and
- sustainable investment: investing to grow the bank in line with financial metrics for strong shareholder outcomes.

The Auswide Board and management are focused on growing the loan book by \$300 million in FY25 from FY24 levels, whilst managing funding and pricing to ensure loan book growth leads to profitable revenue growth.

### 8.3 Operations

#### 8.3.1 Overview

Auswide is a Queensland-based financial services company providing deposit, credit and banking services to personal and business customers across Australia, principally throughout Queensland, as well as in New South Wales and Victoria. The majority of its loan book is comprised of residential mortgage loans, although it also offers business loans, personal loans and credit cards.

Auswide is regulated by APRA, with Auswide holding both an Australian Financial Services License and an Australian Credit License issued by ASIC.

#### 8.3.2 Products

The following table provides an overview of Auswide's products.

##### Auswide's Products

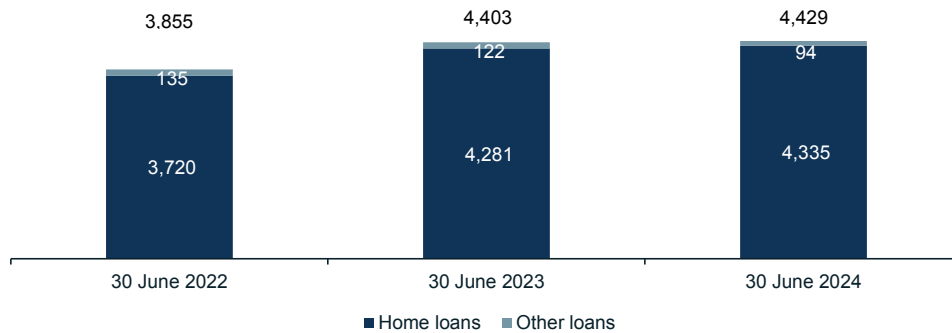
Product	Product Description
Home Loans	Home Loans are available for owner occupier and investment properties, offering variable and fixed rate pricing.
Personal Loans	Auswide has three personal loan offerings – vehicle loans, home renovation loans and personal spending loans.
Credit Cards	Auswide currently offers a Low Rate Visa Credit Card with low annual fee.
Transaction & Savings Accounts	Auswide offers everyday accounts, savings accounts, business accounts and credit cards with features including: <ul style="list-style-type: none"><li>▪ fixed rate term deposits ranging from 1 month up to 5 years;</li><li>▪ interest bearing saving accounts for individuals; and</li><li>▪ access to branch banking, ATMs, online banking, mobile applications, instantaneous transfer of funds, ApplePay and GooglePay.</li></ul>
Private Banking	Auswide's private bank offers a range of specialised finance products and services including: <ul style="list-style-type: none"><li>▪ specialised services for healthcare, accounting and legal professionals, high net worth individuals and athletes;</li><li>▪ wealth management accounts; and</li><li>▪ enhanced banking, deposits, borrowing and protection.</li></ul>

Source: Auswide website.

### 8.3.3 Loan Book Composition

Residential loans make up the majority of Auswide's loan book as shown in the following chart.

Auswide Total Loan Book Composition (\$ millions)



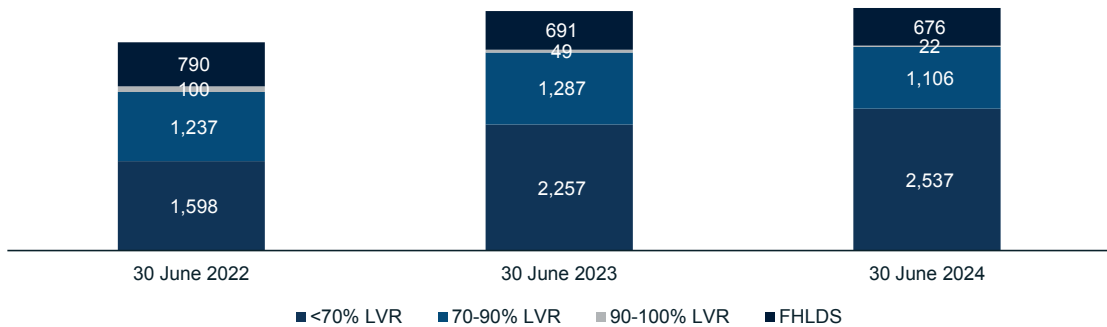
Source: Auswide Annual Reports & Preliminary Financial Reports.

Auswide's total loan book has grown from \$3,855 million in FY22 to \$4,429 million in FY24 representing a compound annual growth rate (CAGR) of 7.2%. Strong growth occurred in FY23 when the loan book increased 14.2% from \$3,855 million to \$4,403 million, reflecting strong broker flows and flows from the Australian Government's First Home Loan Deposit Scheme (FHLDS). Subsequent growth in FY24 was lower, increasing just 0.6% from \$4,403 million to \$4,429 million, reflecting challenging market conditions with higher competition between lenders.

Concurrent to the loan book growth, Auswide saw a decline in its reported NIM, from 1.94% in FY22 to 1.42% in FY24, reflecting the aforementioned increased competition for lending and deposits, fixed rate home loan exposures and considerable increases to wholesale funding costs.<sup>81</sup>

Auswide tracks the loan to value ratios (LVRs) of the home loans in its loan book to monitor credit risk exposures, with higher LVR loans having a higher credit risk profile for banks. The following chart highlights Auswide's Home Loan Book exposure by Auswide's reported LVR ratios.

Auswide Home Loan Book LVR Profile (\$ millions)



Source: Auswide Annual Reports & Preliminary Financial Reports.

Note:

1. Excludes loans with LVRs over 100% which comprised less than 0.1% of loans as at 30 June 2024.

<sup>81</sup> FY24 Auswide Preliminary Financial Report.

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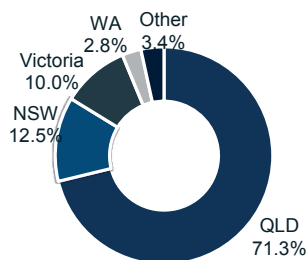


Over the last three financial years Auswide has had success increasing lending in the lower risk band of home loans with LVRs below 70%. The portion of these loans has increased from 42.7% of total home loans<sup>82</sup> in FY22 to 58.4% of total home loans in FY24. Riskier loans, with LVRs above 90%, have decreased as a portion of total home loans from 4.0% in FY22 to 0.7% in FY24. One catalyst for the decline in the risk profile of the loan book has been the significant increases in house prices in Queensland, an area where Auswide has significant exposure (see following discussion in Section 8.3.3 of this report for further analysis of the loan book geographical exposure). This was evidenced by house price growth in Queensland of 8.5% in the year to 31 March 2024, with regional centres such as Bundaberg, Rockhampton and Toowoomba benefitting from house price growth in excess of 11.0%. Unit price growth in Queensland was strong at 10.2% for the year to 31 March 2024.<sup>83</sup>

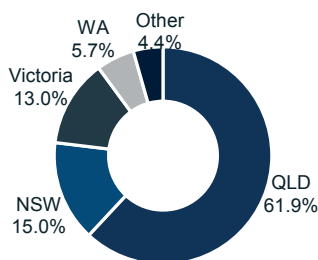
Simultaneously, Auswide experienced loan book growth within the first home buyers segment of the mortgage market. Auswide was an early participant in the Australian Federal Government's FHLDS which supports customers in purchasing a home with as little as a 5.0% deposit. Auswide's FHLDS loans have decreased as a portion of total home loans from 21.1% in FY22 to 15.6% in FY24.<sup>84</sup>

Given Auswide's branches are all located in Queensland, Auswide's loan book is primarily comprised of loans from Queensland, accounting for 71.2% of total loans in FY21 which decreased to 61.9% of total loans in FY24. Victoria and NSW are the next regions with the highest number of loans, accounting for 12.5% and 10.0% of total FY21 Auswide loans, respectively, which by FY24 had increased to 15.0% and 13.0%, respectively. The following charts highlights Auswide's geographic concentration in Queensland for its home loan book.

**FY21 Loan Book by Geography**



**FY24 Loan Book by Geography**



Source: Auswide FY21 Annual Report, FY24 Preliminary Financial Report.

Note: Other denotes the ACT, Northern Territory, South Australia and Tasmania.

Auswide's fixed rate mortgage book increased in 2021 and 2022 as customers took advantage of the record low-rate fixed mortgage loans available at the time. As interest rates increased from mid-2022, driving higher funding costs, the large number of fixed rate loans in Auswide's portfolio contributed to declines in NIM across FY23 and FY24 as detailed in Section 8.4.1 of this report. In its FY24 Preliminary Financial Report, Auswide indicated that 83.5% of all existing fixed rate loans were due to mature by 30 June 2025. It stated that the maturity of its fixed rate loan book over the course of FY25 would contribute to NIM improvement, with a total of \$672 million of fixed rate loans at a current average interest rate of 3.73%, and a further \$371 million of fixed rate loans at a current average interest rate of 4.19%, would mature in the first half and second half of the financial year, respectively. Provided these loans can be retained as they mature, they will roll to current market rates delivering a material uplift in interest revenue.

<sup>82</sup> Excluding loans with LVRs above 100%.

<sup>83</sup> "Queensland property continues to rise and shine in 2024". Real Estate Institute of Queensland, 27 June 2024.

<sup>84</sup> Excluding loans with LVRs above 100%.

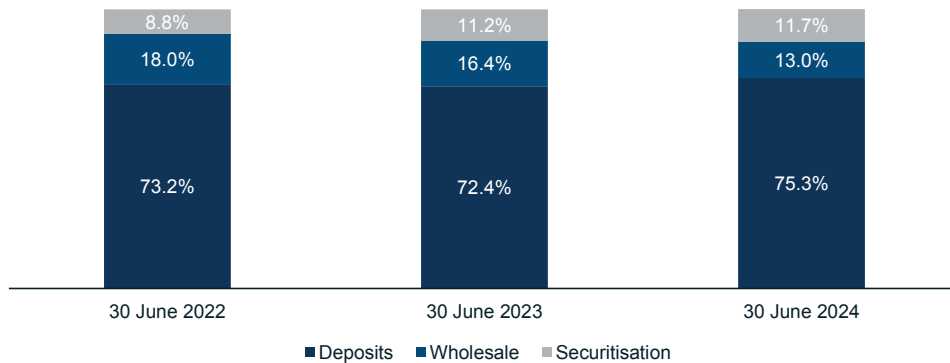




### 8.3.4 Sources of funds

The following chart illustrates Auswide's funding mix from FY22 to FY24.

Auswide Funding Mix



Source: Auswide Annual Reports & Preliminary Financial Reports.

Customer deposits are Auswide's largest source of funding, accounting for an average of 75.3% of their total funding as at 30 June 2024. Deposits represented an increasing portion of Auswide's funding mix since 30 June 2022, increasing from \$3,059 million to \$3,686 million as at 30 June 2024. During FY24, Auswide saw significant migration from low-cost (at call) deposits to higher priced term deposits, which increased the cost of funding and contributed to declines in NIM as detailed in Section 8.4.1 of this report. Auswide regards its branch network in Queensland as an important source of its deposit base.

Wholesale funding, which consists of negotiable certificates of deposits and floating rate notes, comprised 13.0% of total funding in FY24 and consisted of an average of 15.8% of total funding from FY22 to FY24.<sup>85</sup>

Securitisation is the smallest source of funding for Auswide, responsible for an average of 10.6% of total funding in periods from FY22 to FY24. Securitisation has however grown from \$371 million in FY22 to \$571 million in FY24.<sup>86</sup>

### 8.3.5 Distribution network

Auswide has a multi-channel distribution model consisting of both direct and partner customer acquisition networks. Auswide generates loans directly through its branch network in Queensland as well as via third parties (predominantly the mortgage broker channel).

Auswide has a diversified branch network, consisting of 16 branches across Queensland, including a business centre in Brisbane. Auswide also employs business development managers located in Sydney and Melbourne to support loan book growth. Mortgage brokers and aggregators act as another key distribution channel, also enabling Auswide to diversify its loan book exposure to other parts of Australia that Auswide has traditionally had limited exposure.

<sup>85</sup> Auswide FY24 Preliminary Financial Report.

<sup>86</sup> Auswide FY24 Preliminary Financial Report.

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## 8.4 Financial performance

### 8.4.1 Historical financial performance

The following table summarise the financial performance of Auswide for FY22, FY23 and FY24.

	FY22 Audited	FY23 Audited	FY24 Audited	FY24 Pro forma <sup>1</sup>
Net interest income	82.0	89.2	71.3	73.9
Other banking income	12.4	11.3	11.3	11.6
<b>Total operating income</b>	<b>94.4</b>	<b>100.5</b>	<b>82.5</b>	<b>85.5</b>
Operating expenses	(57.7)	(65.3)	(66.0)	(69.8)
<b>Pre-provision operating profit (core earnings)<sup>2</sup></b>	<b>36.8</b>	<b>35.2</b>	<b>16.6</b>	<b>14.9</b>
Expected credit loss	0.7	0.7	(0.2)	(0.8)
Income tax expense	(11.4)	(10.9)	(5.1)	(4.7)
<b>Net profit after tax</b>	<b>26.1<sup>3</sup></b>	<b>25.1</b>	<b>11.2<sup>4</sup></b>	<b>10.2<sup>4</sup></b>
<b>Earnings</b>				
Basic earnings per ordinary share <sup>5</sup> (cents)	56.7	55.6	24.2	19.8 <sup>6</sup>
Dividends per ordinary share (fully franked, cents)	42.0	43.0	22.0	n.a.
Dividend payout ratio (%)	69.9%	78.4%	91.1%	n.a.
<b>Operating margins</b>				
Net interest margin (NIM) <sup>7</sup> (%) (annualised)	1.94%	1.88%	1.42%	n.a.
Cost-to-income ratio <sup>8</sup> (%)	61.1%	65.0%	79.9%	81.7%
NPAT margin (%)	27.7%	24.9%	13.6%	11.9%
<b>Performance Statistics</b>				
Return on average equity (ROE) <sup>9</sup> (%)	9.8%	8.7%	3.9%	3.3%

Source: Auswide Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

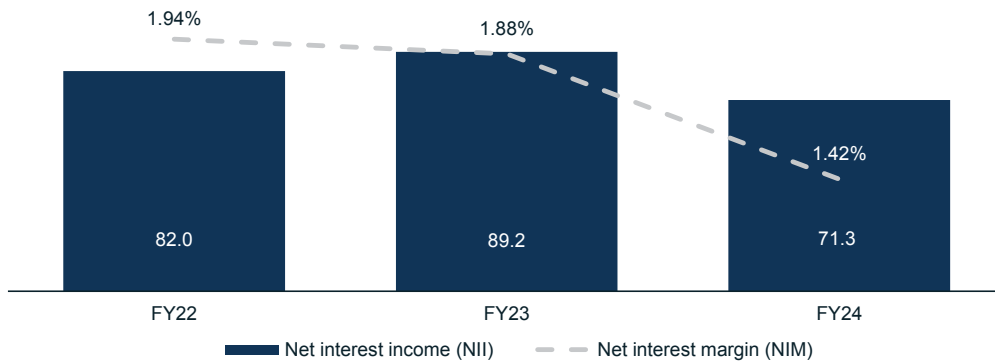
1. FY24 Pro Forma is Auswide's FY24 Audited results including pro forma adjustments relating to the Selfco Acquisition.
2. Pre-provision operating profit (core earnings) is operating profit before expected credit loss on financial assets at amortised cost.
3. Statutory NPAT includes tax credits (\$0.6 million) which Auswide had previously not claimed, transition payment (\$0.3 million) received from payments system provider, cost of M&A activity (\$0.1 million) which did not proceed and release of COVID-19 overlay in the collective provision (\$0.4 million).
4. Includes one-off items including gain on the sale of the investment in Financial Advice Matters Group Pty Ltd (**FAMG**) of \$1.1 million and \$0.2 million for professional fees relating to potential M&A activities.
5. Calculated as net profit after tax divided by the weighted average number of shares during the financial year.
6. Calculated as new profit after tax divided by 51,555,706 ordinary shares on issue, representing the number of shares of Auswide following the Offer and Selfco acquisition, but excluding the impact of the Auswide dividend reinvestment program (**DRP**).
7. Net interest margin is calculated as net interest income divided by total average interest-earning assets.
8. Cost-to-income ratio is calculated as operating expenses divided by pre-provision operating profit (core earnings).
9. Return on equity calculated as net profit after tax divided by average shareholder's equity for the period.
10. Table may not add due to rounding. n.a. indicates data not available.

In relation to the historical financial performance of Auswide, we note:

- Auswide's financial performance over the last three financial years has been impacted by sector wide competition for home loans and deposits, rising interest rates, higher funding costs, and company specific risk factors such as Auswide's strategy discussed in Section 8.2 of this report;
- the majority of Auswide's operating income is net interest income, Auswide's net interest income represents the net impact of the following:
  - interest income, primarily from loans and advances (88.5% of total FY24 interest income), investment securities (7.5% of total FY24 interest income), and deposits with other financial institutions (3.2% of total FY24 interest income); and

- interest expense, primarily from customer deposits (63.6% of total FY24 interest expense), deposits from other financial institutions (17.1% of total FY24 interest expense) and wholesale funding which consists of negotiable certificates of deposits (9.7% of total FY24 interest expense) and floating rate notes (7.7% of total FY24 interest expense);

Auswide Net Interest Income (\$ millions) and NIM (%)



Source: Auswide Preliminary Final Reports, Investor Presentations and Results Announcements

- in FY22 net interest income increased 5.0% as Auswide benefited from lower cost of customer funds, offset by lower asset yields due to increased competition, and a loan book comprised of a higher number of lower yield products. This resulted in a decline in NIM to 1.94% (i.e. a 6 basis point (bps) decrease). FY23 saw ten monthly increases to the Australian official cash rate, and during this period net interest income increased 8.7% to \$89.0 million, whilst NIM declined to 1.88% (i.e. a 6 bps decrease) due to increases in the cost of funding and intensifying lending competition between banks. These increases were somewhat offset by higher yields on interest bearing assets. In FY24, elevated pricing competition further increased the cost of deposit funds, whilst wholesale funding rates remained stable as compared to FY23, resulting in a decline in net interest income (20.1% decrease to \$71.3 million). NIM further declined (46 bps decrease to 1.42%) as movements in interest rates disproportionately impacted the cost of funding compared to the net interest income received on fixed rate loans. This impact was further exacerbated by customers switching from cheaper transaction accounts to more expensive and competitive term deposits. Auswide's trading update on 22 November 2023 noted that it anticipated margins would improve into 2H24 as competition was expected to ease and its fixed rate loan book matures and converts to higher variable rates.<sup>87</sup> Hedging assumptions on Auswide's fixed rate book were tested in FY24 after significant interest rate increases during 2022 and 2023;
- other banking income, consisting of banking fees and commissions that are not included in interest income, remained relatively constant from FY22 to FY24, decreasing marginally from \$12.4 million in FY22 to \$11.3 million in FY24;
- operating expenditure<sup>88</sup> grew by 8.3% to \$57.7 million in FY22, with the largest increases coming from fees and commissions expenses and general and administrative expenses (10.1% and 20.5% respectively), required to support loan book growth. Operating expenses grew a further 13.3% in FY23, reflecting a 17.3% increase in fees and commissions (costs associated with accommodating increased lending volumes) and a 13.7% increase in employee benefits (reflecting wage cost increases due to labour shortages). Despite increases in personnel, technology, cyber security and compliance costs in FY24, total operating expenses only increased 1.0% as they were tightly monitored to help mitigate revenue declines in FY24; and
- in relation to other key metrics presented in the table above, Kroll notes the following:

<sup>87</sup> Auswide Bank Trading Update, 22 November 2023.

<sup>88</sup> Excluding expected credit losses.

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- cost-to-income ratio increased marginally in FY22 to 61.1%, before increasing further to 65.0% in FY23, reflecting the increases in wage costs and investments to support growth in technology, cyber security and regulatory requirements. In FY24, cost-to-income increased significantly, to 79.9%, reflective of a sharp decline in net interest income; and
- basic EPS increased 6.7% in FY22 to 60.5 cents per share (reflective of increasing net interest income), before decreasing 8.0% to 55.6 cents per share in FY23 on account of large increases in operating expenses and moderate revenue growth. FY24 resulted in a 56.4% decline in EPS to 24.2 cents per share, reflecting constant operating expenses and decreases in net interest income.

#### 8.4.2 Outlook

Auswide's expectation is for its NIM to increase in FY25, with over \$1.0 billion in fixed rate loans maturing in FY25. In 1H FY25, \$672.0 million of loans will mature, at an average interest rate of 3.73%. Furthermore, in 2H25, \$371.0 million of loans will mature, at an average interest rate of 4.19%. This corresponds with 83.5% of all Auswide's fixed rate loans maturing by 30 June 2025. Auswide expects to maintain strong customer retention levels and roll forward a large portion of these maturing fixed price loans to current market rate loans, resulting in an expected improvement in NIM for FY25.

Kroll has also considered broker forecasts. As far as Kroll is aware, two brokers have published report following the release of Auswide's FY24 results. Auswide broker consensus for FY25 and FY26 is summarised as follows. Further detail is provided in Appendix 3.

#### Auswide Broker Forecast (\$ millions)

	Actual FY24	Forecast FY25	Forecast FY26
<b>Net interest income</b>	<b>71.3</b>	<b>86.0</b>	<b>102.2</b>
Non-interest income	11.3	10.9	12.3
<b>Total operating income</b>	<b>82.5</b>	<b>96.9</b>	<b>114.5</b>
<b>Pre-provision operating profit (core earnings)<sup>1</sup></b>	<b>16.5</b>	<b>25.0</b>	<b>37.7</b>
<b>Net profit after tax</b>	<b>11.2</b>	<b>16.8</b>	<b>25.5</b>
<b>Earnings and dividend statistics</b>			
Diluted earnings per share (cents)	24.2	34.0	47.6
Dividends per ordinary share (fully franked, cents)	22.0	24.5	34.0
Dividend payout ratio (%)	91.1%	73.0%	72.5%
<b>Operating statistics</b>			
Net interest margin (NIM) (%)	1.42%	1.65%	1.75%
Group cost-to-income ratio (%)	79.9%	74.3%	67.6%
<b>Performance Statistics</b>			
Return on equity (ROE) (%)	3.9%	5.5%	7.5%

Source: Broker report, Kroll analysis.

Notes:

1. Numbers in the table may not add due to calculation of median broker forecasts. Where available, data shown in broker forecast is the median of broker forecasts.
2. Pre-provision operating profit (core earnings) is operating profit before bad and doubtful debts expense and income tax expense.

With regard to the Auswide broker consensus, we note that broker consensus forecasts Auswide NPAT to improve from \$11.2 million in FY24 to \$25.5 million in FY26 representing a CAGR of 50.7%.

## 8.5 Financial position

The following table summarises the financial position of Auswide as at 30 June 2024.

### Auswide Financial Position (\$ millions)

	<i>As at 30 June 2024</i> <b>Audited</b>	<i>As at 30 June 2024</i> <b>Pro Forma<sup>1</sup></b>
Cash and cash equivalents	224.2	162.4
Due from other financial institutions	16.0	16.0
Other assets	5.0	5.2
Financial instruments	535.5	535.5
Loans and advances	4,407.5	4,483.7
Plant and equipment and right-of-use assets	20.4	20.4
Tax assets	5.3	5.3
Goodwill and other assets	48.9	55.5
<b>Total assets</b>	<b>5,262.9</b>	<b>5,284.0</b>
Due to other financial institutions	66.9	66.9
Deposits and other borrowings	4,893.4	4,893.4
Employee leave provisions	3.9	4.2
Other liabilities	5.5	8.0
Tax liabilities	3.4	3.4
<b>Total liabilities</b>	<b>4,973.1</b>	<b>4,976.0</b>
<b>Net assets</b>	<b>289.8</b>	<b>308.0</b>
<b>Total equity</b>	<b>289.8</b>	<b>308.0</b>
<b>Statistics</b>		
<i>Ordinary shares (as at 30 June 2024)</i>	<i>46,629,103</i>	<i>51,555,706<sup>2</sup></i>
<i>Net assets per share (\$ per share)<sup>3</sup></i>	<i>6.21</i>	<i>5.97</i>
<i>Net tangible assets per share (\$ per share)<sup>4</sup></i>	<i>5.17</i>	<i>4.90</i>

Source: Auswide Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

1. Auswide Pro Forma as at 30 June 2024 includes pro forma adjustments for the Offer, the Selfco Acquisition, and the repayment of the Selfco Warehouse Trust (Refer to Section 4.6€ for further information in relation to the repayment of the Selfco Warehouse Trust).
2. Represents the number of Auswide ordinary shares on issue following completion of the Offer and Selfco Acquisition (i.e. excludes any shares issued as part of the Auswide DRP).
3. Net assets per share is calculated as Net Assets divided by the number of ordinary shares on issue (as at 30 June 2024), or in the case of pro forma figures the number of ordinary shares on issue as at the Last Practicable Date.
4. Net tangible assets per share is calculated as (Net Assets less Intangible assets and goodwill) divided by the number of ordinary shares on issue (as at 30 June 2024), or in the case of pro forma figures the number of ordinary shares on issue as at the Last Practicable Date.

In relation to the financial position of Auswide as at 30 June 2024, we note:

- cash and cash equivalents comprised cash at bank (\$81.7 million) and deposits on call (\$142.5 million);
- financial instruments fall under two recognition criteria:
  - financial instruments at amortised cost (\$513.7 million), which include negotiable certificates of deposits (\$490.4 million), securitisation program and other notes (\$20.0 million), and interest receivable (\$3.3 million); and
  - financial instruments at fair value (\$21.8 million), which include investments in managed investment schemes (\$21.2 million) and derivatives (\$0.6 million);
- the majority of Auswide's assets are loans and advances. Loans and advances are measured at amortised cost, using the effective interest method. The balance, as at 30 June 2024, primarily comprised term loans (\$4.4 billion), but also includes continuing credit loans (\$23.9 million), interest

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receivable (\$9.8 million), and deferred mortgage broker commissions (\$10.6 million). Refer to Section 8.3.3 of this report for an overview of Auswide's loan book composition;

- plant and equipment and right of use assets includes freehold land and buildings (\$11.9 million), equipment (\$6.5 million) and right-of-use assets (\$2.0 million);
- intangible assets and goodwill were primarily comprised of goodwill (\$46.4 million), which remained unchanged year-on-year, and software (\$2.5 million);
- deposits and other borrowings including subordinated notes represent a significant portion of Auswide's liabilities. Deposits and other borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Deposits and other short term borrowings comprise the majority of the balance (\$4.3 billion), and also includes loans under management (\$570.6 million), and subordinated notes (\$46.8 million);
- employee benefit provisions totalled \$3.9 million, of which 89.0% were current;
- other liabilities included trade payables (\$3.0 million), accrued interest (\$42.8 million), other creditors (\$24.1 million) and lease liabilities (\$2.5 million) measured at amortised cost, and derivatives measured at fair value (\$0.5 million); and
- Auswide recognised net deferred tax liabilities of \$0.3 million and current tax assets of \$2.2 million.

### 8.6 Asset quality

An analysis of Auswide's asset quality is summarised below.

#### Auswide Asset Quality (\$ millions)

	FY22	FY23	FY24
Specific provision for impairment	2.3	1.5	1.2
Collective provision for impairment	2.1	2.6	3.1
General reserve for credit losses (GRCL)	2.4	2.4	2.4
COVID-19 Overlay	0.5	-	-
<b>Total provision for doubtful debts<sup>1</sup></b>	<b>7.3</b>	<b>6.5</b>	<b>6.7</b>
<i>Total provision coverage ratio - % of Credit RWA</i>	0.4%	0.4%	0.4%
<i>Total provision coverage ratio - % of Gross Loans</i>	0.2%	0.2%	0.2%

Source: Auswide Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

1. Reconciliation differences are due to rounding.

As at 30 June 2024, total provisions for doubtful debts totalled approximately \$6.7 million, increasing slightly on FY23 levels but lower than FY22's \$7.3m total provision which included a \$0.5m COVID-19 overlay provision.

## 8.7 Capital ratios

The capital ratios for Auswide over the past three financial years have been set out below.

**Auswide Capital Ratios (\$ million)**

	As at 30 June			30 June 2024
	2022	2023	2024	Pro Forma <sup>1</sup>
Common Equity Tier 1 Capital	207.6	222.8	224.8	n.a.
Additional Tier 1 Capital	-	-	-	n.a.
<b>Tier 1 Capital</b>	<b>207.6</b>	<b>222.8</b>	<b>224.8</b>	<b>n.a.</b>
Tier 2 Capital	44.4	44.4	49.2	n.a.
<b>Total Capital</b>	<b>252.0</b>	<b>267.2</b>	<b>274.0</b>	<b>n.a.</b>
Risk weighted assets	1,953.5	1,950.3	1,854.4	1,939.1
<b>Capital ratios</b>				
Common Equity Tier 1 ratio <sup>2</sup>	10.63%	11.43%	12.12%	12.42%
Tier 1 capital ratio <sup>3</sup>	10.63%	11.43%	12.12%	12.42%
Total capital ratio <sup>4</sup>	12.90%	13.70%	14.78%	14.96%

Source: Auswide Preliminary Final Reports, Investor Presentations and Results Announcements; Kroll Analysis Notes:

1. Auswide Pro Forma as at 30 June 2024 includes pro forma adjustments for the Offer, the Selfco Acquisition, and the repayment of the Selfco Warehouse Trust. n.a. is not available.
2. Calculated as CET1 Capital divided by Risk Weighted Assets
3. Calculated as Tier 1 Capital divided by Risk Weighted Assets.
4. Calculated as Total Capital divided by Risk Weighted Assets.

Auswide has historically maintained a strong capital position, with CET1, Tier 1 and total capital ratios improving throughout the illustrated period and remaining well in excess of APRA's minimum prudential capital requirements.

## 8.8 Capital structure and ownership

As at 17 October 2024, Auswide had the following securities on issue:

- 51,800,677 ordinary shares (including 1,756 treasury shares); and
- 133,738 unvested performance rights on issue (**Auswide Performance Rights**) (Refer to Section 3.15 of the Scheme Booklet as to the treatment of these Auswide Performance Rights, noting that they will be reduced to zero prior to the Record Date if the Scheme proceeds).

### 8.8.1 Auswide Shareholders

As at 10 October 2024, Auswide had 7,698 registered ordinary shareholders. The top 20 ordinary shareholders were primarily individual investors and investment funds, accounting for 22.6% of Auswide Shares. Retail investors (investors holding fewer than 12,438 shares) accounted for 30.9% of Auswide Shares on issue.

Auswide currently has no substantial shareholders.

## 8.9 Share price performance

In assessing Auswide's share price performance, we have:

- analysed price and volume since the start of FY22 on 1 July 2021;
- compared Auswide's share price movement to the Standard & Poor's AU + NZ BMI Value Financials (Sector) Index (**ANZ Financials (Value) Index**); and
- assessed the VWAP and trading liquidity of Auswide shares for the period up to 16 August 2024, the last trading day prior to the announcement of the Merger Proposal.

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## 8.9.1 Recent sharemarket trading

Auswide's share price performance and the volume of shares traded over the period from 1 July 2021 to 30 September 2024 is illustrated as follows:

**Auswide Share Price and Volume from 1 July 2021 to 30 September 2024**



Source: S&P Capital IQ, Kroll analysis.

From July 2021 until May 2022 the Auswide share price was relatively flat albeit volatile, potentially reflecting COVID-19 pandemic developments, increasing inflation which contributed to cost of living pressures, and international geopolitical instability.

In response to rapidly rising inflation, the RBA commenced tightening monetary policy on 4 May 2022. Following this, Auswide's share price started to decline, falling 14.3% to close at \$6.03 on 29 June 2022, before recovering to \$6.80 on 29 August 2022 in the lead up to its FY22 financial results announcement on 29 August 2022, then declining by 24.4% to close at \$5.14 on 26 September 2022. These declines reflect the negative re-rating of financial services companies.

Following this decline, Auswide's share price trended upwards in the lead up to the 1H23 results announcement on 27 February 2023, gaining 16.7% to close at a high of \$6.00 on 1 March 2023. These results showed strong growth in NPAT, NIM recovery, and above system loan book growth.

By 29 August 2023, Auswide's share price had declined a further 8.8% to a close of \$5.47. Although the FY23 results announcement on 30 August 2023 showed relatively stable performance of NPAT and NIM despite challenging conditions, the Auswide share price declined by 4.9% from a close of \$5.40 on 29 August 2023 to \$5.20 on 15 September 2023, whereafter it trended slightly downwards to 22 November 2023, reflecting further negative re-rating of financial services companies, in particular non-Big Four banks, amid a more challenging operating environment for small lenders.

On 22 November 2023 Auswide issued a trading update (see Section 8.4.1 of this report for further financial performance analysis) highlighting a decline in NIM from 1.77% in 2H23 to 1.52% as at 31 October 2023, however, Auswide also outlined its expectations of a recovery in NIM through the continuing maturity of low fixed-rate loans. In response, the share price initially declined by 6.1% to a close of \$4.81 on 13 December 2023, before recovering to close at a high of \$5.15 on 31 January 2024.

From the high on 31 January 2024, Auswide's share price declined by 30.7% to close at a low of \$3.61 on 28 June 2024. During this time:

- on 26 February 2024, Auswide announced the 1H24 results, which confirmed the previously advised decline in NIM and indicated a 53.1% decrease in underlying NPAT; and
- on 27 May 2024, Auswide issued a trading update and guidance for FY24 of a further decline in NIM to 1.44% and NPAT in the range of \$10.9 million to \$11.3 million.

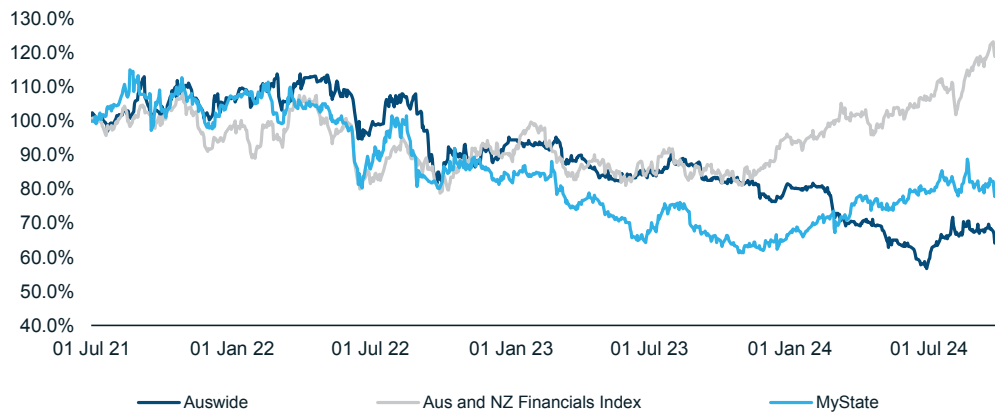




From its low on 28 June 2024, Auswide's share price has commenced a recovery in anticipation of improvements in NIM as fixed rate loans mature and closed at \$4.35 on 16 August 2024, the last trading day before the announcement of the Merger Proposal.

### 8.9.2 Relative share price performance

Auswide Share Price Performance Relative to Indices from 1 July 2021 to 30 September 2024



Source: S&P Capital IQ, Kroll analysis.

Note: Share and index prices were re-based to 100.0 as at 1 July 2021 to show relative price movement.

Over the period of 1 July 2021 to 17 November 2022, both Auswide and MyState closely tracked the ANZ Financials (Value) Index. Following this period MyState began to relatively underperform the index, reflecting the challenging operating environment particularly for smaller lenders, whilst Auswide performed relatively better and continued to track the index reflecting strong FY23 performance. Auswide tracked the index until mid-November 2023, at which point it began to underperform, declining while the index and MyState commenced a recovery, reflecting Auswide's deteriorating financial performance due to its fixed rate loan book. From mid-2024, Auswide's share price commenced a recovery, however remained well below MyState and the index. As at 16 August 2024, the last trading day before the announcement of the Merger Proposal, Auswide's share price remained 30.9% below 1 July 2021 levels while MyState had declined by 16.7% and the ANZ Financials (Value) Index had increased by 11.7%.

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## 8.9.3 Liquidity

An analysis of the volume of trading in Auswide Shares, including the VWAP for various periods up to 16 August 2024, the last undisturbed trading day before the announcement of the Indicative Proposal, is set out as follows.

### Auswide Liquidity up to 16 August 2024

Period	Price (\$)			Cumulative value (\$ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	4.24	4.44	4.34	0.0	0.0	0.0%
1 Week	4.16	4.44	4.24	0.6	0.1	0.3%
1 Month	4.08	4.54	4.24	4.0	0.9	2.0%
3 Months	3.57	4.54	3.98	12.6	3.2	6.8%
6 Months	3.57	5.08	4.22	26.1	6.2	13.3%
12 Months	3.57	5.60	4.59	47.6	10.4	22.3%

Source: IRESS, Kroll analysis.

Note: Low and high prices refer to prices at the close of trading.

In the 12 months to 16 August 2024, 22.3% of Auswide Shares were traded. This level of trading would indicate that Auswide Shares are relatively illiquid.

## 9 Profile of MyState

### 9.1 Background

MyState was listed on the ASX in September 2009 following the merger of MyState Financial Credit Union of Tasmania Limited (**MyState Financial**), an ADI operating predominantly in Tasmania, with Tasmania Perpetual Trustees Limited (**TPT**), a Tasmanian based provider of financial products and trustee services (the **MyState-TPT Merger**), to create a Tasmanian-headquartered diversified financial services group.<sup>89</sup>

Prior to the MyState-TPT Merger, MyState Financial had been formed in 2007 through a separate merger between the Connect Credit Union of Tasmania Ltd and Island State Credit Union. Both credit unions had long operating histories in Tasmania dating back more than 50 years, with MyState Financial ultimately being the culmination of 28 merged credit unions over this period.<sup>89</sup>

TPT was formed in December 2001 following the merger of Tasmanian Trustees Limited and Perpetual Trustees Tasmania Limited, both of which were established in 1887. TPT provided general financial products and trustee services. At the time of the MyState-TPT Merger, TPT managed over \$1 billion in funds under management (**FUM**) on behalf of personal, business and wholesale investors, had over \$400 million of assets under administration or advice through its role as financial adviser, attorney or trustee on behalf of various trusts, estates, and other clients, and was also executor trustee of estates valued at approximately \$80 million.<sup>89</sup>

In 2011, MyState acquired The Rock Building Society, an ASX-listed, Rockhampton-based ADI for approximately \$67 million.<sup>90</sup>

MyState embarked on a process to modernise its banking platform from 2015.<sup>91</sup> By 2021 this process saw MyState evolve into a digitised bank with online origination available and a more geographically diverse customer base.

In June 2019, MyState announced the sale of its retail financial planning business, a division of TPT, to Fiducian Group Limited (**Fiducian**), an ASX-listed financial services company, for \$3.5 million. The client book sold to Fiducian represented approximately \$340 million in funds under advice.<sup>92</sup>

<sup>89</sup> MyState Financial Information Booklet, 29 June 2009.

<sup>90</sup> The Rock and MyState Announce Agreed Merger, 31 August 2011.

<sup>91</sup> MyState FY15 Results Investor Presentation, 21 August 2015.

<sup>92</sup> MyState Divests Financial Planning Business, 17 June 2019.

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In December 2019, Tasmanian Perpetual Trustees Limited changed its name to TPT Wealth Limited and was rebranded to TPT Wealth as part of a transformation program to offer national distribution capability along with new digital products and services.<sup>93</sup> The TPT Wealth business continues to offer asset management through a range of managed funds, commercial lending and trustee services, including wills and estate planning, estate administration and charitable trusts.

### 9.2 Strategy

In May 2021, MyState announced its 2025 Strategy (**MyState growth strategy**) alongside a \$55.5 million equity capital raise. The intent of the MyState growth strategy is to grow MyState's share in deposits, lending and funds under management.<sup>94</sup>

At 30 June 2024, three years into the MyState growth strategy, MyState's home lending book has grown by 46% to \$8.0 billion, with nearly two-thirds of home loan customers now originating from mainland Australia. Customer deposits are up 33% over the same period.<sup>95</sup>

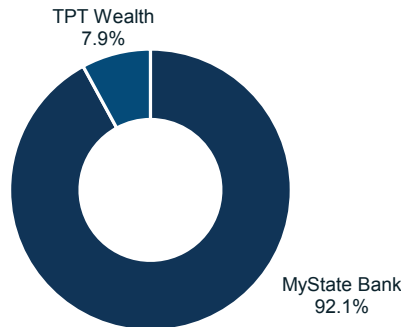
### 9.3 Operations

#### 9.3.1 Overview

MyState is a non-operating holding company headquartered in Tasmania, Australia, that provides banking, trustee and managed fund products and services through its wholly owned subsidiaries, MyState Bank and TPT Wealth. MyState Bank offers products including home and personal loans, deposit accounts, and business banking products, while TPT Wealth provides financial products including investment funds and trustee services.

MyState Bank is the primary contributor to earnings (92.1% of FY24 NPAT), with TPT Wealth contributing 7.9%.

#### MyState FY24 NPAT Share



Source: MyState FY24 Annual Report.

MyState and MyState Bank are regulated by APRA, with MyState Bank and TPT Wealth both holding Australian Financial Services Licenses and Australian Credit Licenses issued by ASIC.

#### 9.3.2 MyState Bank

MyState Bank is an ADI that provides home lending, savings and transactional banking solutions through digital and branch channels, an Australian based contact centre, mobile lenders, and mortgage brokers. It services customers Australia-wide, but given its operating and merger history it has a strong customer base

<sup>93</sup> MyState Rebrands Wealth Business, 2 December 2019.

<sup>94</sup> MyState FY23 Annual Report.

<sup>95</sup> MyState FY24 Annual Report.

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in Tasmania as well as across the eastern seaboard (New South Wales, Queensland and Victoria). As at 30 June 2024, MyState Bank had a loan portfolio of \$8,022 million.

## Products

The following table provides an overview of MyState's products.

### MyState's Products

Product	Product Description
<b>Home Loans</b>	Home Loans are available for owner occupier and investment loans, offering variable and fixed rate loan pricing.
<b>Personal Loans</b>	MyState has partnered with Fintech lender, Plenti Pty Limited ( <b>Plenti</b> ), to provide customers with various personal loan options.
<b>Transaction &amp; Savings Accounts</b>	MyState offers everyday transaction & savings accounts with features including: <ul style="list-style-type: none"> <li>Fixed rate term deposits ranging from 1 month to 24 months;</li> <li>Interest bearing saving accounts; and</li> <li>Fee free transaction accounts with access to online banking, mobile applications, instantaneous transfer of funds, ApplePay, GooglePay, no ATM withdrawal fees through major bank and MyState Bank ATMs.</li> </ul>

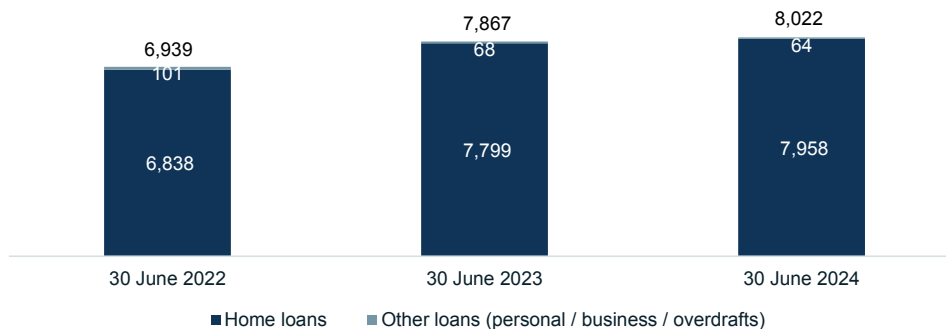
Source: MyState Bank Website.

As noted in Section 9.1 of this report, MyState has sought to digitise its product suite over the past decade to enhance its customer proposition and experience, in line with trends seen across the Australian Banking Industry.

## Loan Book Composition

MyState primarily delivers home lending solutions as evidenced in the following chart.

### MyState Total Loan Book Composition (\$ millions)

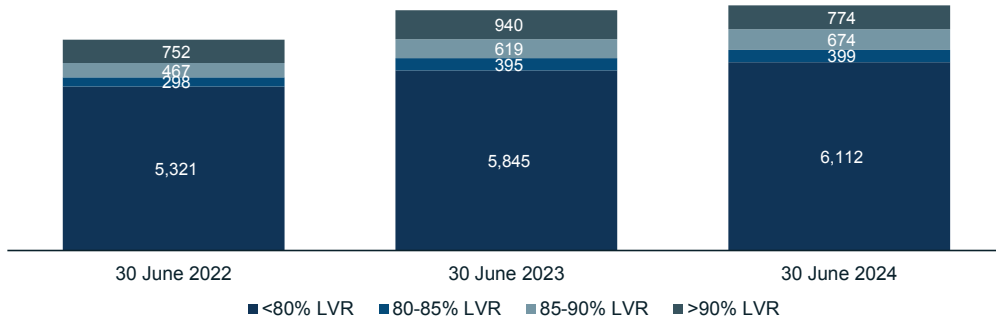


Source: MyState FY24 Annual Report.

MyState's total loan book has grown from \$6,939 million as at 30 June 2022 to \$8,022 million as at 30 June 2024, representing a CAGR of 7.5%. However, growth was far higher in FY23, at 13.5%, than in FY24 which slowed to just 1.8% due to a softer housing market driving a reduction in demand for home loans and a management decision to slow the rate of growth to optimise the balance between growth and margin. As at 30 June 2024, housing loans comprised approximately 99.2% of MyState's total loan book.

MyState is focused on low-risk, owner-occupied home lending with a loan to valuation ratio (**LVR**) of less than 80%, which represented approximately 76.8% of the home lending book as at 30 June 2024.

**MyState Home Loan Book LVR Profile (\$ millions)**



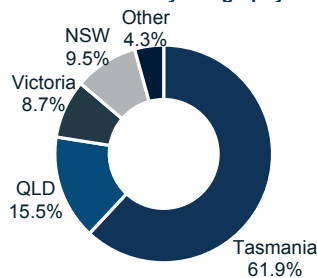
Source: MyState FY24 Annual Report.

Home loan book growth in FY23 and FY24 has primarily been driven by an increase in loans with an LVR of less than 80.0%. High LVR lending (i.e. home loans with an LVR equal to or greater than 80.0%) increased by 28.8% in FY23, mainly due to the success of MyState’s participation in the Australian Federal Government’s FHLDS which supports customers in purchasing a home with as little as a 5% deposit. This was followed by a reduction in high LVR lending of 5.5% in FY24 as MyState reduced its loan book growth ambitions in the face of more challenging market conditions in FY24. Although the percentage of home loans with an LVR of less than 80% has decreased from 77.8% as at 30 June 2022 to 76.8% as at 30 June 2024, MyState notes that homes purchased under the FHLDS are guaranteed by the National Housing Finance and Investment Corporation up to a maximum amount of 15% of the value of the property as assessed by MyState, while all other high LVR, non-FHLDS loans are mortgage insured.

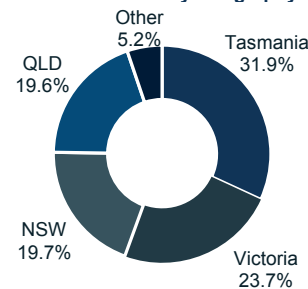
MyState’s exposure to investor and interest-only home lending as at 30 June 2024 was 20% and 7%, respectively, which remains relatively low compared to sector averages of 32.0% and 10.9% respectively (see Section 7.3 of this report for further discussion of Australian Banking Industry products).<sup>96</sup>

As highlighted in Section 9.2 of this report, MyState has sought to diversify the geographic distribution of its customers over the past decade as it transitioned from a smaller Tasmanian focused organisation to a bank that services customers Australia-wide. MyState has had success with this strategy, with Tasmania’s share of loan book value declining from 61.9% in FY15 to 31.9% in FY24. The following charts highlight this evolution for MyState’s home loan book from FY15 to FY24.

**FY15 Loan Book by Geography**



**FY24 Loan Book by Geography**



Source: MyState FY21 Annual Report, FY24 Annual Report.

Note: Other denotes the ACT, Northern Territory, South Australia and Western Australia.

<sup>96</sup> APRA: Quarterly ADI Property Exposure Statistics, July 2024 (released August 2024)

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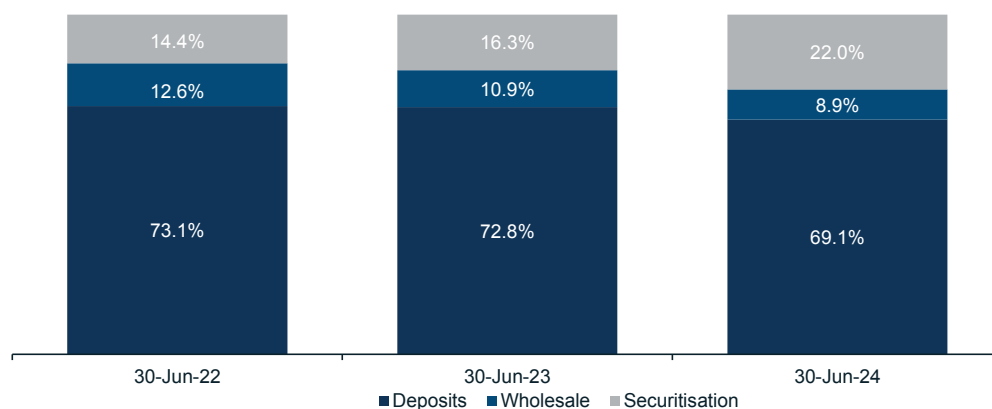
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## Sources of Funds

MyState's funding mix is relatively well diversified. The MyState growth strategy highlighted its desire to continue to be a retail deposit funding led bank, with the majority of its funding sourced from customer deposits. The following chart highlights the relative stability in MyState's funding mix over the past three years.

### MyState Funding Mix



Source: MyState Annual Reports.

The reduction in the customer deposit ratio since 30 June 2022 has been driven by the decline in more price sensitive third-party deposits and an increase in term securitisation, with MyState's largest deal ever issued, raising \$500 million from residential mortgage-backed securities (**RMBS**) completed in September 2023. The nature of the deposit base has changed also, with customers continuing to shift from lower cost transaction and savings accounts to higher interest-bearing products, increasing the cost of deposit funding.

## Distribution network

MyState has a multi-channel distribution model consisting of both direct and partner customer acquisition networks. As discussed in Section 7.4.5 of this report, 74.1% of Australian home loans were facilitated through mortgage brokers in 1Q24.<sup>97</sup> As a result, MyState has structured its distribution channels to facilitate mortgage broker access. During FY24, 88.3% of MyState loans were originated via mortgage brokers. MyState has the additional capability to service customers via multiple channels including its seven branches in Tasmania, digital channels, an Australian based contact centre and mobile lenders.

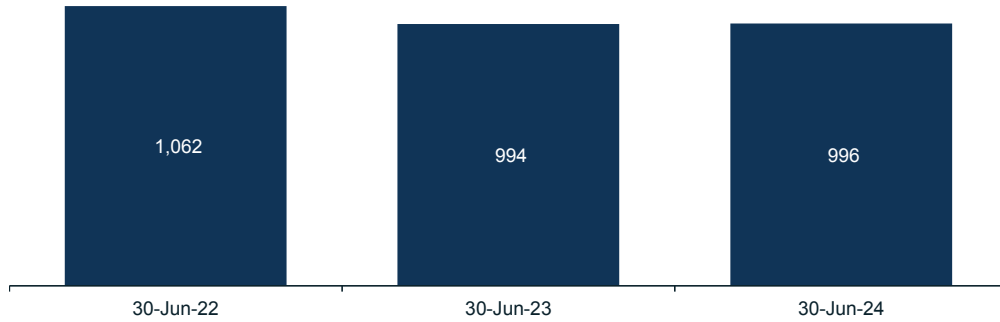
### 9.3.3 TPT Wealth

TPT Wealth provides customers with asset management and trustee services through relationship managers, digital channels, and an Australian based estate planning, trust administration and support team. The subsidiary has a capital-light operating model relative to MyState Bank and while its contribution to earnings is significantly lower than that of MyState Bank, it provides strong returns on invested capital. As at 30 June 2024, TPT Wealth had \$996 million of FUM and \$387 million funds under advice.

<sup>97</sup> Australian Broker News: How high can broker market share get?, June 2024.



TPT Wealth FUM (\$ millions)



Source: MyState Annual Reports.

TPT Wealth FUM declined 6.4% in FY23 due to increasing investor outflows, particularly from its Income Funds, which did not achieve returns sufficient enough to meet investor expectations. FUM improved marginally in FY24, supported by higher investor returns.

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## 9.4 Financial performance

### 9.4.1 Historical financial performance

The following table summarises the financial performance of MyState for FY22, FY23 and FY24.

**MyState Financial Performance (\$ millions)**

	FY22 Audited	FY23 Audited	FY24 Audited
Net interest income	110.2	132.6	124.5
Other banking income <sup>1</sup>	15.1	13.5	12.5
Wealth management income	14.8	14.3	15.4
<b>Total operating income</b>	<b>140.2</b>	<b>160.4</b>	<b>152.4</b>
Operating expenses	(95.9)	(102.7)	(101.0)
<b>Pre-provision operating profit (core earnings)<sup>2</sup></b>	<b>44.3</b>	<b>57.7</b>	<b>51.4</b>
Impairment recovery/(expense) on loans and advances	0.8	(2.5)	(1.2)
Income tax expense	(13.9)	(16.7)	(14.9)
<b>Net profit after tax</b>	<b>32.0<sup>3</sup></b>	<b>38.5</b>	<b>35.3</b>
<b>Earnings and dividend statistics</b>			
<i>Basic earnings per ordinary share<sup>4</sup> (cents)</i>	30.3	35.5	32.0
<i>Dividends per ordinary share (fully franked, cents)</i>	24.0	23.0	23.0
<i>Dividend payout ratio (%)</i>	79.2%	65.3%	72.0%
<b>Operating statistics</b>			
<i>Net interest margin (NIM)<sup>5</sup> (%)</i>	1.67%	1.63%	1.45%
<i>Bank cost-to-income ratio<sup>6</sup> (%)</i>	67.2%	60.8%	65.3%
<i>Group cost-to-income ratio<sup>7</sup> (%)</i>	68.4%	64.0%	66.3%
<i>NPAT margin (%)</i>	22.8%	24.0%	23.2%
<b>Performance Statistics</b>			
<i>Return on equity (ROE)<sup>8</sup> (%)</i>	7.7%	8.7%	7.7%

Source: MyState Annual Reports, Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

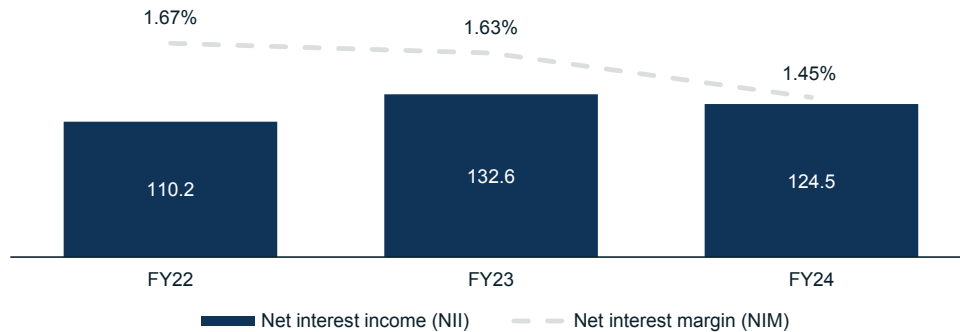
- Other banking income includes non-interest income from banking activities, including transaction fees, loan fees, banking commissions, and other banking operations income.
- Pre-provision operating profit (core earnings) is operating profit before bad and doubtful debts expense and income tax expense.
- Includes approximately \$0.9 million in income from other activities, relating to gain on revaluation of non-current assets held for sale and gain on disposal of non-current assets held for sale.
- Calculated as net profit after tax divided by the weighted average number of shares during the financial year.
- Net interest margin is calculated as net interest income divided by total average interest-earning assets.
- Bank cost-to income ratio is calculated as MyState Bank operating expenses divided by the sum of net interest income and other banking income.
- Group cost-to-income ratio is calculated as operating expenses divided by total operating income.
- Return on equity calculated as net profit after tax divided by average shareholder's equity for the period.
- Table may not add due to rounding.

In relation to the historical financial performance of MyState, we note:

- MyState's financial performance over the last three financial years has been broadly influenced by the increasing sector-wide competition for home loans and deposits, rising interest rates, and company specific factors such as the implementation of its growth strategy;
- the majority of MyState's operating income is net interest income. Net interest income represents the net impact of the following:
  - interest income, derived primarily from loans and advances (90.4% of FY24 interest income), investment securities (8.5%) and swap interest (1.1%); and
  - interest expense, largely pertaining to fixed term deposits (36.0% of FY24 interest expense), securitisation (27.1%), at call deposits (25.3%) and other items;



MyState Net Interest Income (\$ millions) and NIM (%)



Source: MyState Annual Reports, Investor Presentations and Results Announcements.

- in FY22, net interest income declined by 1.5% to \$110.2 million as a result of a lower NIM (which contracted by 29 bps from approximately 2.0% in FY21 to 1.7% in FY22), reflecting the competitive market dynamic for home loans, partly offset by lower funding costs (as a result of higher deposit funding) and above system home loan book growth. Whilst margin compression continued in FY23, albeit to a lesser extent, net interest income increased by 20.3% to \$132.6 million primarily due to a larger average loan book. Subsequently, in FY24, net interest income declined by 6.1% to \$124.5 million, with year-on-year margins negatively impacted by a combination of factors including home loan and deposit price competition, elevated levels of deposit customer switching, an increase in securitisation funding and higher liquid holdings (NIM down 18 bps to prior corresponding period (pcp) from approximately 1.6% in FY23 to 1.5% in FY24);
- with respect to other banking income, lower transaction and loan fees underpinned a uniform decline from approximately \$15.1 million in FY22 to \$12.5 million in FY24 ((9.1%) CAGR);
- wealth management income relates to funds management income, fees and commissions generated by TPT Wealth. Following a modest increase of 8.8% in FY22 (driven by a 29.4% uplift in Trustee Services related income), wealth management income declined by 3.5% to approximately \$14.3 million in FY23, with Trustee Services income slightly lower over the year and Investment Services income also lower due to a fall in average FUM. Thereafter, in FY24, higher capital commission levels resulted in a 7.7% increase in wealth management income to \$15.4 million;
- operating expenses grew by approximately 12.9%<sup>98</sup> to \$95.9 million in FY22, largely due to significant investment in MyState's growth strategy, highlighted by a 61.0% uplift in marketing costs compared to the prior year. This trend continued in the following financial year, with operating expenses rising by 7.1% to \$102.7 million in FY23 as a result of increases in technology costs (driven by higher software maintenance fees and software system amortisation), personnel and administration costs. In FY24, however, operating expenses declined by 1.6% to \$101.0 million, reflecting the net impact of a sharp reduction in marketing costs (down 40.3% to pcp) as well as lower administration costs, offset partially by higher technology costs (reflecting continued investment in key customer, risk and regulatory initiatives) and personnel costs (due to salary inflation, despite less full-time employees (FTE));
- impairment recovery/(expenses) on loans and advances are comprised of increases and decreases in specific or collective provisions for impairment, bad debts recovered and bad debts written off directly. In FY22, MyState recognised \$0.8 million in impairment recoveries which was approximately \$0.2 million lower than the prior year, reflecting an improved economic outlook at that time. MyState then recognised impairment expenses of \$2.5 million in FY23 and \$1.2 million in FY24, as a result of

<sup>98</sup> Excluding the impact of restructuring costs in FY21.

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an increase in total collective provisions, consistent with an increase in arrears in a rising interest rate environment; and

- in relation to other key metrics presented in the table above we note the following:
  - group cost-to-income ratio has fluctuated from 68.4% in FY22 (which was elevated due to up-front investment in growth initiatives such as marketing and distribution capacity), down to 64.0% in FY23 (reflecting MyState's ongoing focus on cost efficiency) before increasing again to 66.3% in FY24 (largely due to lower total operating income); and
  - both EPS (30.3 cents per share) and return on average equity (ROE) (7.7%) were diluted in FY22 due to the deployment of new capital associated with the \$55.5 million ordinary share capital raised in June 2021. EPS and ROE improved to 35.5 cents per share and 8.7% respectively in FY23, reflecting the impact of strong income growth and disciplined cost management. In FY24, EPS fell to 32 cents per share alongside ROE, which declined to 7.7%, pursuant with the operating environment for banks, with competitive home loan and retail deposit markets contributing to softer NIM.

#### 9.4.2 Outlook

MyState has not released earnings guidance for FY25 or beyond. As such, we have had regard to broker consensus. Two brokers have published reports following the release of MyState's FY24 results, of which one broker is an adviser to the Proposed Merger and has therefore been excluded. MyState broker consensus for FY25 and FY26 is summarised as follows. Further detail is provided in Appendix 3.

##### MyState Broker Forecast (\$ millions)

	Actual FY24	Forecast FY25	Forecast FY26
<b>Net interest income</b>	<b>124.5</b>	<b>135.1</b>	<b>148.1</b>
Non-interest income <sup>1</sup>	27.9	29.1	30.0
<b>Total operating income</b>	<b>152.4</b>	<b>164.2</b>	<b>178.1</b>
<b>Pre-provision operating profit (core earnings)<sup>2</sup></b>	<b>51.4</b>	<b>55.9</b>	<b>64.7</b>
<b>Net profit after tax</b>	<b>35.3</b>	<b>38.2</b>	<b>44.6</b>
<b>Earnings and dividend statistics</b>			
<i>Basic earnings per ordinary share (cents)</i>	32.0	35.0	40.0
<i>Dividends per ordinary share (fully franked, cents)</i>	23.0	24.0	26.0
<i>Dividend payout ratio (%)</i>	72.0%	68.6%	65.0%
<b>Operating statistics</b>			
<i>Net interest margin (NIM) (%)</i>	1.45%	1.50%	1.60%
<i>Group cost-to-income ratio (%)</i>	66.3%	66.0%	63.6%
<b>Performance Statistics</b>			
<i>Return on equity (ROE) (%)</i>	7.7%	8.0%	9.1%

Source: Broker report, Kroll analysis.

Notes:

1. Numbers in the table may not add due to calculation of median broker forecasts. Where available, data shown in broker forecast is the median of broker forecasts.
2. Includes income from wealth management and other sources.
3. Pre-provision operating profit (core earnings) is operating profit before bad and doubtful debts expense and income tax expense.

With regard to the MyState broker consensus, we note that broker consensus forecasts MyState NPAT to improve from \$35.3 million in FY24 to \$44.6 million in FY26, representing a CAGR of 12.4%.

## 9.5 Financial position

The following table summarises the financial position of MyState as at 30 June 2024.

**MyState Financial Position (\$ millions)**

	<b>As at 30 June 2024</b>
	<b>Audited</b>
Cash and liquid assets	114.5
Due from other financial institutions	45.4
Other assets	13.1
Financial instruments	807.9
Loans and advances	8,088.1
Plant and equipment and right-of-use assets	6.5
Tax assets	7.2
Intangible assets and goodwill	85.7
<b>Total assets</b>	<b>9,168.4</b>
Due to other financial institutions	61.1
Deposits and other borrowings	8,569.6
Employee benefit provisions	5.4
Other liabilities	59.6
Tax liabilities	7.6
<b>Total liabilities</b>	<b>8,703.4</b>
<b>Net Assets</b>	<b>464.9</b>
<b>Total equity</b>	<b>464.9</b>
<b>Statistics</b>	
<i>Ordinary shares (as at 30 June 2024)</i>	<i>110,600,801</i>
<i>Net assets per share (\$ per share)<sup>1</sup></i>	<i>\$4.20</i>
<i>Net tangible assets per share (\$ per share)<sup>2</sup></i>	<i>\$3.43</i>

Source: MyState Annual Reports, Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

1. Net assets per share is calculated as Net Assets divided by the number of ordinary shares on issue (as at 30 June 2024).
2. Net tangible assets per share is calculated as (Net Assets less Intangible assets and goodwill) divided by the number of ordinary shares on issue (as at 30 June 2024).

In relation to the financial position of MyState as at 30 June 2024, we note:

- cash and liquid assets included notes, coins and cash at bank (\$110.0 million) and other short term liquid assets (\$4.5 million);
- financial instruments fall under two recognition criteria:
  - financial instruments at amortised cost (\$808.0 million), which included floating rate notes (\$699.4 million), negotiable certificates of deposits (\$72.6 million), term deposits (\$35.7 million) as well as other deposits (\$0.2 million); and
  - financial instruments at fair value ((\$0.1) million), which only included derivatives.
- the majority of MyState's assets are loans and advances. Loans and advances are measured at amortised cost, using the effective interest method, and recognised net of provisions for impairment (refer to Section 9.6 of this report for more detail). The balance, as at 30 June 2024, primarily comprised residential loans secured by mortgages (\$8.0 billion), but also included trail broker commission (\$39.5 million), upfront capitalised loan origination costs (\$35.1 million), commercial loans (\$34.9 million), overdrafts secured by mortgage (\$24.5 million) as well as personal loans and unsecured overdrafts (\$3.9 million). Refer to Section 9.3.2 of this report for an overview of MyState's loan book composition;
- plant and equipment and right of use assets included leasehold improvements (\$0.3 million), plant and equipment (\$0.8 million) and right-of-use assets - land and buildings (\$5.4 million);

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- intangible assets and goodwill were primarily comprised of goodwill (\$65.2 million), which remained unchanged year-on-year, and software (\$20.5 million);
- deposits and other borrowings including subordinated notes represent a significant portion of MyState's liabilities. Deposits and other borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Deposits (\$6.3 billion) included at call deposits (\$3.2 billion), term deposits (\$2.8 billion) and negotiable certificates of deposit (\$370.9 million) (Refer to Section 9.3.2 of this report for more detail on MyState's deposit/funding mix). Meanwhile, other borrowings consisted of securitisation liabilities (\$1.9 billion), floating rate notes (\$249.8 million), additional Tier 1 Hybrid capital instrument (\$64.1 million) and subordinated notes (\$49.9 million);
- other liabilities included trade payables and related accruals (\$52.0 million) and lease liabilities (\$7.7 million); and
- MyState recognised deferred tax assets of \$7.2 million, deferred tax liabilities of \$3.6 million and current tax payable of \$4.1 million.

### 9.6 Asset quality

An analysis of MyState's asset quality is summarised below.

#### MyState Asset Quality (\$ millions)

	As at 30 June		
	2022	2023	2024
Collective provision for impairment	3.6	5.3	6.0
Forward Overlay	0.9	1.6	1.9
General reserve for credit losses (GRCL)	2.3	2.4	2.4
<b>Total provision for doubtful debts<sup>1</sup></b>	<b>6.8</b>	<b>9.3</b>	<b>10.3</b>
<i>Total provision coverage ratio - % of Credit RWA<sup>2</sup></i>	0.3%	0.4%	0.4%
<i>Total provision coverage ratio - % of Gross Loans<sup>3</sup></i>	0.1%	0.1%	0.2%

Source: MyState Annual Reports, Investor Presentations and Results Announcements; Kroll Analysis.

Notes:

1. Reconciliation differences are due to rounding.
2. Calculated as total collective provision for doubtful debts divided by risk weighted assets.
3. Calculated as total collective provision for doubtful debts divided by gross loans.

As at 30 June 2024, total provisions for doubtful debts totalled approximately \$10.3 million and was higher than FY23 and FY22 levels due to higher arrears levels in a rising interest rate environment in FY24.

## 9.7 Capital ratios

The capital ratios for MyState over the past three financial years have been set out below.

**MyState Capital Ratios (\$ million)**

	As at 30 June		
	2022	2023	2024
Common Equity Tier 1 Capital (CET1) <sup>1</sup>	292.8	309.2	317.5
Additional Tier 1 Capital	-	63.8	64.1
<b>Tier 1 Capital</b>	<b>292.8</b>	<b>373.0</b>	<b>381.6</b>
Tier 2 Capital	52.3	52.3	52.3
<b>Total Capital</b>	<b>345.0</b>	<b>425.3</b>	<b>433.9</b>
Risk weighted assets	2,781.0	2,755.5	2,643.3
<b>Capital ratios</b>			
<i>CET1 capital ratio</i> <sup>2</sup>	10.53%	11.22%	12.01%
<i>Tier 1 capital ratio</i> <sup>3</sup>	10.53%	13.54%	14.44%
<i>Total capital ratio</i> <sup>4</sup>	12.41%	15.43%	16.42%

Source: MyState Annual Reports, Investor Presentations and Results Announcements; Kroll Analysis

Notes:

1. CET1 is presented net of regulatory adjustments.
2. Calculated as CET1 divided by Risk Weighted Assets.
3. Calculated as Tier 1 Capital divided by Risk Weighted Assets.
4. Calculated as Total Capital divided by Risk Weighted Assets

MyState has historically maintained a strong capital position, with CET1, Tier 1 and total capital ratios improving throughout the illustrated period and remaining well in excess of APRA's minimum prudential capital requirement of 4.5%, 6.0% and 8.0% respectively.

## 9.8 Capital structure and ownership

As at 17 October 2024, MyState had the following securities on issue:<sup>99</sup>

- 110,942,598 ordinary fully paid shares; and
- 1,126,531 performance rights (unlisted);
  - additionally, MyState proposes to issue a further 136,710 performance rights to Brett Morgan (Managing Director and CEO of MyState), subject to MyState shareholder approval to be sought at the upcoming MyState annual general meeting (scheduled to occur at the upcoming 2024 annual general meeting). If Mr Morgan's performance rights are approved, MyState will have a total of 1,262,701 unlisted performance rights on issue following its 2024 annual general meeting.

As at 19 September 2024, MyState had 56,726 registered shareholders. The top 20 ordinary shareholders were primarily nominees, investment managers and custodians and accounted for 29.4% of MyState shares. Retail investors (investors holding parcels MyState shares with an aggregate value of \$50,000 or less) accounted for 99.7% of total MyState shareholders and 60.6% of MyState shares on issue.

A substantial holding notice was lodged with the ASX by Vanguard Group on 21 July 2023. As at 21 July 2023, Vanguard group has 5.003% voting power and held 5,482,990 shares.<sup>100</sup>

## 9.9 Share price performance

In assessing MyState's share price performance, we have:

- analysed price and volume since the start of FY22 on 1 July 2021;
- compared MyState's share price movement to the ANZ Financials (Value) Index; and

<sup>99</sup> MyState Limited. Appendix 2A – Application for quotation of securities. 16 September 2024.

<sup>100</sup> MyState Limited. Notice of initial substantial holder. Announced on 27 July 2024.

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- assessed the VWAP and trading liquidity of MyState shares for the period up to 16 August 2024, the last trading day prior to the announcement of the Merger Proposal.

### 9.9.1 Recent sharemarket trading

MyState's share price performance and the volume of shares traded between 1 July 2021 and 30 September 2024 is illustrated as follows:

**MyState Share Price and Volume from 1 July 2021 to 30 September 2024**



Source: S&P Capital IQ; Kroll analysis.

MyState's share price initially performed strongly in 2021, reaching a peak closing price of \$5.44 on 20 August 2021, the same day that it released its FY21 financial results which showed a 20.9% increase in NPAT from FY20 levels and represented MyState's record high NPAT.

MyState's share price broadly moved sideways during FY22 ranging between \$4.50 and \$5.50 before the RBA monetary policy tightening started in response to rapidly rising inflation from May 2022, with banks passing on the rate rises immediately in both loan and deposit products. Following this, MyState's share price declined by 23.5% from 29 April 2022 to 20 June 2022.

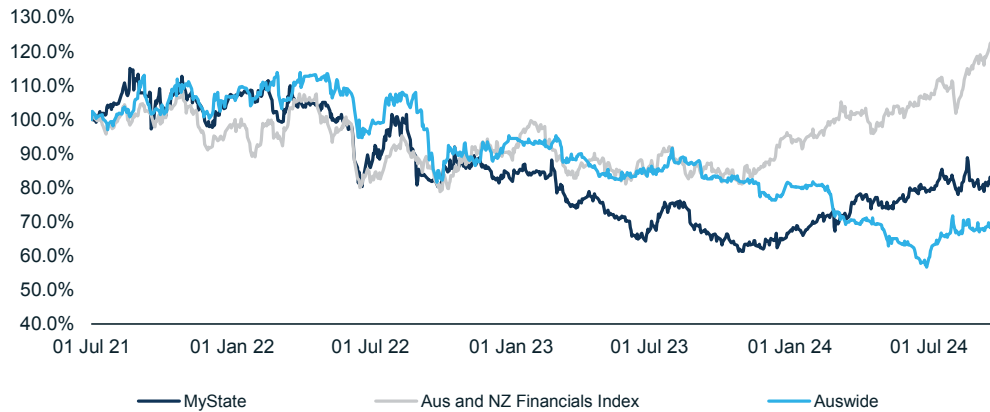
A rebound in share price preceded MyState's FY22 financial results release on 18 August 2022, where MyState reported a decline in reported NIM from 1.96% in FY21 to 1.67% in FY22 and NPAT declined 11.9% from record levels in FY21. MyState's share price declined by 17.8% over the month following the results release. Further rate increases from the RBA over 2022 and 2023 occurred alongside a general decline in MyState's share price from September 2022 to June 2023.

Since June 2023, the MyState share price has largely tracked the ANZ BMI Value Financials Index, with FY23 financial results released in August 2023 precipitating an 18% decline in share price from 14 August 2023 to 30 October 2023. MyState's share price has generally moved positively over the last ten months, with its shares rising from a bottom of \$2.90 on 26 October 2023 to a 12 month closing price high of \$4.20 on 20 August 2024, occurring alongside growth in the Index and share prices of other Australian banks.



### 9.9.2 Relative share price performance

**MyState Share Price Performance Relative to Indices from 1 July 2021 to 30 September 2024**



Source: S&P Capital IQ, Kroll analysis.

Note: Share and index prices were re-based to 100.0 as at 1 July 2021 to show relative price movement.

Over the period of 1 July 2021 to 18 August 2022, the MyState share price closely tracked Auswide and the ANZ Financials (Value) Index, at which point MyState began to underperform the Index (which is dominated by the 'Big Four' Australian banks) following the release of its FY22 results amid a more challenging operating environment for small lenders. MyState's underperformance continued up until June 2023. Since June 2023, MyState has largely tracked the performance of the index, outperforming Auswide which has seen relative share price weakness since November 2023 (see Section 8.9 of this report for Auswide share trading discussion). As at 16 August 2024, the last trading day before the announcement of the Merger Proposal, MyState's share price remained 16.7% below 1 July 2021 levels while Auswide had declined by 30.9% and the ANZ Financials (Value) Index had increased by 11.7%.

### 9.9.3 Liquidity

An analysis of the volume of trading in MyState shares, including the VWAP for various periods up to 16 August 2024, the last undisturbed trading day before the announcement of the Merger Proposal, is set out as follows. Low and high prices refer to prices at the close of trading.

**MyState Liquidity up to 16 August 2024**

Period	Price (\$)			Cumulative value (\$ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	3.90	3.95	3.94	0.2	0.1	0.1%
1 Week	3.74	3.95	3.84	2.1	0.5	0.5%
1 Month	3.67	4.08	3.87	17.0	4.4	4.0%
3 Months	3.54	4.08	3.80	35.9	9.5	8.6%
6 Months	3.15	4.08	3.63	72.9	20.1	18.1%
12 Months	2.87	4.08	3.36	140.2	41.7	37.7%

Source: MyState, IRESS.

Note: Low and high prices refer to prices at the close of trading.

In the 12 months to 16 August 2024, 37.7% of MyState shares (38.6% of free float) were traded. This level of trading would indicate that MyState shares are reasonably liquid.

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## 10 Profile of the Merged Group

### 10.1 Overview

The combination of Auswide and MyState to form the Merged Group brings together two complementary businesses aligned by strategy, values and a shared customer centric culture. Both businesses have demonstrated strong operating histories and quality loan books as evidenced by loyal customer bases and low arrears. It is proposed that the Merged Group will benefit from enhanced scale and greater risk diversification, contributing to improved operating efficiency from a larger balance sheet and increased funding flexibility, as well as an increased capacity to invest in profitable growth opportunities. There is also the potential for the Merger Proposal to drive meaningful cost synergies. On a combined basis, the Merged Group will have 23 branches across Tasmania and Queensland, will service over 272,000 customers Australia-wide, and have lending assets of approximately \$12.5 billion funded with approximately \$9.6 billion of customer deposits.<sup>101</sup>

A detailed description of the profile of the Merged Group following completion of the Merger Proposal is set out in Section 6 of the Scheme Booklet.

### 10.2 Corporate structure

On completion of the Merger Proposal, Auswide Shares will be acquired by MyState subsidiary, MyState Bank, with the consideration shares to be issued by MyState, which will become the ultimate holding company of the Merged Group. Therefore, Auswide Shareholders will hold New MyState Shares and Auswide will become a wholly owned subsidiary of MyState Bank, with Auswide delisted from the ASX. MyState will remain listed on the ASX with a larger capital and shareholder base, which is expected to deliver shareholders access to greater on-market liquidity.

It is expected that the business and assets of Auswide will be migrated into MyState Bank over a period of up to 24 months (**Transitional Period**), after which the Merged Group will likely conduct its expanded banking business under a single brand, to be decided post implementation. Following the Integration Period, Auswide will cease to be an ADI.

The Merged Group intends to undertake a full review of Auswide's existing operations, assets and structure to identify which business undertakings and assets must or should be migrated to MyState Bank, including for regulatory purposes, or to achieve operational synergies and efficiencies. Final changes will also be undertaken in consultation with APRA having regard to APRA's requirements.

### 10.3 Corporate strategy

The Merged Group is set to benefit from the combination of two complementary business models that have aligned strategy, values and customer centric business models. It is expected to become a larger entity with significantly enhanced scale and greater risk diversification, creating an enhanced value proposition for shareholders, customers and employees. The integration of the complementary business models will drive improvements in operating efficiency, create the potential for material synergies, and increase the capacity to invest in profitable growth opportunities. The Merged Group business strategy features:<sup>102</sup>

- highly complementary business models, with aligned strategy and values;
- maintaining a shared customer-centric, relationship-based strategy with a commitment to maintaining a physical presence in regional centres in Queensland and Tasmania;
- enhanced scale to deliver operating efficiencies, with a stronger and larger balance sheet and increased funding flexibility;

<sup>101</sup> MyState FY24 Results & Proposed merger with Auswide Bank investor presentation. Based on unaudited FY24 financials for Auswide.

<sup>102</sup> Auswide Merger with MyState investor presentation; MyState FY24 Results & Proposed merger with Auswide Bank investor presentation.



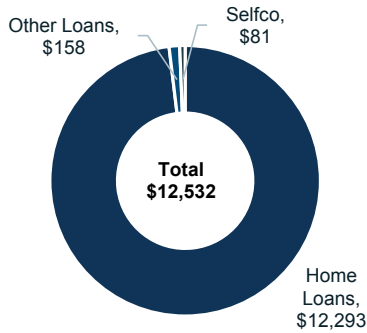
- greater ability to maintain ongoing investment requirements into core capabilities as well as cyber security, regulatory changes and enhanced customer digital experience;
- an expanded product suite with diversified revenue streams and end-markets; and
- greater capacity to invest in profitable growth opportunities.

The Merged Group will benefit financially from pro forma total operating income of \$227.2 million and NPAT of \$43.8 million as at 30 June 2024.<sup>103</sup> It will also have a larger capital base, with a pro forma \$12.5 billion in gross loans and advances funded by \$9.6 billion of customer deposits as at 30 June 2024, and NIM of 1.64%.<sup>104</sup>

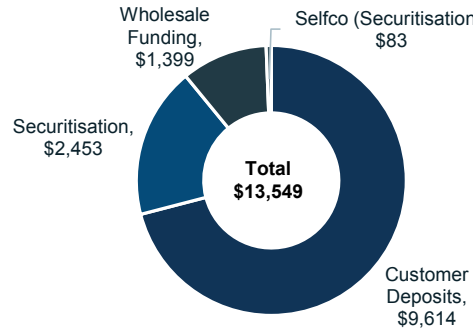
**10.3.1 Scale**

The Merger Proposal will result in the Merged Group having combined lending and funding assets both in excess of \$12.0 billion.

**Pro Forma Merged Group Loan Mix (\$ millions)**



**Pro Forma Merged Group Funding Mix (\$ millions)**



Source: Auswide FY24 Results and Merger with MyState investor presentation.  
 Note: Excludes pro forma adjustments in relation to the Offer, payout of Selfco’s warehouse facilities and the impacts of purchase price allocation.

The increased scale and earnings of the Merged Group will better position the Merged Group for growth and provide increased capability to invest in core capabilities, improve the customer experience, and maintain investment requirements in cyber security and regulatory changes.

**10.3.2 Diversification**

The Merged Group will have greater geographical reach across the eastern seaboard of Australia, with a combined customer base of over 272,000 customers Australia-wide, with reach across the country through digital touchpoints, contact centres, and brokers, as well as its network of 23 branches across Tasmania and Queensland.

The combination will result in increased diversification of the Merged Group’s lending assets, funding sources, liquid assets and capital base. This is expected to result in a more financially resilient and prudentially-stable organisation.

The Merger Proposal will result in improved geographical diversification of the Merged Group’s home lending portfolio, increasing the footprint across Tasmania, Victoria and New South Wales, and strengthening its presence in a fast-growing Queensland market.

<sup>103</sup> Merged Group pro forma FY24 figures based on MyState’s FY24 actual results and Auswide’s Pro Forma FY24 financials, with adjustments for indicative PPA and alignment of accounting policies. Refer to Section 6.8 of the Scheme Booklet for further details.

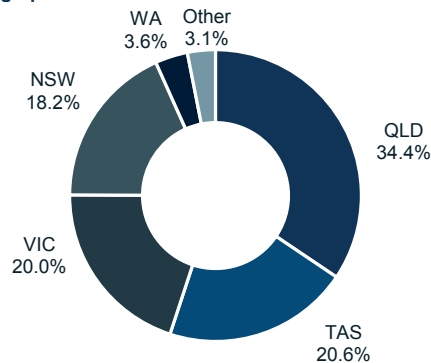
<sup>104</sup> Excludes pro forma adjustments in relation to the Offer, payout of Selfco’s warehouse facilities and the impacts of purchase price allocation. NIM is presented using Auswide’s reporting methodology (i.e. includes broker commissions and issuance costs in operating expenses).

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## Merged Group Home Loan Geographical Distribution



Source: MyState FY24 Results & Proposed merger with Auswide Bank investor presentation.

Notes:

1. Based on unaudited FY24 financials for Auswide.
2. 'Other' includes South Australia, Australian Capital Territory and Northern Territory
3. Chart may not add to 100% due to rounding.

### 10.3.3 Synergy potential

There are potential estimated pre-tax cost synergies of \$20 million to \$25 million per annum (representing approximately 13.0% to 16.0% of the Merged Group cost base) arising from the Merger Proposal. The cost synergies primarily relate to:

- consolidation and adoption of best available technology platform;
- refined board and leadership team;
- integration of shared services; and
- consolidation of third party providers.

These synergies are expected to cost the Merged Group approximately \$29 million on a one-off basis for costs such as migration of technology platforms, redundancies, and other one-off items. Notably, the majority of these expenses are anticipated to occur in the initial two years post implementation.

The full run-rate of annualised synergies is expected to be realised at the end of the third year post implementation of the Merger Proposal. The MyState Board believes that operational integration will largely be achieved by the end of FY27, at which point the Merged Group will have realised the ongoing benefits of the Merger Proposal. MyState expects further upside through additional cost synergies, a stronger balance sheet and cross-selling benefits over time.

### 10.4 Strategic rationale

The Merged Group is expected to realise a number of strategic benefits that are not easily quantifiable. Strategic benefits of the transaction may include:

- achieving greater scale (refer to Section 10.5 of this report for a discussion of the possible benefits of scale for the Merged Group);
- improving competitiveness through pricing, product and service offerings, and increased investment in technology (including digital banking, automation and cybersecurity);
- diversifying risk through loan portfolio diversification and revenue diversification from different customer segments;
- synergies (refer to Section 10.3.3 of this report for discussion of synergy potential);



- enhanced product and service offerings which may enable further cross-selling opportunities between the merged banks; and
- positioning for further growth.

### 10.5 Scale benefits

The Merged Group is expected to benefit from greater size and scale. Benefits that the Merged Group may experience as a result of greater scale include:

- a larger entity may generate a stronger market presence, brand recognition, and marketing power. The merger of two banks operating in different geographical areas also provides access to new markets and a larger customer pool, providing cross-selling opportunities. A more diversified customer base can also lower risk exposure to localised economic downturns;
- by combining resources, the Merged Group can reduce operational costs per unit, including information technology (IT) costs, regulatory compliance costs, and marketing costs, as these fixed costs are spread across a larger customer and asset base;
- cost efficiencies may improve competitiveness of the Merged Group by allowing it to compete more aggressively on interest rates for loans and deposits. The larger Merged Group may also have improved negotiating power with suppliers and partners;
- combining the assets of Auswide and MyState is likely to create a stronger balance sheet and may provide the Merged Group with increased lending capacity. It may also improve access to capital markets resulting in cheaper sources of funding; and
- with enhanced profitability and a larger budget, the Merged Group may be able to invest more in digital banking solutions, automation, and cybersecurity. It may also have more resources to develop innovative products and services.

### 10.6 Pro forma historical financial performance

#### 10.6.1 Historical financial performance

The following table summarises the pro forma financial performance of the Merged Group for FY24.

**Merged Group Pro Forma Financial Performance (\$ millions)**

	<b>FY24 Pro Forma</b>
Net interest income	187.7
Other banking income <sup>1</sup>	24.1
Wealth management income	15.4
<b>Total operating income</b>	<b>227.2</b>
Operating expenses	(162.5)
<b>Pre-provision operating profit (core earnings)<sup>2</sup></b>	<b>64.7</b>
Impairment recovery/(expense) on loans and advances	(2.0)
Income tax expense	(18.9)
<b>Net profit after tax</b>	<b>43.8</b>

Source: Scheme Booklet.

Notes:

1. Merged Group Unaudited Pro Forma Historical Financial Information has been prepared for illustrative purposes to provide Auswide Shareholders with an indication of the financial performance and financial position of the Merged Group as if the Scheme had been implemented prior to the commencement of the relevant financial year. Refer to Section 6.8(c) of the Scheme Booklet for further details.

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- The Pro Forma Historical Income Statement has not been adjusted to reflect the trading of Auswide and MyState after 30 June 2024, potential synergies or business improvements arising from the Merger Proposal, transaction costs incurred by Auswide and MyState incurred after 30 June 2024, additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of the implementation of the Scheme and the finalisation of the purchase price allocation exercise and any potential tax impacts as a result of the implementation of the Scheme.

In relation to the pro forma financial performance of the Merged Group as at 30 June 2024 we note:

- analysis of the Merged Group's historical financial position is difficult due to the limited data available. The Merged Group has prepared an income statement for FY24 but with no prior comparable periods. As such, we are unable to report growth rates as FY23 figures are not available for comparison; and
- the Merged Group had a pro forma net profit after tax of \$43.8 million.

### 10.6.2 Dividend policy

It is intended that the Merged Group will continue to pay dividends in a manner consistent with MyState's past practice.

Refer to Section 9.4 of this report, and Sections 5.8 and 6.3 of the Scheme Booklet for further information in relation to the dividend policy and dividend history of MyState.

### 10.6.3 Outlook

No outlook has been provided for the Merged Group.

## 10.7 Pro forma historical financial position

The following table summarises the pro forma financial position of the Merged Group as at 30 June 2024.

**Merged Group Pro Forma Financial Position (\$ millions)**

	As at 30 June 2024 Pro Forma
Cash and liquid assets	261.9
Due from other financial institutions	61.4
Other assets	18.3
Financial instruments	1,349.4
Loans and advances	12,556.4
Plant and equipment and right-of-use assets	26.9
Tax assets	20.0
Intangible assets and goodwill	97.8
<b>Total assets</b>	<b>14,392.0</b>
Due to other financial institutions	128.0
Deposits and other borrowings	13,459.5
Employee benefit provisions	9.6
Other liabilities	78.9
Tax liabilities	23.7
<b>Total liabilities</b>	<b>13,699.8</b>
<b>Net Assets</b>	<b>692.2</b>
<b>Total equity</b>	<b>692.2</b>

Source: Scheme Booklet.

Notes:

- Merged Group Pro Forma Historical Financial Information has been prepared for illustrative purposes to provide Auswide Shareholders with an indication of the financial performance and financial position of the Merged Group as if the Scheme had been implemented prior to the commencement of the relevant financial year. Refer to Section 6.8(d) of the Scheme Booklet for further details.

2. Merged Group Pro Forma Historical Financial Information includes estimated transaction costs incurred by Auswide and MyState (including associated tax impact) relating to the Merger Proposal. An indicative PPA exercise has been completed and shown in the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024. The indicative PPA was based on various assumptions set out in Section 6.8 of the Scheme Booklet.
3. The Pro Forma Historical Financial Position has not been adjusted to reflect the trading of Auswide and MyState after 30 June 2024, the finalisation of the acquisition accounting (including determining the appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards) and resetting of tax cost bases of Auswide following implementation, including recognition of the associated deferred tax assets and liabilities, in accordance with relevant accounting standards.

In relation to the pro forma financial position of the Merged Group as at 30 June 2024 we note:

- analysis of the Merged Group's historical financial position is difficult due to the limited data available. The Merged Group has prepared a balance sheet as at 30 June 2024 but with no prior comparable periods. As such, we are unable to report growth rates as FY23 figures are not available for comparison; and
- the Merged Group had cash and liquid assets of \$261.9 million.

### 10.8 Accretion analysis

Merged Group Shareholders are ultimately expected to benefit from 13.3 cents earnings per share growth (excluding the impact of transaction and implementation costs) as a result of synergies expected to be achieved within 3 years of the Scheme being implemented.<sup>105</sup> Based on the merger ratio of 1.112 MyState shares per Auswide shares, this represents 14.7 cents earnings per share growth for Auswide Shareholders, a 43.4% increase on Auswide's broker consensus EPS for FY25 of 34.0 cents per share.

However, it should be noted that statutory EPS in the years following the close of the Merger Proposal may be negatively impacted by transaction and integration costs and there is no certainty that the Merged Group will be able to achieve all of the assumed operating cost synergies of approximately \$20 million to \$25 million.

### 10.9 Board of Directors and management of the Merged Group

The Merged Group's proposed Board of Directors (the **Merged Group Board**) will have 8 members, consisting of 3 directors designated by Auswide and 5 directors designated by MyState, with current Auswide Chair Sandra Birkenleigh to chair the Merged Group Board and current MyState Managing Director and Chief Executive Officer Brett Morgan continuing to remain Managing Director and Chief Executive Officer.

The proposed Merged Group Board is set out in the following table:

**Merged Group's Board of Directors**

Board of Directors	Position	Designated By
Sandra Birkenleigh	Chair designate	Auswide
Brett Morgan	Managing Director and Chief Executive Officer	MyState
Vaughn Richtor	Non-executive Director	MyState
Andrea Waters	Non-executive Director	MyState
Sibylle Krieger	Non-executive Director	MyState
Warren Lee	Non-executive Director	MyState
Jacqueline Korhonen	Non-executive Director	Auswide
Gregory Kenny	Non-executive Director	Auswide

Source: Scheme Booklet.

<sup>105</sup> Calculated as the midpoint of the stated full run-rate pre-tax synergies of \$20 million to \$25 million, adjusted for tax and divided by the fully diluted number of shares in the Merged Group (169,671,482).

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## 10.10 Capital structure and ownership

### 10.10.1 Share capital

It is expected that, the Merged Group will have approximately 168,544,951 MyState Shares on issue following the Scheme being implemented.<sup>106</sup> On implementation of the Scheme, the Auswide Scheme Shareholders will hold approximately 33.9% of the Merged Group and current MyState Shareholders will hold approximately 66.1% of the Merged Group on an undiluted basis. The impact of MyState's convertible securities (including performance rights) will be immaterial.

### 10.10.2 Ownership

Based on the respective shareholdings in Auswide and MyState as at the Last Practicable Date, there are not expected to be any substantial shareholders of the Merged Group.

## 10.11 Liquidity and sharemarket rating

The Merged Group is likely to have greater relevance to equity investors through increased scale relative to Auswide on a standalone basis. Based on the share prices of Auswide Shares and MyState Shares as at the Last Practicable Date, the pro forma market capitalisation of the Merged Group would have been approximately \$634.8 million. This will position the Merged Group comfortably within the S&P/ASX 300 Index (refer to Section 1.1(e) of the Scheme Booklet for further details on market positioning).

Presently, trading of Auswide Shares is relatively illiquid whilst MyState has moderate liquidity (refer to Sections 8.9.3 and 9.9.3 of this report for further analysis), and both Auswide and MyState Shares are not widely covered by brokers. The larger market capitalisation of the Merged Group is expected to result in an increased daily trading volume for the Merged Group in comparison to Auswide standalone.

Additionally, the Merger Proposal increases the free float and is likely to increase liquidity of the Merged Group. The larger size of the Merged Group may also increase coverage by brokers, attracting the interest of institutional shareholders and leading to a potential for a positive market re-rating, noting that scale is a factor in determining trading multiples for Australian banks.

## 10.12 Changes in risk profile for Auswide Shareholders

There is a risk that integration costs may be greater than anticipated, cost synergies may not be fully realised or may be delayed, and capital expenditure savings may not be achieved such that integration, compensation and transaction costs need to be funded. If the Merged Group cannot successfully combine the businesses of Auswide and MyState in an efficient and effective manner, the anticipated benefits and synergies of the transaction may not be realised fully, or at all, or may take longer to materialise or cost more than expected such that the value of the Merged Group Shares is adversely affected.

A detailed discussion of the risk factors relating to the business and operations of the Merged Group is set out in Section 7.3 of the Scheme Booklet.

## 11 Valuation Analysis

### 11.1 Approach

#### 11.1.1 Overview

The purpose of our valuation of Auswide and MyState is to enable a comparison of the relative contribution of value by the shareholders of Auswide and MyState to the share of the Merged Group that they each

<sup>106</sup> The number of MyState Shares on issue following implementation of the Scheme is based on the assumption that MyState issues a maximum of 57,602,353 New MyState Shares as part of the Scheme Consideration and no other Auswide Shares or MyState Shares are issued (including under their respective dividend reinvestment plans or incentive plans) between the Last Practicable Date and the Implementation Date.



receive. These valuations represent Kroll's assessment of the underlying value of Auswide and MyState on the basis of 'fair value'.

The generally accepted definition of 'fair value' (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. 'Fair value' excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

- income approach;
- the market approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the asset or business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

#### 11.1.2 Selection of valuation methodology

A discussion of the rationale for the selection of the valuation methodologies is set out as follows.

##### Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is a substantial operating history and a consistent earnings trend.

Auswide and MyState each have substantial operating histories and there is no basis to expect that the businesses will be unable to continue indefinitely. In addition, there are a number of publicly traded banks and non-bank lenders and also some transactions involving banks and non-bank lenders from which to calculate meaningful multiples.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the earnings it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, after allowing for the impact of the hedging profile and loan impairment estimates and provisions on short-term results, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to

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market evidence derived from comparable transactions and sharemarket prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings bases to which a multiple is commonly applied include revenue, earnings before interest, taxes, depreciation and amortisation (**EBITDA**), earnings before interest and taxes (**EBIT**), and NPAT. The choice will typically depend on the industry and characteristics of the subject asset or business. We note that NPAT is commonly used to value banks and financial services businesses. Consequently, we have adopted NPAT as the earnings base for our valuation and utilised price-to-earnings (**P/E**) multiples as the metric for our earnings capitalisation method. Furthermore, in order to facilitate a meaningful comparison, we have based our analysis using underlying NPAT (which approximates reported cash NPAT for many of the listed comparable companies) as an earnings definition to remove distortions to value caused by items such as gains and losses from hedging and financial instruments, gains of disposal of assets and other one-off significant items which are not part of ongoing operations. We have also considered the price-to-net-tangible-assets (**P/NTA**) multiples as part of our analysis.

In considering the appropriate earnings period of the asset or business being valued from which to calculate multiples, factors to that a valuer may take into account include whether the historical performance of the asset or business reflects the expected level of future operating performance, such as when significant changes occur in the operating environment, such as in a rising interest rate environment, or the underlying business is cyclical.

In our assessment of Auswide and MyState, Kroll has considered the impact of the macroeconomic environment on both banks. In the case of Auswide, Kroll notes the material impact of the fixed rate loan book on its FY24 results creating margin pressure. Auswide is expected to continue to incur further material losses in relation to these loans into FY25, however, with approximately 84% of all fixed loans maturing by 30 June 2025 and rolling to current market rates, it is expected there will be a material uplift in interest revenue beyond FY25 (assuming that Auswide retains these customers). We therefore consider the period of FY+2 may better reflect Auswide's earnings on a maintainable basis. Although no earnings guidance has been provided by Auswide and broker coverage on the company is limited, we have compared broker consensus forecasts (i.e. the median broker estimate) for FY25 and FY26 to management's expectations and find them to be reasonable approximations for future earnings upon which we can base our valuation. We have also considered adjustments to Auswide's FY24 earnings relating to non-recurring items and the acquisition of Selfco, which was completed on 28 August 2024.

With regard to MyState, we also note that no earnings guidance has been provided by the company and broker coverage is also limited. However, as was the case with Auswide, we have compared the broker consensus forecasts for FY25 and FY26 to management's expectations and find them to be sufficiently close to be useful. We have also considered adjustments to MyState's FY24 earnings relating to non-recurring items.

Determining the appropriate earnings multiple on which to apply to the earnings base is the most judgemental aspect of valuation. Offers for a particular asset or business provide the most reliable guidance for selecting the earnings multiples, however, in the absence of such offers, the multiple must be inferred from other sources.

The primary methodology used by valuers is to examine the multiples paid by other buyers for similar businesses in recent transactions. Although the multiple in each transaction will be influenced by a unique set of factors, such as prevailing economic conditions, strategic considerations, the availability of synergistic benefits, regulatory frameworks, investment and sharemarket conditions, and the number of competing buyers, a pattern may emerge from transactions involving similar businesses, showing a typical range of multiples. This range often reflects the opportunities (e.g. growth prospects) and risks of the business, with mature businesses with stable, low growth, generally attracting lower multiples than those with high growth potential, all else being equal. The critical task in valuation is assessing the specific business's attributes and distinguishing it from its peers in order to form a judgement as to its position within that range. In this context, we note that future growth is the primary driver of P/E multiples for the comparable companies, although scale, margins and diversification are also important. For P/NTA multiples, return on tangible equity (**ROTE**) is a significant driver.

We note that the multiples implied by transactions typically include a premium for control, which may be substantial due to synergy or other strategic benefits available to the acquirer. In this regard, as we do not



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consider the Merger Proposal to be a control transaction, but rather as a 'merger of equals', our valuation of both businesses will not be based on a control multiple, and so transaction evidence becomes less relevant. As a result, another approach to determining an appropriate earnings multiple is to consider sharemarket evidence, which reflects the value of minority interests without the inclusion of a control premium. This gives an indication of the prices that investors are prepared to pay for a non-controlling interest in the business. In our assessment of the underlying equity value of both Auswide and MyState, as we have assessed a minority value for each company, we have mainly relied on comparable company analysis.

The analysis of comparable transactions and sharemarket evidence does not often result in a clear conclusion regarding the appropriate multiple or range of multiples that should apply. Multiples can vary significantly for a wide range of reasons, making the application of judgment an essential part of the process. Furthermore, it is important to consider the specific attributes of the business being valued to determine whether they justify a higher or lower multiple compared to peers. This evaluation is inherently a matter of professional judgement.

In valuing the business operations of Auswide and MyState, Kroll has considered the P/E multiples implied by the valuation range for each company as a whole, compared to the P/E multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses. We have also reviewed the P/NTA multiples as a further cross check of the valuation conclusions.

### **Income approach**

Under an income approach, the value of an asset or business is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset or business has a finite life.

The most common application of the income approach is the DCF methodology. This methodology allows for cash flows to reflect a range of risks and opportunities and also allows for a range of scenarios to be modelled.

A DCF methodology can be applied to cash flows to the whole asset or business or cash flows to equity. Cash flow to the whole asset or business is most commonly used because an asset or business should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

Utilising a DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to a present value. Auswide and MyState have each provided an FY25 budget and projections for FY26 and FY27, however, have not prepared long term cash flow forecasts. We note that forecasting long-term cash flows in the banking sector at present is challenging as a result of uncertainty regarding funding costs in the current macroeconomic environment and the highly competitive home loan environment which presents difficulties in assessing long-term margins.

### **Cost approach**

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not capture the growth potential or internally generated intangible value associated with Auswide or MyState and consequently has not been adopted.

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## 11.2 Valuation of Auswide

### 11.2.1 Summary

Kroll has assessed the value of the equity of Auswide to be in the range of \$215.0 million to \$250.0 million, which equates to an underlying value per Auswide ordinary share of between \$4.15 and \$4.83.<sup>107</sup> This valuation is a matter of judgement having regard to a market approach analysis with assessment of a number of parameters including P/E multiples and P/NTA multiples.

As our valuation is on the basis of a merger of equals analysis, our assessed value represents the underlying stand-alone value of a portfolio interest in Auswide and in that respect excludes a premium for control and the value for synergies that may be available to acquirers of Auswide (although we do note the presence of synergies as an additional financial benefit of the Proposed Merger). We note that the closing share price of Auswide as at 16 August 2024 (the last trading day prior to the announcement of the Merger Proposal) of \$4.35 falls within our assessed underlying value range, however, we recognise that the pre-Merger Proposal Auswide share price is not directly comparable as it excludes the impacts of the Selfco Acquisition and the Offer.

As discussed in Section 11.1 of this report, we have adopted the market approach in assessing the underlying value of Auswide Bank. This approach provides a value of Auswide's business operations to which the value of any surplus assets/liabilities (if any) are added/subtracted to determine the equity value of Auswide.

In line with industry practice for valuing financial institutions, we have adopted NPAT as the earnings base for our valuation. Further, in order to facilitate meaningful comparison, we have based our analysis on underlying NPAT (which approximates reported cash NPAT for many of the listed comparable companies) as an earnings definition to remove distortions to value caused by items such as gains and losses from hedging and financial instruments, gains of disposal of assets and other one-off significant items which are not part of ongoing operations.

In order to inform our selected value range, Kroll has first had regard to historical and forward P/E multiples for selected ASX listed banks and non-bank lenders, as well as transactions involving ASX-listed banks and non-bank lenders (refer to Section 11.4 of this report). We have also compared the implied P/NTA multiples to those of comparable companies and transactions.

The earnings multiples and net assets multiples implied by the valuation of the equity of Auswide are summarised in the following table.

**Auswide Implied Valuation Parameters**

	Variable (\$ million)	Range of Parameters	
		Low	High
<b>Auswide's equity value</b>		<b>215.0</b>	<b>250.0</b>
<b>Multiple of Underlying NPAT (times)</b>			
FY24 Underlying Pro Forma <sup>1</sup>	9.2	23.3x	27.1x
FY25 Broker Consensus	16.8	12.8x	14.9x
FY26 Broker Consensus	25.5	8.4x	9.8x
<b>Multiple of assets (times)</b>			
Pro Forma NTA as at 30 June 2024 <sup>2</sup>	252.5	0.9x	1.0x

Source: Kroll analysis.

1. FY24 Underlying Pro Forma is Auswide's FY24 Pro Forma NPAT of \$10.2 million (which includes pro forma adjustments for the Selfco Acquisition) less gain on sale of investment in Financial Advice Matters of \$1.1 million plus fees relating to potential M&A activities of \$0.2 million.
2. NTA is net tangible assets. Pro forma figure as at 30 June 2024 includes pro forma adjustments relating to the Offer, Selfco Acquisition, and repayment of Selfco Warehouse Trust. Calculated as net assets of \$308.0 million less intangible assets and goodwill of \$55.5 million.

<sup>107</sup> Calculated as our assessed range of value of the equity of Auswide divided by the 51,555,706 ordinary shares and 133,738 Auswide Performance Rights on issue.

Auswide has not provided guidance for FY25 or FY26 and so the implied P/E multiples set out in the previous table are based on the median of brokers' forecasts for Auswide.

In our view, the multiples implied by the valuation range are reasonable having regard to several factors including:

- P/E and P/NTA multiples implied in the trading of comparable companies (refer to Section 11.4.1 of this report for a detailed analysis of the sharemarket evidence);
- P/E and P/NTA multiples implied in comparable transactions (refer to Section 11.4.2 of this report for a detailed analysis of the sharemarket evidence);
- the relatively smaller scale of Auswide and its monoline product offering, with scale being a significant determinant of applicable multiples for banks and non-bank lenders, as larger scale drives numerous operating and competitive advantages and typically increases diversification of revenues (as detailed further in Section 11.4.1 of this report);
- the growth profile of Auswide contributes to relatively high implied P/E multiples based on FY24 Underlying Actual NPAT and FY25 Broker Consensus NPAT, with broker consensus forecasts indicating significant underlying NPAT growth across FY25 and FY26, at a CAGR of 66.1%, as the business recovers from FY24 earnings that were materially impacted by margin pressure in both loan and funding markets, particularly on its fixed rate loan portfolio;
  - based on Kroll's analysis of the one-off losses associated with hedging on the fixed rate loan portfolio in FY24, if we were to normalise for these losses (which are not expected to be ongoing) by assuming that Auswide's fixed rate loan portfolio was approximately 80% hedged for interest rate movements, we calculate a normalised pro forma FY24 NPAT of approximately \$18.7 million. This would imply an FY24 multiple range of 11.5 times to 13.3 times, which is broadly consistent with the historical P/E multiples of its closest peers, BOQ (11.1 times) and MyState (12.8 times<sup>108</sup>), and slightly lower than that of BEN (14.2 times) which is reasonable based on Auswide's relatively smaller scale. While Kroll recognises that this analysis has limitations in its simplicity and does not take into account the present value of future losses that Auswide will incur on these loans, nor any corresponding adjustments to other banks earnings (over and above items identified as non-recurring in the financial statements), we find it to be a useful datapoint in evaluating the assessed equity value range for Auswide;
  - margin pressures in both loan and funding markets are expected to ease as the majority of Auswide's fixed rate loan portfolio matures by 30 June 2025, with these loans rolling to current market rates delivering a material uplift in interest revenue. For this reason, the implied P/E multiples based on FY+2 (i.e. FY26) broker consensus forecast earnings are arguably more relevant given the impact on earnings due to the margin pressure on the fixed rate loan portfolio is due to have largely subsided by FY26. The implied FY26 broker consensus forecast P/E multiple range of 8.4 times to 9.8 times, which is below the range of other banks' forecast multiples of 10.1 times to 13.4 times and is above the range of non-bank lenders' forecast multiples of 5.9 times to 6.1 times. We find this to be reasonable as Auswide is relatively smaller than the other banks and predominantly offers home loans, both of which warrant it to be valued at a lower multiple. We also note that its implied multiples are lower than those of MyState's, which is reasonable as MyState has greater scale and is relatively more diversified. Relative to the non-bank lenders, Auswide has higher implied multiples, which is warranted given the non-bank lenders have substantially different operating models and other characteristics (as detailed in Section 11.4.1 of this report) that justify lower multiples;
- Auswide's implied P/NTA multiples of 0.9 times to 1.0 times is reflective of its low ROTE, which likely reflects that a substantial proportion of its loan book at 30 June 2024 was represented by fixed rate loans at relatively low interest rates which are not profitable;

<sup>108</sup> MyState's implied historical P/E multiple is based on the midpoint of Kroll's assessed equity range for MyState of \$420.0 to \$485.0 million (refer to Section 11.3 of this report for further details).

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- the nature of the environment in which Auswide operates, in particular, the benefits of scale in a home loan lending market with heightened competition, trends towards the increasing digitisation of banking, and increasing regulatory compliance and technological investment burdens; and
- the current macroeconomic environment, which is categorised by high interest rates, high inflation, and a low household savings ratio, which are combining to pressure margins in loan and funding markets.

## 11.3 Valuation of MyState

### 11.3.1 Summary

Kroll has assessed the value of the equity of MyState to be in the range of \$420.0 million to \$485.0 million, which equates to an underlying value per MyState ordinary share of between \$3.75 and \$4.33.<sup>109</sup> This valuation is a subjective judgement having regard to a market approach analysis. We note that the closing share price of MyState as at 16 August 2024 (the last trading day prior to the announcement of the Merger Proposal) of \$3.94 falls within our assessed underlying value range.

We have adopted the same valuation approach for MyState as Auswide (refer to Sections 11.1 and 11.2.1 of this report for valuation approach).

The earnings multiples and net assets multiples implied by the valuation of the equity of MyState are summarised in the following table.

#### MyState Implied Valuation Parameters

	Variable (\$ million)	Range of Parameters	
		Low	High
<b>MyState's equity value</b>		<b>420.0</b>	<b>485.0</b>
<b>Multiple of NPAT (times)</b>			
FY24 Actual	35.3	11.9x	13.7x
FY25 Broker Consensus	38.2	11.0x	12.7x
FY26 Broker Consensus	44.6	9.4x	10.9x
<b>Multiple of assets as at 30 June 2024 (times)</b>			
NTA	379.2	1.1x	1.3x

Source: Kroll analysis.

MyState has not provided guidance for FY25 or FY26 and so the implied P/E multiples set out in the previous table are based on the median of brokers' forecasts for MyState.

In our view, the multiples implied by the valuation range are reasonable having regard to several factors including:

- P/E and P/NTA multiples implied in the trading of comparable companies (refer to Section 11.4.1 of this report for a detailed analysis of the sharemarket evidence);
- P/E and P/NTA multiples implied in comparable transactions (refer to Section 11.4.2 of this report for a detailed analysis of the transaction evidence);
- the growth profile of MyState reflects more stable earnings relative to Auswide. Broker consensus forecasts indicate underlying NPAT growth across FY25 and FY26, at a CAGR of 12.4%, significantly below Auswide's 66.1% expected CAGR. MyState has seen more consistency in recent earnings and therefore has a more stable growth outlook in the near term; and
- MyState also benefits from this earnings consistency with a higher NTA multiple of 1.1 times to 1.3 times relative to Auswide and higher FY+2 NPAT multiples of 9.4 times to 10.9 times. Relative to Auswide, the comparison of NTA multiples and FY+2 NPAT multiples are arguably more beneficial as

<sup>109</sup> Calculated as our assessed range of value of the equity of MyState divided by the 110,647,753 ordinary shares and 1,048,542 MyState performance rights on issue.



it removes some of the short-term earnings volatility associated with Auswide (refer to Section 11.2.1 of this report), albeit Auswide's NTA multiple likely captures some of the fixed rate loan losses. On an FY+2 NPAT multiple basis, MyState trades on the ASX at a higher NTA multiple than Auswide.

## 11.4 Market Evidence

### 11.4.1 Sharemarket evidence

There are no listed companies in Australia that are directly comparable to Auswide or MyState given their relative scale, regional focus, relatively small retail customer base, and monoline product offering (i.e. focus on retail deposits and home loans). However, Auswide and MyState do share characteristics with several ASX-listed, bank and non-bank lenders with similar customers, distribution networks or specialised focus. Therefore, in assessing the multiples on which to capitalise the earnings of Auswide and MyState, we have considered the following groups of companies:

- **major banks:** including the Big Four Australian banks, Commonwealth Bank, NAB, Westpac and ANZ. These banks can be categorised as being of significantly larger scale, with higher market capitalisations, wider product offerings, more extensive branch networks (albeit the number of branches has reduced significantly in recent years), greater customer bases, and operations on a national and international level. Additionally, these banks have more diversified revenue streams from investments, institutional banking, and global operations. These banks tend to benefit from economies of scale, whereby they are able to spread operational costs (e.g. technology, compliance, marketing) across a larger customer base, better access to both domestic and international capital markets, greater brand recognition, and a greater capacity to invest in technology and growth;
- **other banks:** other mid-tier banks including BEN, BOQ, and Judo Bank. Compared to Auswide and MyState, BEN and BOQ tend to have larger national footprints and more extensive branch networks across Australia, while Judo Bank focuses on SME lending. These banks tend to have a greater emphasis on business banking and offer more complex financial products. BEN and BOQ are similar to Auswide and MyState in that they operate community-based business models aiming for more personalised customer experiences. Judo Bank has a strong technological focus with a digital-first business model, while BEN and BOQ maintain more conventional banking models despite also making significant investments in their technology; and
- **non-bank lenders:** including Pepper Money Limited (**Pepper Money**) and Resimac Group Limited (**Resimac**). These companies do not take deposits from customers but specialise in providing loans, particularly home loans, personal loans, and asset finance, to customers who do not meet the stricter lending criteria of traditional banks, such as those with lower credit scores or more complex financial situations, which affects both their cost base and credit exposure. They typically fund their loans through securitisation.

Details for a selection of ASX-listed banks and non-bank lenders that are broadly comparable to Auswide and MyState, including the earnings multiples implied by their share prices as at 17 October 2024, are set out in further detail in Appendix 5 of this report.

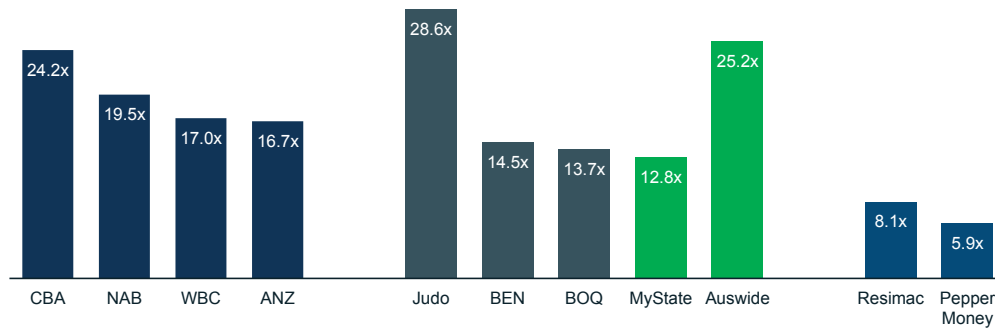
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## P/E Multiples

The following charts summarise the historical and forecast trading multiples for the comparable companies relative to the median of the multiples implied by the valuations of Auswide and MyState.

### Historical P/E Multiples

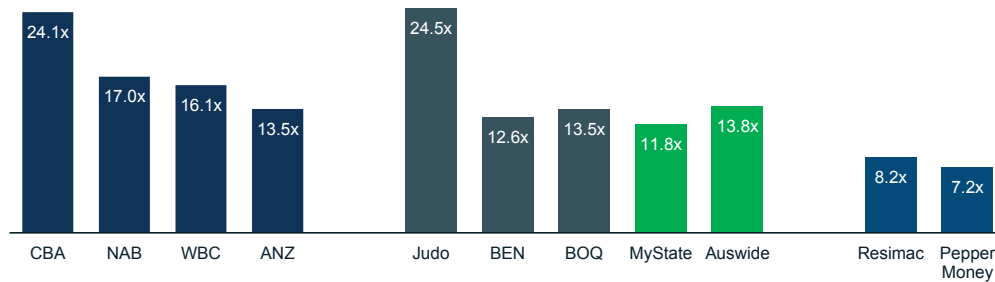


Source: S&P Capital IQ, Company financial statements; Kroll analysis.

Notes:

1. Historical P/E multiples based on last twelve month (LTM) underlying NPAT.
2. Auswide and MyState multiples are based on the median of the implied valuation multiples.
3. As at 30 September 2024.

### FY+1 P/E Multiples



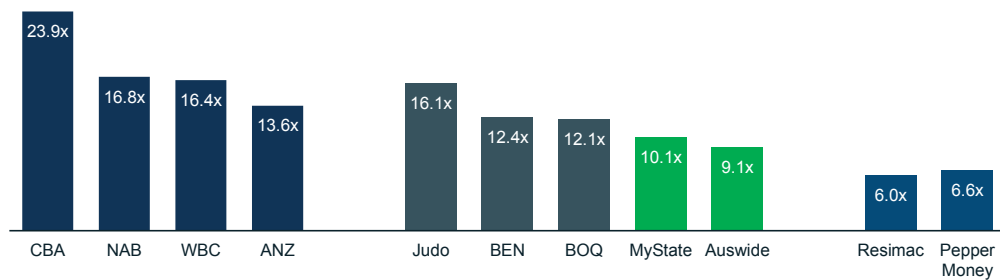
Source: S&P Capital IQ, Company financial statements; Kroll analysis. As at 30 September 2024.

Notes:

1. Auswide and MyState multiples are based on the median of the implied valuation multiples.
2. As at 30 September 2024.



#### FY+2 P/E Multiples



Source: S&P Capital IQ, Company financial statements; Kroll analysis. As at 30 September 2024.

1. Auswide and MyState multiples are based on the median of the implied valuation multiples.
2. As at 30 September 2024.

The following factors are relevant to the consideration of the comparable company multiples:

- the multiples reflect trading of portfolio interests in the companies and therefore exclude any premium for control;
- none of the companies are directly comparable to Auswide or MyState, however, a number of the peer group have elements of comparability. These companies also face similar external factors to Auswide and MyState, including macroeconomic factors (e.g. inflation, interest rate movements), competition, regulatory compliance requirements, and technological factors;
- the earnings multiples at which the comparable companies are trading are driven by several factors including the scale and diversification of their operations, risk and quality of loan books, degree of collateralisation, profitability, and future growth prospects. We note that the primary driver of the earnings multiples at which the comparable companies trade includes their NPAT margins (which are inherently tied to scale) and their forecast NPAT growth;
- we note that the implied multiples for many of the comparable companies are relatively flat based on low expected future growth in earnings, and in some cases these multiples increase indicating progressive declines in earnings. This reflects expectations for relatively benign growth for the Australian banking sector as a whole over coming years;
- NPAT multiples of major banks are generally higher than those of other banks, including Auswide and MyState, with the major banks having several characteristics which contribute to them trading at higher multiples, including:
  - significant market share, accounting for approximately 75.9% of gross loans and 76.2% of total deposits in Australia as at 30 June 2024,<sup>110</sup> strong brand recognition, and broader customer bases across Australia and internationally, which provides scale advantages and supports relatively stable earnings growth;
  - diversity in revenue streams, including substantial business banking, wealth management, and international operations. This makes the major banks more resilient to local economic fluctuations and contributes to more stable growth, as demonstrated in their relatively higher forecast NPAT growth, and can enhance margins;
  - benefits of economies of scale, enabling more efficient operations by spreading operational costs (e.g. technology, compliance, marketing) across a larger customer and asset base. This is reflected in their higher margins (i.e. NPAT margins greater than 27.6%), which provide a cost advantage over smaller banks and allow the larger banks to compete more aggressively on price.

<sup>110</sup> APRA: Quarterly ADI performance statistics, June 2024 (released September 2024).

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Greater scale and efficiency also contributes to their higher ROEs, making these banks more attractive to investors;

- greater access to domestic and international capital markets, providing more diverse and cheaper sources of funding, which enhances profitability and ROE;
  - on average, above forecast inflation NPAT growth and greater stability in allowing the payment of more consistent and often higher dividend yields, making shares more attractive to income-focused investors;
  - perceived lower risk due to their greater size, diversification and access to capital markets, making them more attractive investments to conservative investors. These banks are also often considered to be structurally critical to the Australian economy, or 'too big to fail', which implies that they would receive government support during a crisis; and
- when considering other banks, we note that Judo Bank trades at the highest historical NPAT multiple of all the comparable companies, at 28.6 times, reflecting its strong growth prospects, with broker consensus forecast NPAT growth of 33.7% over the next three financial years. For this reason, we expect that Judo Bank would also trade at a higher multiple than either Auswide or MyState;
  - we note that BEN and BOQ also benefit from many of the aforementioned advantages of the major banks, albeit to a lesser extent given their relative scale. For this reason, while we would expect them to trade at greater multiples than either Auswide or MyState, we find them relatively more comparable than the major banks given their:
    - primary focus is on retail and business banking, relying heavily on mortgage lending and retail deposits. Their operations are far less diversified than the Big Four Australian banks, but more diversified than Auswide or MyState, with larger national footprints, extensive branch networks across Australia, and greater focus on business banking and more diversified financial products. BEN and BOQ are similar to Auswide and MyState in that they operate community-based business models aiming for more personalised customer experiences;
    - although they are still relatively much larger in scale to Auswide and MyState (with BEN and BOQ both holding loan books of approximately \$80 billion) and should trade at higher multiples than Auswide and MyState on this basis alone, BEN and BOQ do not benefit from economies of scale to the same extent as the Big Four Australian banks, which is reflected in their lower NPAT margins (23.6% and 21.0% for BEN and BOQ respectively) compared to the Big Four Australian banks, but comparable to the NPAT margins and ROEs of both Auswide and MyState;
    - similar growth outlooks to Auswide and MyState, with BEN forecasting NPAT growth at a CAGR of 5.6% over the next three financial years, and BOQ forecasting lower NPAT growth at a CAGR of 2.3% over the same period, reflecting the highly competitive banking home lending environment;
  - despite the non-bank lenders competing with Auswide and MyState for home lending, albeit with a greater focus on non-prime lending, we do not consider them to be comparable:
    - non-bank lenders have substantially different business models (i.e. they are not ADIs), meaning they cannot utilise customer deposits to fund loan originations. In addition, as they are not regulated by APRA, they are not subject to the same tighter regulatory standards and capital adequacy requirements as ADIs such as Auswide and MyState;
    - they specialise in non-conforming loans, which carry higher credit risk and the likelihood of higher provisions for bad debts during downturns;
    - they have relatively weaker growth outlooks, of negative (17.1%) and 4.6% for Pepper Money and Resimac respectively over the next financial year;
    - for these reasons, we would expect Auswide and MyState to trade at higher multiples than those of the non-bank lenders.
  - we note that the historical and FY+1 multiples implied by the valuation of Auswide are substantially higher than MyState's, and also higher than the closest comparable companies in BEN and BOQ.



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- we recognise that these multiples are based on earnings that were significantly impacted by weaker FY24 results, which were a result of margin pressure in both loan and funding markets affecting the fixed rate loan portfolio;
- we note that Auswide broker consensus forecasts show significant growth in NPAT during FY25 and FY26, at a CAGR of 66.1%, as the fixed loan book rolls off and earnings improve alongside improvements in NIM. While there remains uncertainty around the timing and degree in recovery of earnings, Auswide management is confident that earnings will recover meaningfully in coming years.
- for this reason, the implied P/E multiples based on FY+2 broker forecast earnings are arguably more relevant for Auswide given the impact on earnings due to the margin pressure on the fixed rate loan portfolio is due to have largely subsided by FY26. We note that the implied FY26 forecast multiple is more in line with the multiples implied by the sharemarket evidence. Auswide's FY26 forecast multiple sits beneath MyState's multiple which is supported by Auswide's smaller loan book portfolio and Auswide's less diversified revenue base. Furthermore, we have compared the broker consensus forecasts for Auswide to the company's internal forecasts and find them to be broadly similar;
- based on Kroll's analysis of the one-off losses associated with hedging on the fixed rate loan portfolio in FY24, if we were to normalise for these losses (which are not expected to be ongoing) by assuming that Auswide's fixed rate loan portfolio was approximately 80% hedged for interest rate movements, we calculate a normalised pro forma FY24 NPAT of approximately \$18.7 million. This would imply an FY24 multiple range of 11.5 times to 13.3 times, which is broadly consistent with of lower than the historical P/E multiples of its closest peers, BOQ (13.7 times), MyState (12.8 times<sup>111</sup>) and BEN (14.5 times), which is reasonable based on Auswide's relatively smaller scale. While Kroll recognises that this analysis has limitations in its simplicity and does not take into account the present value of future losses that Auswide will incur on these loans, nor any corresponding adjustments to other banks earnings (over and above items identified as non-recurring in the financial statements), we find it to be a useful datapoint in evaluating the assessed equity value range for Auswide.

Taking all of these factors into account, it is Kroll's opinion that the implied multiples for Auswide and MyState are reasonable.

### **P/NTA Multiples**

As additional evidence for the selected equity value range for Auswide and MyState, Kroll has compared the P/NTA multiples implied by our assessed range of equity values for Auswide and MyState to the P/NTA multiples of comparable companies.

As noted in Section 11.1.2 of this report, there is a strong link between P/NTA and ROTE. A bank with a high ROTE is typically more profitable, indicating that it is able to generate higher returns on tangible equity. Investors will value this more highly, as it exhibits a capability to be more efficient in generating returns from assets and there is increased confidence in its ongoing profitability. Conversely, banks with a low ROTE are likely to have lower P/NTA multiples because they are less efficient in generating returns from tangible assets, leading to lower confidence in the bank's ability to generate future profits from its tangible equity base.

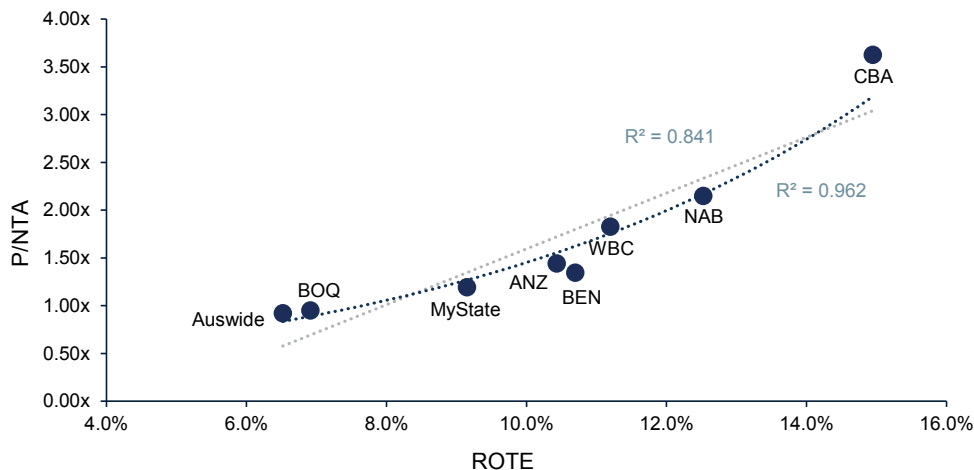
The following chart plots the implied forward P/NTA multiples against forward return-on-tangible-equity (ROTE) for the comparable companies.

<sup>111</sup> MyState's implied historical P/E multiple is based on the midpoint of Kroll's assessed equity range for MyState of \$420.0 to \$485.0 million (refer to Section 11.3 of this report for further details).

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P/NTA versus ROTE (Next Twelve Months)



Source: S&P Capital IQ, Refinitiv, Company financial statements; Kroll analysis.

Notes:

- ROTE is calculated as Capital IQ's median estimate of next twelve month net income divided by tangible shareholder equity.
- P/NTA multiples were calculated as share price (as at 17 October 2024) divided by tangible book value per share (per Capital IQ).
- Auswide and MyState's ROTE and P/NTA have been calculated relative to the midpoint of Kroll's selected valuation range for each business. Auswide's NTA is pro forma NTA as at 30 June 2024. Broker consensus forecasts was used to calculate Auswide's and MyState's forward looking ROTE.

In relation to the implied P/NTA multiples we note the following:

- the P/NTA multiples at which the comparable companies are trading indicate the future earnings expected to be derived from the existing book of net tangible assets. In general, trading at a premium to NTA value (i.e. a P/NTA greater than 1.0 times) indicates that investors anticipate greater value can be leveraged from net tangible assets than the current reported fair value, and may also reflect substantial growth opportunities either within or outside of core operations. Conversely, a P/B of less than 1.0 times indicates that investors may expect additional investment would be required to realise further growth or that losses could be generated on part of the loan book. ROTE is a key driver of P/NTA since it provides an indication of how much earnings can be generated from the book in any particular year. Larger companies that are able to spread operational costs across a larger portfolio are likely to have a reduced discount /greater premium applied to NTA. In addition, where loans require lower levels of administration (e.g., they are larger and longer in duration), the costs are likely to be lower;
- the P/NTA multiples for the observed comparable companies range between 0.9 times and 3.6 times. There is a strong positive correlation shown between the higher the expected return on tangible equity and the price to NTA multiple at which banks trade. Moreover, it is clear that the Big 4 banks are expected to generate strong returns on their assets, which is a product of the significant scale and cost efficiencies available to banks of scale. Generally the smaller lenders, such as BEN, BOQ, MyState and Auswide, sit below the Big 4 in terms of expected returns on tangible equity, and subsequently trade at lower price to NTA multiples, reflecting the markets lower levels of confidence in these banks to generate returns on their existing asset bases;
- MyState's selected equity value range implies a higher midpoint NTA multiple (1.19 times) relative to Auswide (0.92 times), which can be explained by the market's expectation that MyState is likely to generate a greater ROTE in the near term. This is supported by MyState's expected ROTE for the next twelve months of (9.1%) which is higher than Auswide (6.5%), partly due to continuing expected losses on its fixed rate loan portfolio; and



- these results are also supportive of the strategic rationale of the Merger Proposal, with a clear correlation of higher NTA multiples for banks with larger scale and greater operational efficiencies, which we believe the Merger Proposal will provide (refer to Sections 10.3, 10.4 and 10.5 of this report for discussion on synergies, strategic rationale and scale benefits anticipated as a result of the Merger Proposal).

#### 11.4.2 Transaction evidence

As there are relatively few directly comparable domestic transactions, we have also considered transactions that are relatable in a broader sense including multiples implied by an Initial Public Offering (IPO). We note, however, that in addition to company and transaction specific factors, the IPO multiples will be influenced by the economic conditions and growth outlook at the time of the transaction and they represent minority multiples.

In particular, we note that the rising interest rates and debt service costs across Australia have impacted lender profitability and growth outlooks since 2022. Older transactions may therefore not be as relevant.

The following table sets out the historical P/E and P/NTA multiples implied by transactions and IPO that involved companies providing services similar to those offered by Auswide, for which sufficient financial and transactional data is publicly available.

##### Transaction Evidence

Announcement Date	Target	Acquirer	Equity Value (\$m)	Percentage Acquired	Historical P/E	P/NTA
<b>Banks</b>						
18-Jul-22	Suncorp Bank	ANZ	4,900	100%	13.8	1.3
9-Aug-21	Consumer business of Citigroup Pty Ltd	NAB	1,200	100%	8.3	n/a
23-Feb-21	ME Bank	BOQ	1,325	100%	11.9	1.1 <sup>2</sup>
<b>Non-banks</b>						
7-May-21	Pepper Money IPO	-	1,270	n/a	10.5	n/m
5-Jul-17	Pepper Money	KKR Credit Advisors (US) LLC	635	100%	11.0	n/m

Source: S&P Capital IQ, Mergermarket, Company financial statements; Kroll analysis.

Notes:

- n/a means not available. NM means not meaningful.
- Reflects a P/B ratio.

Each of the transactions listed are described in more detail in Appendix 5.

The P/E multiples for broadly comparable transactions are in a range of 8.3 to 13.8 times and the P/NTA multiples for broadly comparable banking transactions are in the range of 1.1 to 1.3 times. In assessing the comparability of the multiples implied by the transactions, it is important to consider the attributes of the target companies and the circumstances of each transaction, including the scale of the business and loan portfolio, growth prospects, profitability of target company and market valuations at the time of the transaction, as well as the level of synergies available to the acquirer.

In considering these transactions we note the following:

- the transactions typically resulted in the transfer of control to the acquirer (except in the case of the Pepper Money IPO). As such, the implied multiples include a premium when compared to the sharemarket evidence multiples. This premium could reflect both the synergistic benefits of the transaction, strategic value, or a competitive bidding process;

# Annexure A Independent Expert's Report

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- comparing the implied multiples of comparable transactions is difficult because the business models, growth prospects, network sizes, product offerings, and geographical coverage of the targets vary substantially. In addition, the technological and regulatory environment of banking is changing rapidly, with business models adapting to new banking trends, significant consolidation occurring within the sector, and new regulatory requirements being put in place (e.g. Basel III), which limits the comparability of transactions with the passage of time;
- several transactions relate to target companies that were larger and more profitable, with more diversified and secured financial products, operating either as banks or non-bank lenders. The range of implied P/E multiples for these transactions is between 8.3 and 13.8 times. We note the following regarding these transactions:
  - ANZ's acquisition of Suncorp Bank from Suncorp Group is the largest transaction in the comparable transaction grouping, with an implied equity value of approximately \$4,900 million. ANZ paid 13.8 times historical NPAT for Suncorp Bank which served over 1.2 million customers and held a \$47 billion loan portfolio, a \$45 billion deposit portfolio and a \$11 billion commercial loan portfolio. The transaction occurred at a multiple to NTA of 1.3 times, reflecting a premium for the significant scale acquired, strong business momentum and a track record of earnings at Suncorp Bank;
  - the acquisition of Members Equity Bank Limited (**ME Bank**) by Bank of Queensland represented an implied P/E multiple of 11.9 times. ME Bank had steady profitability and had a loan book of approximately \$25.9 billion as at 31 December 2020;
- several of the observed transactions were influenced by strong growth conditions at the time:
  - Suncorp Bank had strong business momentum prior to its acquisition by ANZ, with ~12% net home lending growth for the six month period to June 2022. This strong growth momentum was captured in the strong multiples paid by ANZ of 13.8 times historical NPAT and 1.3 times NTA;
  - the IPO P/E multiple of 10.5 times reflects the growth expectations for Pepper Money at the time of listing in 2021, when the Australian market and fintech sector were experiencing fast growth supported by government stimulus following the COVID-19 pandemic. Pepper Money is currently trading at a discount 50.5% to its IPO price;<sup>112</sup> and
  - at the time of KKR's acquisition of Pepper Group, Pepper Group's loan book had increased 36% in 2016, exceeding the banking sector's 6.5% credit growth as banks eased off risky lending in response to regulator concerns regarding household debt at the time;<sup>113</sup>
- Citigroup's Australian consumer business consisted of 1.4 million customers and \$7.9 billion in home loans, with 47% of the estimated 400,000 mortgage customers to be within the mature and affluent suburbs category, suggesting a high quality and low mortgage book. Citi's strength in credit card offerings was viewed as attractive, with the transaction rationale at the time supporting NAB's strategic ambition to build a robust personal bank offering for customers;
- given the scale, product quality, profitability and expected growth of these target companies or divisions is higher than for Auswide and MyState at present, and several of these transactions also included a control premium as well as a premium for specific synergies at the time of the transaction, we would expect Auswide and MyState to trade at multiples (of normalised earnings) lower than those implied by these transactions.

On the basis of the above, and with an overall regard to each of the multiples of listed transactions which include a premium for control and the attributes of these businesses compared to Auswide and MyState, it is Kroll's opinion that the implied multiples for Auswide and MyState are reasonable.

<sup>112</sup> Calculated on the basis of closing prices as at 17 October 2024 (\$1.43) relative to the IPO offer price of \$2.89.

<sup>113</sup> Reuters. Australia's Pepper Group accepts \$518 million KKR takeover offer. 10 August 2017.



## Appendix 1 – Kroll disclosures

### Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand and holds a Master of Commerce. He is also Vice Chair of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

### Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Scheme is in the best interests of Auswide Shareholders, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement). Kroll expressly disclaims any liability to any Auswide Shareholder who relies or purports to rely on this report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme (other than this report).

### Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Auswide, MyState or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to Auswide. Kroll's only role with respect to the Scheme has been the preparation of this report.

Kroll will receive a fixed fee of A\$225,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme Meeting. Kroll will receive no other benefit for the preparation of this report.

### Declarations

Auswide has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Auswide for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services Licence no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities;

with respect to retail clients and wholesale clients.

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### Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Auswide. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

For personal use only

## Appendix 2 – Limitations and reliance on information

### Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Auswide and its advisers. Auswide has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Auswide has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In the drafting of our report, Kroll has relied on information contained within the FY24 Appendix 4E's of both MyState and Auswide and within the FY24 Annual Report for MyState. Although Auswide's FY24 annual report has not been published as at the date of this report, Kroll has confirmed with Auswide that there are not expected to be any material differences between the Appendix 4E and the FY24 Annual Report.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Auswide for this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Auswide in relation to the nature of the business operations, specific risks and opportunities, historical results of Auswide and prospects for the foreseeable future of Auswide. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion and is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

### Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Auswide has requested Kroll limit the disclosure of certain information relating to Auswide. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Auswide. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Auswide.

### Sources of information

In preparing this report we have been provided with and considered the following sources of information:

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## *Publicly available information*

- Scheme Booklet;
- Preliminary financial reports and results presentations for Auswide and MyState for FY22, FY23 and FY24 including their Appendix 4E reports, annual reports for Auswide for FY22 and FY23 and annual reports for MyState for FY22, FY23 and FY24;
- ASX announcements, press releases, technical reports, media and analyst presentations and other public filings by Auswide and MyState including information available on their websites;
- broker reports and press articles regarding Auswide and MyState and the financial services industry;
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions;
- various industry reports; and
- information sourced from IRESS, Refinitiv and S&P Capital IQ.

## *Non-public information*

- Auswide Board papers and other internal briefing papers prepared by Auswide and its advisors;
- financial models prepared by Auswide and its advisors; and
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Auswide and MyState and the Auswide Board.



## Appendix 3 – Broker Consensus

### Auswide

Two brokers have published reports following the release of Auswide's FY24 financial results on 26 August 2024. A summary of the broker reports is provided as follows.

#### Auswide Broker Forecast Net interest income, Core earnings, and NPAT (\$ millions)

	Date of report	Net interest income			Core earnings			NPAT		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	17-Sep-24	71.3	89.9	113.4	16.5	26.9	45.4	11.2	17.6	29.9
Broker 2	27-Aug-24	71.3	82.0	91.0	16.5	23.0	30.0	11.2	16.0	21.0
<b>Median</b>		<b>71.3</b>	<b>86.0</b>	<b>102.2</b>	<b>16.5</b>	<b>25.0</b>	<b>37.7</b>	<b>11.2</b>	<b>16.8</b>	<b>25.5</b>

#### Auswide Broker Forecast Basic EPS (cents), Dividends per share (cents) and Payout ratio

	Date of report	Basic EPS			Dividends per share			Payout ratio		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	17-Sep-24	24.2	35.0	55.2	22.0	23.0	38.0	91.1%	68.0%	70.0%
Broker 2	27-Aug-24	24.2	33.0	40.0	22.0	26.0	30.0	91.1%	78.0%	75.0%
<b>Median</b>		<b>24.2</b>	<b>34.0</b>	<b>47.6</b>	<b>22.0</b>	<b>24.5</b>	<b>34.0</b>	<b>91.1%</b>	<b>73.0%</b>	<b>72.5%</b>

#### Auswide Broker Forecast Net interest margin, Group cost to income ratio, and Return on equity

	Date of report	Net interest margin			Group cost to income ratio			Return on equity		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	17-Sep-24	1.42%	1.69%	1.94%	79.9%	73.3%	63.7%	3.9%	5.7%	8.6%
Broker 2	27-Aug-24	1.42%	1.55%	1.63%	79.9%	75.3%	71.5%	3.9%	5.3%	6.4%
<b>Median</b>		<b>1.42%</b>	<b>1.62%</b>	<b>1.79%</b>	<b>79.9%</b>	<b>74.3%</b>	<b>67.6%</b>	<b>3.9%</b>	<b>5.5%</b>	<b>7.5%</b>

Sources: Broker reports and Kroll analysis.

Notes: FY24 results are actual results as reported. FY25 and FY26 represent broker forecasts.

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## MyState

Two brokers have provided the forecast for MyState post its results announcement on 18 August 2024, however, one broker has been excluded as they are an adviser to the Merger Proposal. A summary of the broker reports is provided as follows.

### MyState Broker Forecast Net interest income, Core earnings, and NPAT (\$ millions)

	Date of report	Net interest income			Core earnings			NPAT		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	19-Aug-24	124.5	135.1	148.1	51.4	55.9	64.7	35.3	38.2	44.6

### MyState Broker Forecast Basic EPS (cents), Dividends per share (cents) and Payout ratio

	Date of report	Basic EPS			Dividends per share			Payout ratio		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	19-Aug-24	32.0	35.0	40.0	23.0	24.0	26.0	72.0%	68.6%	65.0%

### MyState Broker Forecast Net interest margin, Group cost to income ratio, and Return on equity

	Date of report	Net interest margin			Group cost to income ratio			Return on equity		
		FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Broker 1	19-Aug-24	1.45%	1.50%	1.60%	66.3%	66.0%	63.6%	7.7%	8.0%	9.1%

Sources: Broker reports and Kroll analysis.

Notes: FY24 results are actual results as reported. FY25 and FY26 represent broker forecasts.

## Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

### Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

### Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow, or the asset has a finite life.

The most common methodology adopted is the discounted cash flow (**DCF**) methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a

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terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

### Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

## Appendix 5 – Market Evidence

### Comparable companies

The following table sets out the trading multiples and financial data for the selected comparable companies as at 17 October 2024.

Company name	Market Capitalisation (\$ millions)	NPAT margin <sup>2</sup> LTM	NPAT growth <sup>3</sup>			ROE <sup>4</sup> LTM	NIM <sup>5</sup> LTM	P/E <sup>6</sup>			P/TBV <sup>7</sup>	P/B <sup>7</sup>	
			FY	FY+1	FY+2			FY+3	FY	LTM			FY+1
<b>Banks</b>													
Commonwealth Bank	237,452.6	37.3%	(3.4%)	0.5%	0.7%	3.3%	1.99%	24.2x	24.2x	24.1x	23.9x	3.6x	3.2x
NAB	119,919.7	31.6%	1.5%	9.6%	1.6%	4.8%	1.72%	19.5x	18.7x	17.0x	16.8x	2.1x	2.0x
Westpac	111,774.7	31.9%	8.3%	(2.9%)	(2.0%)	5.8%	1.82%	17.0x	15.6x	16.1x	16.4x	1.8x	1.5x
ANZ	94,639.2	27.6%	5.3%	14.7%	(1.0%)	(0.2%)	1.60%	16.7x	15.3x	13.5x	13.6x	1.4x	1.3x
BEN	6,901.7	23.6%	(10.4%)	15.0%	1.4%	0.8%	1.90%	14.5x	14.5x	12.6x	12.4x	1.3x	1.0x
BOQ	4,610.5	21.0%	(13.5%)	(7.3%)	11.0%	4.1%	1.57%	13.7x	12.5x	13.5x	12.1x	0.9x	0.8x
Judo Capital Holdings Limited	2,128.4	22.8%	0.1%	16.7%	52.1%	34.5%	2.94%	28.6x	28.6x	24.5x	16.1x	1.4x	1.4x
AMP Bank	n/a <sup>1</sup>	20.5%	(16.5%)	(15.4%)	4.4%	0.0%	1.15%	n/a	n/a	n/a	n/a	n/a	n/a
<b>Non-Banks</b>													
Pepper Money Limited	629.9	27.0%	(19.9%)	(17.1%)	3.6%	15.1%	1.56%	5.9x	5.5x	7.2x	6.6x	0.9x	0.7x
Resimac Group Limited	348.0	29.0%	(44.9%)	4.6%	32.6%	20.9%	NA	8.1x	8.1x	8.2x	6.0x	0.9x	0.8x

Source: S&P Capital IQ, Company financial statements; Kroll analysis.

Notes:

- AMP Bank operates a business segment of AMP Group (ASX:AMP) and is not separately listed on the ASX. Therefore certain metrics are not able to be calculated for AMP Bank.
- NPAT margin calculated is based on normalised NPAT to net revenue. Normalised net income excludes non-recurring gains/losses, fair value changes (which includes gains/losses of financial instruments) recorded through profit and loss and impairment expenses. Net revenue is interest income plus other income net of interest expense and loan loss provisions.
- NPAT growth for the forecast years is based on the consensus median NPAT estimates sourced from S&P Capital IQ.
- ROE is calculated based on normalised NPAT to average shareholder equity.
- NIM presented represents the NIM reported by companies in their annual filings. Companies adopt different methodology to calculate their respective NIMs.

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6. The P/E multiples are calculated on the basis of normalised NPAT.
7. P/TBV refers to price to tangible book value. Book value and tangible book value considered from the latest filing
8. n/a presents not available or not applicable.



The following table presents the business description for the selected comparable companies along with loan composition, funding source and business segments.

Company	Business Description	Loan Composition <sup>1</sup>	Funding source <sup>2</sup>	Retail business in Australia as % of total income <sup>3</sup>
Commonwealth Bank	<p>Commonwealth Bank is the largest bank operating in Australia which provides banking, life insurance, and related services for individuals, small businesses, and medium sized commercial enterprises. The company also offers corporate and general banking, international financing, institutional banking, and brokerage and funds management such as superannuation products. As at 30 June 2024, Commonwealth Bank's loan book stood at \$942.2 billion.</p>			
NAB	<p>NAB provides banking and financial solutions in Australia and New Zealand. The company offers personal banking services which includes home loans, personal loans and credit cards. The company provides business loans to enterprises along with investment management and wealth management services. As at 30 June 2024, NAB's loan book stood at \$719.9 billion.</p>			







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Company	Business Description	Loan Composition <sup>1</sup>	Funding source <sup>2</sup>	Retail business in Australia as % of total income <sup>3</sup>
Westpac	<p>Westpac provides banking and financial services in Australia and New Zealand. Westpac is engaged in providing saving accounts services, home loans and personal loans to individual customers. Westpac also caters to small to medium enterprises through business loans, and transaction accounts services. In New Zealand, Westpac provides banking, wealth, and insurance services to customers. As at 31 March 2024, Westpac's loan book stood at \$784.8 billion.</p>	<ul style="list-style-type: none"> <li>■ Home loans</li> <li>■ Others</li> </ul>	<ul style="list-style-type: none"> <li>■ Deposits</li> <li>■ Others</li> </ul>	<ul style="list-style-type: none"> <li>■ Retail business</li> <li>■ Others</li> </ul>
ANZ	<p>ANZ provides a range of financial products which includes home loans, personal loans, credit cards, business loans, financial solutions to corporate and institutional clients. ANZ also provides wealth management services which includes investment and financial advisory services. As at 30 June 2024, ANZ's loan book stood at \$715.2 billion.</p>	<ul style="list-style-type: none"> <li>■ Home loans</li> <li>■ Others</li> </ul>	<ul style="list-style-type: none"> <li>■ Deposits</li> <li>■ Others</li> </ul>	<ul style="list-style-type: none"> <li>■ Retail business</li> <li>■ Others</li> </ul>







Company	Business Description	Loan Composition <sup>1</sup>	Funding source <sup>2</sup>	Retail business in Australia as % of total income <sup>3</sup>
BEN	<p>BEN offers home loans, personal loans, credit cards, wealth management services, business loans, and financial solutions to corporate and institutional clients. BEN also provides specialised financial services for the agriculture sector. As at 30 June 2024, BEN's loan book stood at \$80.6 billion.</p>	 <ul style="list-style-type: none"> <li>■ Home loans</li> <li>■ Others</li> </ul>	 <ul style="list-style-type: none"> <li>■ Deposits</li> <li>■ Others</li> </ul>	 <ul style="list-style-type: none"> <li>■ Retail business</li> <li>■ Others</li> </ul>
BOQ	<p>As one of the leading regional banks in Australia, BOQ provides a range of financial products which includes home loans, personal loans, credit cards, business loans, financial solutions to corporate and institutional clients. BEN also provides specialised banking providing tailored banking solutions to medical, dental and accounting professionals. As at 30 February 2024, BOQ's loan book stood at \$80.2 billion.</p>	 <ul style="list-style-type: none"> <li>■ Home loans</li> <li>■ Others</li> </ul>	 <ul style="list-style-type: none"> <li>■ Deposits</li> <li>■ Others</li> </ul>	 <ul style="list-style-type: none"> <li>■ Retail business</li> <li>■ Others</li> </ul>

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Company	Business Description	Loan Composition <sup>1</sup>	Funding source <sup>2</sup>	Retail business in Australia as % of total income <sup>3</sup>
Judo Capital Holdings Limited (Judo)	Judo owns and operates Judo Bank that offers banking services focusing on SMEs. Judo bank provides business loans, agribusiness loans, home loans and asset finance to customers. The bank also provides term deposits to individuals and businesses. As at 30 June 2024, Judo Bank's loan book stood at \$10.6 billion.	<ul style="list-style-type: none"> <li>Home loans</li> <li>Others</li> </ul>	<ul style="list-style-type: none"> <li>Deposits</li> <li>Others</li> </ul>	<p>Judo Bank's retail business includes home loans, although the income from these loans is not separately disclosed.</p> <ul style="list-style-type: none"> <li>Retail business</li> <li>Others</li> </ul>
Pepper Money	Pepper Money is a non-bank lender which is engaged in consumer lending (personal loans, auto loans and equipment finance), residential mortgages, commercial property finance, small business finance and loan servicing. As at 30 June 2024, Pepper Money's loan book stood at \$18.1 billion.	<ul style="list-style-type: none"> <li>Home loans</li> <li>Others</li> </ul>	Pepper Money's source of funding includes warehouse facilities provided by banks and institutional investors, corporate debt facilities and government finance.	<ul style="list-style-type: none"> <li>Retail business</li> <li>Others</li> </ul>
Resimac Group (Resimac)	Resimac is a non-bank lender in Australia and New Zealand which specialises in residential mortgages and asset finance and also provides corporate debt facilities. As at 30 June 2024, Resimac's loan book stood at \$14.1 billion.	<ul style="list-style-type: none"> <li>Home loans</li> <li>Others</li> </ul>	Resimac Group's source of funding includes warehouse facilities securitisation trusts and secured corporate debt facilities.	<ul style="list-style-type: none"> <li>Retail business</li> <li>Others</li> </ul>



Company	Business Description	Loan Composition <sup>1</sup>	Funding source <sup>2</sup>	Retail business in Australia as % of total income <sup>3</sup>
AMP Bank	AMP Bank operates as a business segment of AMP (ASX:AMP) providing home loans, business financing, deposits and transactional banking services. As at 30 June 2024, AMP Bank's loan book stood at \$22.9 billion	 <ul style="list-style-type: none"> <li>■ Home loans</li> <li>■ Others</li> </ul>	 <ul style="list-style-type: none"> <li>■ Deposits</li> <li>■ Others</li> </ul>	AMP Bank's retail business includes home loans, although the income from these loans is not separately disclosed in the filings.

Notes:

1. Loan composition chart is presented based on latest filing of respective comparable companies. All types of loans other than home loans are included in others.
2. Funding source chart is presented based on latest filing of respective comparable companies. For AMP Bank, the chart presented is based on latest financial year.
3. Chart prepared is based on latest annual filing of the company. For Pepper Money and Resimac group, income from home loans is assumed to be retail business income.

# Annexure A Independent Expert's Report



## Comparable transactions

The following table sets out the multiples for the selected comparable transactions.

Announcement date	Target	Acquirer	Country	Percentage Acquired (%)	Equity value (\$ million)	P/E	P/TBV	P/B
<b>Banks</b>								
18-Jul-22	Suncorp Bank	ANZ Group Holdings Limited	Australia	100%	4,900	13.8	1.3	1.2
14-Oct-21	Judo Capital Holdings IPO	-	Australia	100%	2,300	n/m	1.7	1.7
9-Aug-21	Consumer business of Citigroup Pty Ltd	National Australia Bank	Australia	100%	1,200	8.3 <sup>1</sup>	n/a	n/a
23-Feb-21	Members Equity Bank	Bank of Queensland	Australia	100%	1,325	11.9	1.1 <sup>2</sup>	1.1
12-Oct-13	Lloyds Bank's motor and asset finance business in Australia	Westpac Banking Corporation	Australia	100%	1,450	n/a	1.2	n/a
<b>Non-Banks</b>								
7-May-21	Pepper Money Limited IPO	-	Australia	100%	1,270	10.5	2.8 <sup>3</sup>	2.5
5-Jul-17	Pepper Money Limited	KKR Credit Advisors (US) LLC	Australia	100%	635	11.0	1.7	1.4

Source: S&P Capital IQ, Company financial statements; Kroll analysis.

Notes:

1. Citigroup P/E multiple is based on cash NPAT excluding significant items.
2. Reflects a P/B ratio.
3. Pepper Money IPO P/E multiples are based on net profit from continuing operations and exclude significant items.
4. n/m means not available. n/m means not meaningful.



## Banks

### *Suncorp Bank / ANZ Group Holdings Limited*

On 18 July 2022, ANZ agreed to acquire Suncorp Bank from Suncorp Group Limited for a purchase consideration of \$4.9 billion. At the time of announcement, Suncorp Bank's loan book comprised of home loans of \$47.3 billion and commercial lending of \$11.2 billion along with \$44.8 billion in customer deposits. Besides annual pre-tax cost synergy benefits of \$260 million, the acquisition which got completed in July 2024 is anticipated to enhance ANZ's Retail and Commercial operations in Australia, while also increasing operational scale and geographic diversity. The transaction occurred at an implied P/TBV multiple of 1.3 times and P/E multiple of 13.8 times.

### *Judo Capital Holdings Public Offering*

On 1 November 2021, Judo officially listed on the ASX by way of an initial public offering, raising approximately \$653 million (313.5 million shares at an offer price of \$2.10 per share). Judo owns and operates Judo Bank which is an Australian purpose built commercial bank focused on SME lending. In the three months prior to 30 September 2021, Judo Bank's lending portfolio grew by 17.9% on an aggregate basis, suggesting robust growth underpinned by its relationship-centric model. The transaction implied a 100% equity value of Judo of \$2,317 million and a price-to-book ratio of 1.7 times, reflecting strong growth in Judo's lending portfolio.

### *Australian consumer business of Citigroup Pty Ltd / National Australia Bank Limited*

On 9 August 2021, NAB entered into a sale and purchase agreement to acquire a 100% stake in Citigroup Pty Ltd's (Citi) Australian consumer business for \$1.2 billion. Citi's Australian consumer business consists of 1.4 million customers and \$7.9 billion of home loans, consisting of 47% of the estimated 400,000 mortgage customers to be within the mature and affluent suburbs category, suggesting a high quality and low mortgage book. The transaction rationale at the time was to support NAB's strategic ambition to build a robust personal bank with the opportunity to offer cross-selling opportunity to Citi's consumer business customers. The acquisition implied a P/E of 8.3 times and a P/TBV multiple of 1.3 times.

### *ME Bank Limited / Bank of Queensland*

On 22 February 2021, BOQ announced the acquisition of ME Bank for \$1,325 million. ME Bank is an Australian retail bank that was owned by 26 Australian industry superannuation funds. BOQ is a consumer and business bank with extensive exposure to the Queensland economy including to the local SME market. The acquisition price implied a PB multiple of 1.05 times and an earnings multiple of 11.9 times.

### *Lloyd's Bank Australian business / Westpac Banking Corporation*

On 11 October 2013, Westpac agreed to acquire Lloyds Banking Group's Australian asset finance business, Capital Finance Australia Limited (CFAL), and its corporate loan portfolio, BOS International (Australia), for \$1.45 billion. CFAL comprised of a motor vehicle finance book of \$3.9 billion and equipment finance book of \$2.9 billion. The corporate loan portfolio comprised of \$2.7 billion of commitments which included exposure across Australian corporates, financial institutions and infrastructure and energy projects. The acquisition price implied a P/TBV multiple of 1.2 times.

## Non-Banks

### *Pepper Money Initial Public Offering*

On 25 May 2021, Pepper Money officially listed on the ASX by way of an initial public offering, raising approximately \$500.1 million (73.2 million shares at an offer price of \$2.89 per share). At the time of the transaction, Pepper Money was one of the largest non-bank lenders in the ANZ mortgage and asset finance markets, boasting assets under management and Pro Forma NPAT growth of 10% and 82% respectively from CY18 to CY20. The IPO occurred at an implied P/TBV multiple of 2.5 times and an implied earnings multiple of 11.9 times.

### *Pepper Money Finance / KKR Credit Advisors (US) LLC*

On 10 August 2017, KKR Credit Advisors (US) LLC (KKR) entered into a Scheme Implementation Deed to acquire a 100% stake in Pepper Group Limited (now known as Pepper Money) for \$624.2 million. KKR is a global investment firm that manages funds across multiple alternative asset classes and strategies.

## Annexure A Independent Expert's Report

### KROLL

Pepper Money shareholders at the time of the transaction were entitled to choose either a \$3.60 per share cash payment or enter into a scrip transaction whereby existing shareholders retained equity interest in the bidding vehicle. The transaction occurred at an implied P/TBV multiple of 1.4 times and an implied earnings multiple of 9.7 times. KKR's strategic rationale at the time of the transaction was to gain further exposure to Australia's \$1.7 trillion mortgage market, supported by low delinquency rates and robust commissions on financing.



## Part Two – Financial Services Guide

### What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

### Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Auswide Limited ("Client") to prepare an Independent Expert's Report ("Report") in connection with the Merger Proposal with a wholly-owned subsidiary of MyState Limited (**MyState**) of Client by way of a scheme of arrangement for scrip consideration of 1.112 new MyState shares for each Client share. The Client will provide our Report to you.

### Our details

Kroll Australia Pty Ltd  
Level 32, 85 Castlereagh St  
SYDNEY  
NSW 2000  
www.kroll.com  
Ph: 02 8286 7200

### Our Authorised Representative

Ian Jedlin  
ASIC authorised representative: No. 000404117  
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

### Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities,with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

### Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

### Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll A\$225,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

# Annexure A Independent Expert's Report



No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

### **Complaint Redressal**

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer  
Millinium Capital Managers Limited  
GPO Box 615  
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

<https://www.afca.org.au/make-a-complaint>

Telephone

1300 56 55 62 (local call rate)

Email

[info@afca.org.au](mailto:info@afca.org.au)

Website

[www.afca.org.au](http://www.afca.org.au)

Please note that AFCA can currently only deal with claims for compensation up to \$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.



For personal use only

## **ANNEXURE B**

### **INVESTIGATING ACCOUNTANT'S LIMITED ASSURANCE REPORT**

# Annexure B Investigating Accountant's Limited Assurance Report



The Directors  
Auswide Bank Ltd  
16-20 Barolin Street  
Bundaberg QLD 4670

The Directors  
MyState Limited  
Level 2, 137 Harrington Street  
Hobart TAS 7000

The Directors  
MyState Bank Limited  
Level 2, 137 Harrington Street  
Hobart TAS 7000

23 October 2024

Dear Directors

## Investigating Accountant's Limited Assurance Report

### Independent Limited Assurance Report on the Auswide Bank Ltd historical financial information, MyState Limited historical financial information, Auswide Bank Ltd pro forma historical financial information and Merged Group pro forma historical financial information and Financial Services Guide

We have been engaged by Auswide Bank Ltd (**Auswide**), MyState Limited (**MyState**) and MyState Bank Limited (**MyState Bank**) (together, the **Merged Group**) to report on each of the historical financial information of Auswide and MyState and the pro forma historical financial information of Auswide and the Merged Group for inclusion in the scheme booklet dated on or about 23 October 2024 and relating to the scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Scheme Booklet**) pursuant to which, subject to certain conditions, MyState Bank, a wholly owned subsidiary of MyState, proposes to acquire all of the issued shares in Auswide in exchange for all Auswide shareholders being issued new fully paid ordinary shares in MyState.

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572  
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



## **Scope**

### *Historical financial information*

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information included in the Scheme Booklet:

#### **Auswide Historical Financial Information**

- a. the Auswide consolidated income statement for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in section 4.6(c) of the Scheme Booklet; and
- b. the Auswide consolidated balance sheet as at 30 June 2024 as set out in section 4.6(e) of the Scheme Booklet;

The Auswide Historical Financial Information has been prepared in accordance with the stated basis of preparation, using the recognition and measurement principles contained in Australian Accounting Standards and Auswide's adopted accounting policies. The Auswide Historical Financial Information has been extracted from the financial reports of Auswide for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on these financial reports. The Auswide Historical Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

#### **MyState Historical Financial Information**

- a. the MyState Limited consolidated income statement for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in section 5.18(c) of the Scheme Booklet; and
- b. the MyState Limited consolidated balance sheet as at 30 June 2024 as set out in section 5.18(e) of the Scheme Booklet;

The MyState Historical Financial Information has been prepared in accordance with the stated basis of preparation, using the recognition and measurement principles contained in Australian Accounting Standards and MyState's adopted accounting policies. The MyState Historical Financial Information has been extracted from the financial reports of MyState for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024, which were audited by Wise Lord & Ferguson in accordance with the Australian Auditing Standards. Wise Lord & Ferguson issued an unmodified audit opinion on these financial reports. The MyState Historical Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

# Annexure B Investigating Accountant's Limited Assurance Report



## *Pro Forma historical financial information*

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma financial information of Auswide post completion of the SelfCo transaction and MyState post implementation of the Scheme (**Merged Group**), included in the Scheme Booklet:

### **Auswide Pro Forma Historical Financial Information**

- a. the Auswide pro forma consolidated income statement for the year ended 30 June 2024 as set out in section 4.6(c) of the Scheme Booklet; and
- b. the Auswide pro forma consolidated balance sheet as at 30 June 2024 as set out in section 4.6(e) of the Scheme Booklet,

The Auswide Pro Forma Historical Financial Information has been derived from the Auswide Historical Financial Information after adjusting for the effects of pro forma adjustments described in section 4.6(b) of the Scheme Booklet. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and Auswide's adopted accounting policies applied to the Auswide Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.6(b) of the Scheme Booklet, as if those events or transactions had occurred as at the date of the Auswide Historical Financial Information. Due to its nature, the Auswide Pro Forma Financial Information does not represent Auswide's actual or prospective financial position and/or financial performance.

### **Merged Group Pro Forma Historical Financial Information**

- a. the Merged Group pro forma consolidated income statement for the year ended 30 June 2024 as set out in section 6.8(c) of the Scheme Booklet; and
- b. the Merged Group pro forma consolidated balance sheet as at 30 June 2024 as set out in section 6.8(d) of the Scheme Booklet,

The Merged Group Pro Forma Historical Financial Information has been derived from the Auswide Pro Forma Historical Financial Information and the MyState Historical Financial Information, after adjusting for the effects of pro forma adjustments described in section 6.8(b) of the Scheme Booklet. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and MyState's adopted accounting policies applied to the Auswide Pro Forma Historical Financial Information and the MyState Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6.8(b) of the Scheme Booklet, as if those events or transactions had occurred as at the date of the MyState Historical Financial Information. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent Merged Group's actual or prospective financial position and/or financial performance.

### **Directors' responsibility**

The directors of Auswide are responsible for the preparation and presentation of the Auswide Historical Financial Information and Auswide Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Auswide Historical Financial Information and included in the Auswide Pro Forma Historical Financial



Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Auswide Historical Financial Information and Auswide Pro Forma Historical Financial Information that are free from material misstatement whether due to fraud or error.

The directors of MyState are responsible for the preparation and presentation of the MyState Historical Financial Information and Merged Group Pro Forma Historical Financial Information (noting as set out above that the directors of Auswide are responsible for the preparation and presentation of the Auswide Pro Forma Historical Financial Information), including its basis of preparation and the selection and determination of pro forma adjustments made to the Auswide Pro Forma Historical Financial Information and the MyState Historical Financial Information and included in the Merged Group Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the MyState Historical Financial Information and Merged Group Pro Forma Historical Financial Information that are free from material misstatement whether due to fraud or error.

#### **Our Independence and Quality Management**

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagement*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the Auswide Historical Financial Information, the MyState Historical Financial Information, the Auswide Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review reports on any financial information used as a source of the Auswide Historical Financial Information, MyState Historical Financial Information, Auswide Pro Forma Historical Financial Information or Merged Group Pro Forma Historical Financial Information.

# Annexure B Investigating Accountant's Limited Assurance Report



## Conclusions

### *Auswide Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Auswide Historical Financial Information, as described in section 4.6 of the Scheme Booklet, and comprising:

- a. the Auswide consolidated income statement for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in section 4.6(c) of the Scheme Booklet; and
- b. the Auswide consolidated balance sheet as at 30 June 2024 as set out in section 4.6(e) of the Scheme Booklet;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.6(b) of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and Auswide's adopted accounting policies.

### *MyState Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the MyState Historical Financial Information, as described in section 5.18 of the Scheme Booklet, and comprising:

- a. the MyState Limited consolidated income statement for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in section 5.18(c) of the Scheme Booklet; and
- b. the MyState Limited consolidated balance sheet as at 30 June 2024 as set out in section 5.18(e) of the Scheme Booklet;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5.18(b) of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and MyState's adopted accounting policies.

### *Auswide Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Auswide Pro Forma Historical Financial Information as described in section 4.6 of the Scheme Booklet, and comprising:

- a. the Auswide pro forma consolidated income statement for the year ended 30 June 2024 as set out in section 4.6(c) of the Scheme Booklet; and
- b. the Auswide pro forma consolidated balance sheet as at 30 June 2024 as set out in section 4.6(e) of the Scheme Booklet,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.6(b) of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and the Auswide adopted accounting policies applied to



the Auswide Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.6(b) of the Scheme Booklet, as if those events or transactions had occurred as at the date of the financial information.

*Merged Group Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information as described in section 6.8 of the Scheme Booklet, and comprising:

- a. the Merged Group pro forma consolidated income statement for the year ended 30 June 2024 as set out in section 6.8(c) of the Scheme Booklet; and
- b. the Merged Group pro forma consolidated balance sheet as at 30 June 2024 as set out in section 6.8(d) of the Scheme Booklet,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6.8(b) of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and the MyState adopted accounting policies applied to the Auswide Pro Forma Historical Financial Information and MyState Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6.8(b) of the Scheme Booklet, as if those events or transactions had occurred as at the date of the financial information.

**Notice to investors outside Australia**

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

**Restriction on Use**

Without modifying our conclusions, we draw attention to sections 4.6, 5.18 and 6.8 of the Scheme Booklet, which describes the purpose of the respective Auswide Historical Financial Information, the Auswide Pro Forma Historical Financial Information, the MyState Historical Financial Information and the Merged Group Pro Forma Historical Financial Information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose.

**Consent**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Scheme Booklet in the form and context in which it is included.

**Liability**

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Scheme Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

## Annexure B Investigating Accountant's Limited Assurance Report



### **Independence or Disclosure of Interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

### **Financial Services Guide**

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Hansjoerg Knieling', written over a light blue rectangular stamp.

Hansjoerg Knieling  
Authorised Representative  
PricewaterhouseCoopers Securities Ltd

For personal use only





## Appendix A – Financial Services Guide

### PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 23 October 2024

#### 1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Auswide Bank Ltd, MyState Limited and MyState Bank Limited (**Auswide, MyState, MyState Bank** respectively) to provide a report in the form of an Independent Accountant's Limited Assurance Report in relation to the Auswide Historical Financial Information, the Auswide Pro Forma Historical Financial Information, the MyState Historical Financial Information and the Merged Group Pro Forma Historical Financial Information (the **Report**) for inclusion in the scheme booklet dated 23 October 2024.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

#### 2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

#### 3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

# Annexure B Investigating Accountant's Limited Assurance Report



## 4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

## 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$555,500 (GST incl).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

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PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers provides internal audit, due diligence and other services to Auswide Bank Ltd.

## 7. Complaints

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority (AFCA). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority  
GPO Box 3, Melbourne VIC 3001  
Tel: 1800 931 678 (Free Call)

E-mail: [info@afca.org.au](mailto:info@afca.org.au)



Website: [www.afca.org.au](http://www.afca.org.au)

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

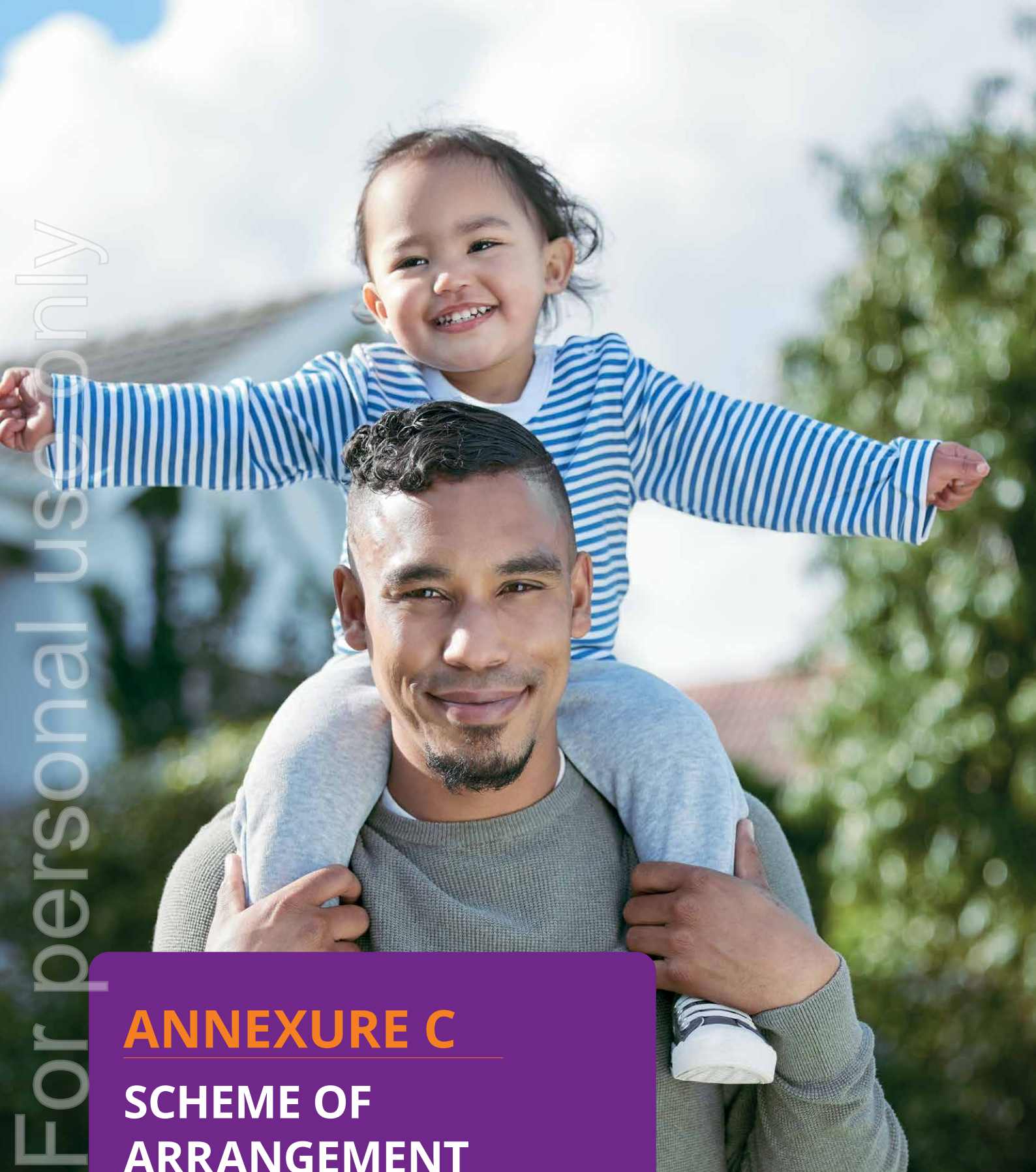
**8. Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

**Hansjoerg Knieling  
PricewaterhouseCoopers Securities Ltd  
One International Towers Sydney  
Watermans Quay, Barangaroo NSW 2000**

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## **ANNEXURE C**

### **SCHEME OF ARRANGEMENT**

# Annexure C Scheme of Arrangement

KING&WOOD  
MALLESONS

## Scheme of Arrangement

Auswide Bank Ltd (ACN 087 652 060) (**Auswide**)

Scheme Participants

**King & Wood Malleons**

Level 33  
Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Australia  
T +61 7 3244 8000  
F +61 7 3244 8999  
DX 311 Brisbane  
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# Annexure C Scheme of Arrangement

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## Annexure C Scheme of Arrangement

### Scheme of Arrangement

#### Details

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**Parties**

<b>Auswide</b>	<b>Name</b>	<b>Auswide Bank Ltd</b>
	ACN	087 652 060
	Formed in	Australia
	Address	Level 3, 16-20 Barolin Street, Bundaberg, Queensland 4670
	Email	dsnell@auswidebank.com.au
	Attention	Managing Director & Chief Executive Officer

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<b>Scheme Participants</b>	Each person registered as a holder of fully paid ordinary shares in Auswide as at the Record Date.
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<b>Governing law</b>	New South Wales
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## General terms

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### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**ACCC** means the Australian Competition and Consumer Commission.

**Adjusted Scheme Consideration** has the meaning given to that term in clause 6.2.

**APRA** means the Australian Prudential Regulation Authority.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Auswide Share** means a fully paid ordinary share in the capital of Auswide.

**Auswide Shareholder** means each person registered in the Register as a holder of Auswide Shares.

**Bidder** means MyState Bank Limited ACN 067 729 195.

**Business Day** means a business day as defined in the Listing Rules.

**CHESS** means the clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed in writing by MyState, Bidder and Auswide.

**Deed Poll** means the deed poll executed by MyState and Bidder substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by MyState and Auswide under which each of MyState and Bidder covenant in favour of each Scheme Participant to perform the actions attributed to it under this Scheme and the Scheme Implementation Agreement, including the issue of the Scheme Consideration by MyState.

**Details** means the section of this agreement headed "Details".

**Effective**, when used in relation to this Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

## Annexure C Scheme of Arrangement

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

**End Date** means the "End Date" determined in accordance with the Scheme Implementation Agreement, or such other date as is agreed by MyState and Auswide in writing.

**Implementation Date** means the fifth Business Day following the Record Date or such other date after the Record Date as is agreed by MyState and Auswide in writing.

**Ineligible Foreign Shareholder** means an Auswide Shareholder:

- (a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom, the United Arab Emirates and the United States of America; or
- (b) whose address shown in the Register is a place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom the United Arab Emirates and the United States of America, or who is acting on behalf of such a person,

unless MyState determines that:

- (c) it is lawful and not unduly onerous or unduly impracticable to issue that Auswide Shareholder with the New MyState Shares on implementation of the Scheme; and
- (d) it is lawful for that Auswide Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom, the United Arab Emirates and the United States of America.

**Listing Rules** means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

**MyState Share** means a fully paid ordinary share in the capital of MyState.

**MyState Share Register** means the register of shareholders maintained by MyState in accordance with section 168(1) of the Corporations Act.

**New MyState Share** means a MyState Share issued or to be issued as Scheme Consideration in accordance with this Scheme.

**Nominee Holder** means a Scheme Participant who holds one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person.

**PPSA** means the *Personal Property Securities Act 2009 (Cth)*.

**Proceeds** means, in respect of the Relevant MyState Shares sold in accordance with clause 6.5, the proceeds of such sale (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges).

**Record Date** means 5.00pm on the second Business Day following the Effective Date or such other time and date after the Effective Date as Auswide and MyState agree in writing.

**Register** means the register of members of Auswide maintained by or on behalf of Auswide in accordance with section 168(1) of the Corporations Act.

**Registered Address** means, in relation to an Auswide Shareholder, the address shown in the Register as at the Record Date.

**Regulatory Authority** includes:

- (a) ASX, ACCC, ASIC, APRA and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Relevant MyState Shares** has the meaning given in clause 6.5(b)(i).

**Sale Agent** means an entity or person appointed by MyState in accordance with clause 4.7 of the Scheme Implementation Agreement to sell New MyState Shares that are to be issued under clause 6.5(b)(i) of this Scheme.

**Scheme** means this scheme of arrangement between Auswide and Scheme Participants under which all of the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Auswide and MyState in accordance with this Scheme.

**Scheme Consideration** means the consideration to be issued by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder, being, in respect of each Auswide Share, 1.112 New MyState Shares, unless the Scheme Consideration is adjusted in accordance with clause 6.2, in which case all references to the 'Scheme Consideration' in this document are to be read as references to the 'Adjusted Scheme Consideration'.

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 19 August 2024 between Auswide, MyState and Bidder under which, amongst other things, Auswide has agreed to propose this Scheme to Auswide Shareholders, and each of MyState, Bidder and Auswide has agreed to take certain steps to give effect to this Scheme.

**Scheme Meeting** means the meeting of Auswide Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which Auswide Shareholders will vote on this Scheme.

**Scheme Participant** means each person who is an Auswide Shareholder on the Record Date.

**Scheme Share** means an Auswide Share held by a Scheme Participant as at the Record Date and, for the avoidance of doubt, includes any Auswide Shares issued on or before the Record Date.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason means the date on which the adjourned application is heard or scheduled to be heard.

## Annexure C Scheme of Arrangement

**Selfco Raise** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction Documents** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction End Date** has the meaning given to that term in the Scheme Implementation Agreement.

**Settlement Rules** means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

**Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

**Share Splitting** means the splitting by an Auswide Shareholder of Auswide Shares into 2 or more parcels of Auswide Shares but which does not result in any change in beneficial ownership of the Auswide Shares.

**Subsidiary** has the meaning given to it in the Corporations Act.

**Unclaimed Money Act** means the *Unclaimed Money Act 1995* (NSW).

### 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);

- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (n) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (o) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and
- (p) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day.

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## 2 Preliminary

### 2.1 Auswide

Auswide is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Queensland; and
- (c) admitted to the official list of the ASX and Auswide Shares are officially quoted for trading on the stock market conducted by ASX.

As at the date of this document, Auswide’s issued securities are:

- (a) Auswide Shares: 46,630,859; and
- (b) performance rights: 139,513.

### 2.2 MyState

MyState is:

- (a) a public company limited by shares; and
- (b) incorporated in Australia and registered in Tasmania; and
- (c) admitted to the official list of the ASX and MyState Shares are quoted for trading on the ASX.

### 2.3 Bidder

Bidder is:

- (a) a public company limited by shares; and

# Annexure C Scheme of Arrangement

- (b) incorporated in Australia and registered in Tasmania.

## 2.4 Implementation

Auswide, MyState and Bidder have agreed, by executing the Scheme Implementation Agreement, to implement the terms of this Scheme.

## 2.5 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to Bidder, Bidder will procure MyState to issue the Scheme Consideration to each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;
- (b) all Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder on the Implementation Date; and
- (c) Auswide will enter the name of Bidder in the Register in respect of all of the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

## 2.6 Deed Poll

This Scheme attributes actions to MyState and Bidder but does not itself impose an obligation on them to perform those actions. MyState and Bidder have executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) the obligations attributable to MyState and Bidder as contemplated by this Scheme, including to provide the Scheme Consideration to the Scheme Participants.

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## 3 Conditions precedent

### 3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in clause 3.1(d) relating to Court approval of this Scheme), in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, by making orders pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Auswide, Bidder and MyState having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (d) subject to clause 12.1, such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this

Scheme and agreed to by Bidder, MyState and Auswide having been satisfied or waived; and

- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme on or before the End Date (or any later date Auswide and MyState agree in writing in accordance with the Scheme Implementation Agreement).

### **3.2 Conditions precedent and operation of clause 5**

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme (other than, in respect of clause 5.1 of this Scheme only, the condition precedent in clause 3.1(e) of this Scheme).

### **3.3 Certificate in relation to conditions precedent**

- (a) Before 8.00am on the Second Court Date, each of Auswide and MyState must provide to the Court a certificate in a form agreed by Auswide and MyState signed by a duly authorised representative (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1(a) and clause 3.1(b) of this Scheme) have been satisfied or waived.
- (b) The certificate referred to in this clause 3.3(a) will constitute conclusive evidence (in the absence of manifest error) of whether the conditions precedent referred to in clause 3.1(a) and clause 3.1(b) of this Scheme have been satisfied or waived as at 8.00am on the Second Court Date.

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## **4 Scheme**

### **4.1 Effective Date**

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### **4.2 End Date**

- (a) Unless Auswide and MyState otherwise agree in writing this Scheme will lapse and be of no further force or effect if:
  - (i) the Effective Date does not occur on or before the End Date or any later date Auswide and MyState agree in writing in accordance with the Scheme Implementation Agreement; or
  - (ii) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with their terms before the Scheme becomes Effective.
- (b) Without limiting any rights under the Scheme Implementation Agreement, if the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00am on the Second Court Date, Auswide and MyState are each released from:
  - (i) any further obligation to take steps to implement the Scheme; and

# Annexure C Scheme of Arrangement

- (ii) any liability with respect to this Scheme.

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## 5 Implementation of Scheme

### 5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(e) of this Scheme) are satisfied, Auswide must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme (or any later time agreed in writing by Auswide and MyState).

### 5.2 Transfer and registration of Auswide Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.1(b) of this Scheme:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Auswide as attorney and agent for Scheme Participants under clause 9 of this Scheme) by:
- (i) Auswide delivering to Bidder a duly completed and executed Share Scheme Transfer executed by Auswide on behalf of the Scheme Participants; and
- (ii) Bidder duly executing the Share Scheme Transfer and delivering it to Auswide for registration; and
- (b) immediately following receipt of the duly executed Share Scheme Transfer, but subject to the stamping of the Share Scheme Transfer (if required) Auswide must enter, or procure the entry of, the name of Bidder in the Register as the registered holder of all of the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

### 5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder of all of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

### 5.4 Title and rights in Scheme Shares

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date the Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Auswide of Bidder in the Register as the holder of the Scheme Shares.
- (b) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, vest in



Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind.

### 5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant (and, to the extent relevant, the Sale Agent) irrevocably:

- (a) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of this Scheme;
- (b) agrees to the variation, cancellation or modification (if any) of the rights attached to its Auswide Shares constituted by, or resulting from, the Scheme;
- (c) agrees to, on the direction of Bidder, destroy any holding statements or share certificates relating to its Auswide Shares;
- (d) who holds its Auswide Shares in a CHES Holding (as defined in the Settlement Rules) agrees to the conversion of those Auswide Shares to an Issuer Sponsored Holding (as defined in the Settlement Rules) and irrevocably authorises Auswide to, and consents to Auswide doing, anything necessary, expedient or incidental (whether required by the Settlement Rules or otherwise) to effect or facilitate that conversion;
- (e) if the Scheme Participant is not an Ineligible Foreign Shareholder, agrees to become a member of MyState, to have their name entered in the MyState Share Register, accepts the New MyState Shares issued to them and agrees to be bound by the constitution of MyState;
- (f) agrees and acknowledges that the issue of the New MyState Shares in accordance with clause 6.1(b) or the provision of the Proceeds in accordance with clause 6.5(b)(iii) or clause 6.5(b)(ii)(B), constitutes satisfaction of all their entitlements to Scheme Consideration under this Scheme;
- (g) acknowledges that this Scheme binds Auswide and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at the Scheme Meeting or vote against the Scheme at the Scheme Meeting) and to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Auswide;
- (h) that is an Ineligible Foreign Shareholder, appoints Auswide, and each director and officer of Auswide, as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law; and
- (i) consents to Auswide and MyState doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

### 5.6 Warranty by Scheme Participants

- (a) Each Scheme Participant warrants to Bidder and is deemed to have authorised Auswide to warrant to Bidder as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

## Annexure C Scheme of Arrangement

- (i) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances or any other third party interest or restrictions on transfer of any kind;
  - (ii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme; and
  - (iii) they have no existing right to be issued any Auswide Shares, or any options, performance rights, securities or other instruments exercisable, or convertible, into Auswide Shares.
- (b) Auswide undertakes that it will provide such warranty in clause 5.6(a) to Bidder as agent and attorney of each Scheme Participant.

### 5.7 Appointment of MyState as sole proxy

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.1(b) of this Scheme, on and from the Implementation Date and until Auswide registers Bidder as the holder of all of the Auswide Shares in the Register, each Scheme Participant:
- (i) irrevocably appoints Auswide as attorney and agent (and directs Auswide in such capacity) to appoint Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to Auswide Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.7(a)(i));
  - (ii) must take all other actions in the capacity of the registered holder of Auswide Shares as MyState directs; and
  - (iii) acknowledges and agrees that in exercising the powers referred to in clause 5.7(a)(i), Bidder and any director may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.
- (b) Auswide undertakes in favour of each Scheme Participant that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.7(a)(i) of this Scheme.

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## 6 Scheme Consideration

### 6.1 Consideration under the Scheme

On the Implementation Date, Bidder and MyState:

- (a) must provide or procure the provision of, in consideration for the transfer to Bidder of the Scheme Shares, the Scheme Consideration to Scheme Participations in accordance with this clause 6 of this Scheme; and

- (b) in satisfaction of Bidder and MyState's obligation to provide or procure the issue of such Scheme Consideration to the Scheme Participants under clause 6.1, issue the Scheme Consideration in accordance with this clause 6.

## 6.2 Adjustment of Scheme Consideration

If

- (a) the Selfco Raise does not occur (in which case completion of the Selfco Transaction will also not occur), then the parties acknowledge and agree that the Scheme Consideration will be adjusted, such that the consideration to be issued by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder will be, in respect of each Auswide Share, 1.120 New MyState Shares; and
- (b) the Selfco Raise is implemented, but the acquisition of Selfco as expressly provided for by the Selfco Transaction Documents does not occur on or before the Selfco Transaction End Date, then the parties acknowledge and agree that the Scheme Consideration will be adjusted, such that the consideration issuable by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder will be, in respect of each Auswide Share, 1.112 New MyState Shares,

in either case, being the 'Adjusted Scheme Consideration'.

## 6.3 Provision of Scheme Consideration

Subject to the other provisions of this clause 6, the obligations of MyState and Bidder to provide (or procure the provision of) the Scheme Consideration to the Scheme Participants will be satisfied by Bidder procuring that MyState:

- (a) on the Implementation Date:
  - (i) issues and allots to each Scheme Participant such number of New MyState Shares to which that Scheme Participant is entitled under this clause 6; and
  - (ii) enters into the register of members of MyState the name and address of each Scheme Participant in respect of the aggregate number of New MyState Shares issued to them under clause 6.3(a)(i); and
- (b) as soon as practicable after the Implementation Date and no later than 10 Business Days after the Implementation Date, sends or procures the dispatch to each Scheme Participant, to their Registered Address as at the Record Date, a share certificate or holding statement (or equivalent document) representing the number of New MyState Shares issued to that Scheme Participant pursuant to this Scheme.

## 6.4 Fractional entitlements and splitting

- (a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fractional entitlement to a New MyState Share, the fractional entitlement will be rounded to the nearest whole number of New MyState Shares as follows:
  - (i) if the fractional entitlement is less than 0.5, the entitlement will be rounded down; and

## Annexure C Scheme of Arrangement

- (ii) if the fractional entitlement is equal or more than 0.5, the entitlement will be rounded up.
- (b) A Nominee Holder that:
- (i) makes separate elections in relation to parcels of Scheme Shares it holds as trustee or nominee for, or otherwise on account of, another person, then for the purposes of this clause 6.4, the Scheme Consideration for the Nominee Holder will be calculated and rounded based on each nominated parcel of Scheme Shares held by the Nominee Holder as trustee or nominee for, or otherwise on account of, another person; or
- (ii) does not make separate elections in relation to parcels of Scheme Shares it holds as trustee or nominee for, or otherwise on account of, another person, then for the purposes of this clause 6.4, the Scheme Consideration for the Nominee Holder will be calculated and rounded based on the aggregate number of Scheme Shares held by the Nominee Holder in those parcels as trustee or nominee for, or otherwise on account of, other persons.
- (c) If MyState or Auswide are of the opinion (acting reasonably) that 2 or more Scheme Participants (each of whom holds a number of Auswide Shares which results in rounding in accordance with clause 6.4(a)) have, before the Record Date for the Scheme, been party to Share Splitting in an attempt to obtain unfair advantage by reference to that rounding, if requested by MyState, Auswide must give notice to those Scheme Participants:
- (i) setting out their names and registered addresses as shown in the Register;
- (ii) stating that opinion; and
- (iii) attributing to one of them specifically identified in the notice the Auswide Shares held by all of them.

After the notice has been given, the Scheme Participant specifically identified in the notice as the deemed holder of the specified Auswide Shares will, for the purpose of the provisions of the Scheme, be taken to hold all of those Auswide Shares and each of the other Scheme Participants whose names and registered addresses are set out in the notice will, for the purposes of the provisions of the Scheme, be taken to hold no Auswide Shares. Bidder and MyState, in complying with the provisions of the Scheme relating to it in respect of the Scheme Participant specifically identified in the notice as the deemed holder of all the specified Auswide Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Participants named in the notice under the terms of the Scheme.

### 6.5 Ineligible Foreign Shareholder Sale Facility

- (a) Bidder is under no obligation under this Scheme to procure or provide, and MyState is under no obligation under this Scheme to procure or issue, and will not issue, any New MyState Shares to any Ineligible Foreign Shareholders as part of the Scheme Consideration and instead must comply with clause 6.5(b).

- (b) Each Ineligible Foreign Shareholder authorises Bidder and MyState to, and Bidder (or MyState as applicable) must, subject to clauses 6.4 and 6.7:
- (i) procure the issue by MyState to the Sale Agent any New MyState Shares to which an Ineligible Foreign Shareholder would otherwise be entitled to receive in the form of New MyState Shares (**Relevant MyState Shares**);
  - (ii) procure that the Sale Agent as soon as reasonably practicable after the Implementation Date (and in any event not more than 20 Business Days after the Implementation Date), as directed by MyState or Bidder (as applicable):
    - (A) sells or procures the sale of all of the Relevant MyState Shares issued to the Sale Agent pursuant to clause 6.5(b)(i) (including on an aggregated or partially aggregated basis), in the ordinary course of trading on ASX in such manner, and at such price as the Sale Agent reasonably determines in good faith; and
    - (B) remits to Bidder (or MyState at the direction of and on behalf of Bidder) (as applicable) or to Ineligible Foreign Shareholders directly, as directed by Bidder or MyState (as applicable), the proceeds of such sale (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges) (**Proceeds**);
  - (iii) promptly after receiving the Proceeds in accordance with clause 6.5(b)(ii)(B) (and for the avoidance of doubt, except where the relevant payment has already been made by the Sale Agent directly to the Ineligible Foreign Shareholder, as directed by MyState or Bidder under clause 6.5(b)(ii)(B)), Bidder or MyState (as applicable) will pay or procure the payment to each Ineligible Foreign Shareholder an amount equal to the proportion of the Proceeds received by Bidder or MyState under clause 6.5(b)(ii)(B) to which that Ineligible Foreign Shareholder is entitled in full satisfaction of their entitlement to the Scheme Consideration, in accordance with the following formula and rounded down to the nearest cent:

$$A = (B/C) \times D$$

Where

**A** is the amount to be paid to the Ineligible Foreign Shareholder;

**B** is the number of Relevant MyState Shares attributable to, and that would otherwise have been issued to (in the form of New MyState Shares), that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which are instead issued to the Sale Agent;

**C** is the total number of Relevant MyState Shares attributable to, and which would otherwise have been issued to, all Ineligible Foreign Shareholders collectively (in the form of New MyState Shares) and which are instead issued to the Sale Agent; and

**D** is the Proceeds (as defined in clause 6.5(b)(ii)(B)).

## Annexure C Scheme of Arrangement

- (iv) Each Ineligible Foreign Shareholder acknowledges that none of Auswide, MyState, Bidder or the Sale Agent make any assurances or representation as to the price that will be achieved for the sale of the Relevant MyState Shares under clause 6.5(b)(iii) or the amount of Proceeds to be received by Ineligible Foreign Shareholders under clause 6.5(b)(ii). Each of Auswide, MyState, Bidder and the Sale Agent expressly disclaim any fiduciary duty to the Ineligible Foreign Shareholders which may otherwise arise in connection with this clause 6.5.
- (v) Sale Agent, Bidder or MyState (as applicable) must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 6.5(b)(iii) by either (in the absolute discretion of Sale Agent, Bidder or MyState (as applicable), and despite any election referred to in clause 6.5(b)(v)(B) or authority referred to in clause 6.5(b)(v)(A) made or given by the Scheme Participant):
- (A) paying, or procuring the payment of, the relevant amount in dollars by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to MyState or Bidder (or Sale Agent) as applicable; or
  - (B) if a bank account has not been nominated by the Ineligible Foreign Shareholder in accordance with clause 6.5(b)(v)(A):
    - (aa) if an Ineligible Foreign Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Registry to receive dividend payments from Auswide by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in dollars by electronic means in accordance with that election; or
    - (ab) otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount in dollars to the Ineligible Foreign Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.9).
- (vi) If MyState, Sale Agent or Bidder receives professional advice that any withholding or other tax is required by law or by a Regulatory Authority to be withheld from a payment to an Ineligible Foreign Shareholder, MyState, Sale Agent or Bidder (as applicable) is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 6.5(b)(iii)). MyState, Sale Agent or Bidder (as applicable) must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of

such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.

- (vii) Each Ineligible Foreign Shareholder appoints MyState and Bidder severally as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.
- (viii) Payment of the amount 'A' calculated in accordance with clause 6.5(b)(iii) to an Ineligible Foreign Shareholder in accordance with this clause 6.5 (subject to any reduction in accordance with clause 6.5(b)(vi)) satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration and interest will not be paid on any Proceeds.

#### **6.6 Unclaimed monies**

- (a) MyState, Bidder or the Sale Agent (as applicable) may cancel a cheque issued under clause 6.5(b)(v)(B)(ab) of this Scheme if the cheque:
  - (i) is returned to MyState, Bidder or the Sale Agent (as applicable); or
  - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Sale Agent, MyState or Bidder (as applicable) must reissue (or procure the reissue of) a cheque that was previously cancelled under clause 6.6(a).
- (c) The Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 7 of the Unclaimed Money Act). Any interest or other benefit accruing from the unclaimed Scheme Consideration will be to the benefit of Bidder.

#### **6.7 Orders of a court or Regulatory Authority**

- (a) If an applicable law requires, or if written notice is given to Auswide (or the Registry), Bidder or MyState (or MyState's Share Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority that:
  - (i) requires consideration which would otherwise be provided to a Scheme Participant in accordance with this clause 6 to instead be provided to a Regulatory Authority or other third party (either through payment of a sum or the issuance of a security), or which requires any amount to be deducted or withheld from any consideration which would otherwise be provided to a Scheme Participant in accordance with this clause 6, then Auswide, Bidder or MyState (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order, direction or notice (and payment or provision of, or the deduction or withholding from, that consideration in accordance with that order, direction or notice will be treated for all purposes under this Scheme as having been paid or provided to that Scheme Participant); or

## Annexure C Scheme of Arrangement

- (ii) prevents consideration being provided to any particular Scheme Participant in accordance with this clause 6, or the payment or provision of such consideration is otherwise prohibited by applicable law, Auswide, Bidder or MyState (as applicable) shall be entitled to:
- (A) in the case of an Ineligible Foreign Shareholder, retain an amount, in dollars, equal to the relevant Ineligible Foreign Shareholder's share of the Proceeds; or
  - (B) not issue (or procure the issue of), or to issue (or procure the issue) to a trustee or nominee, such number of New MyState Shares as that Scheme Participant would otherwise be entitled to under this clause 6,

until such time as payment or provision of the consideration in accordance with this clause 6 is permitted by that order or direction or otherwise by law.

- (b) Auswide, MyState or Bidder (as applicable) may deduct and withhold from any Scheme Consideration otherwise due to be provided in accordance with this Scheme, any amount which Auswide, Bidder or MyState (as applicable) determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by any Regulatory Authority.
- (c) To the extent that amounts are deducted or withheld under or in accordance with this clause 6.7, such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction or withhold was made.

### 6.8 Status of New MyState Shares

MyState covenants in favour of Auswide (in its own right and separately as trustee or nominee of each Scheme Participant) that:

- (a) the New MyState Shares required to be issued under this Scheme will:
  - (i) upon their issue, rank equally in all respects with all other MyState Shares then on issue and be entitled to participate in and receive any dividends, any distribution of capital and any other entitlements accruing in respect of MyState Shares after the Implementation Date; and
  - (ii) be fully paid and free from Encumbrance; and
- (b) it will do everything reasonably necessary to ensure the New MyState Shares issued under the Scheme will be listed for quotation on the official list of ASX on or before the Business Day after the Effective Date, initially on a deferred settlement basis and, with effect from no later than the Business Day following the Implementation Date, on a normal (T+2) settlement basis.

### 6.9 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any New MyState Shares to be issued as Scheme Consideration in respect of those Scheme Shares must be issued to and registered in the names of the joint holders and entry in the MyState Share Register must



take place in the same order as the holders' names appear in the Register as at the Record Date;

- (b) any cheque required to be sent by MyState, Bidder or Sale Agent under this Scheme must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at the Record Date; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Auswide, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

---

## **7 Dealings in Scheme Shares**

### **7.1 Determination of Scheme Participants**

To establish the identity of the Scheme Participants, dealings in Scheme Shares or other alterations to the Register will only be recognised by Auswide if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Register is kept.

### **7.2 Register**

Auswide must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before the Record Date.

### **7.3 No disposals after Effective Date**

- (a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, purport to dispose of, agree to dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal or attempt to do so will be void and of no legal effect whatsoever and Auswide will disregard any such disposal or dealing or attempted disposal or dealing.
- (b) Auswide will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after the Record Date (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title).

### **7.4 Maintenance of Auswide Register**

For the purpose of determining entitlements to the Scheme Consideration, Auswide will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been issued to the Scheme Participants and Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

## Annexure C Scheme of Arrangement

### 7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration, any statements of holding in respect of Scheme Shares will cease to have effect after the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Bidder and its successors in title). After the Record Date, each entry current on the Register as at the Record Date (other than entries in respect of Bidder or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

### 7.6 Details of Scheme Participants

As soon as possible on or after the Record Date, and, in any event, by 5.00pm on the third Business Day after the Record Date, Auswide will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at the Record Date are available to MyState and Bidder in such form as MyState reasonably requires.

### 7.7 Quotation of Auswide Shares

Auswide must apply to ASX to suspend trading on ASX of Auswide Shares with effect from the close of trading on the Effective Date.

### 7.8 Termination of quotation of Auswide Shares

After the Scheme has been fully implemented, Auswide will apply:

- (a) for termination of the official quotation of Auswide Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

---

## 8 Instructions and notifications

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Participant to Auswide that are binding or deemed binding between the Scheme Participant and Auswide relating to Auswide or Auswide Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Auswide Shares; and
- (c) notices or other communications from Auswide (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by MyState in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to MyState and to be a binding instruction, notification or election to, and accepted by, MyState until that instruction, notification or election is revoked or amended in writing addressed to MyState at its registry.

---

## 9 Appointment of Auswide as attorney for implementation of Scheme

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Auswide and each of its directors and

secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document or doing or taking any other act necessary, desirable or expedient, or incidental to give effect to this Scheme and the transactions contemplated by it including executing and delivering any Share Scheme Transfer and any other deed or document reasonably required by MyState, that causes each Scheme Participant (or the Sale Agent, if applicable) to become holder of New MyState Shares and to be bound by the constitution of MyState; and
- (b) on and from the Effective Date enforcing the Deed Poll against Bidder and MyState (and Auswide undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Bidder and MyState on behalf of, and as agent and attorney of, each Scheme Participant),

and Auswide accepts such appointment. Auswide, as attorney and agent of each Scheme Participant, may sub-delegate any of its functions, authorities or powers under this clause 9 to all or any of its directors or officers (jointly, individually or jointly and individually).

## 10 Appointment of MyState as attorney in respect of Scheme Shares

Immediately upon the provision of the Scheme Consideration to each Scheme Participant in the manner contemplated by clauses 6.3 and 6.4, until Bidder is registered as the holder of all Scheme Shares, each Scheme Participant:

- (a) irrevocably appoints MyState and Bidder severally as its agent and attorney (and irrevocably appoints MyState and Bidder severally as its agent and attorney to appoint any of the directors and officers nominated by MyState or Bidder (as applicable) as its agent and attorney) to:
  - (i) appoint the chair of the board of directors of Auswide and, where applicable, corporate representative to attend Auswide Shareholders' meetings;
  - (ii) exercise the votes attaching to Auswide Shares registered in the name of the Scheme Participant; and
  - (iii) sign any Auswide Shareholders' resolution;
- (b) must not attend or vote at any Auswide Shareholders' meetings or sign any Auswide Shareholders' resolution (whether in person, by proxy or by corporate representative) other than pursuant to clause 10(a)(ii); and
- (c) must take all other action in the capacity of a registered holder of Scheme Shares as MyState or Bidder (as applicable) reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 10(a) to 10(c), Bidder, MyState and any nominated director and officer or, where applicable, corporate representative nominated by Bidder, MyState, or any nominated director or officer under clause 10(a), may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

# Annexure C Scheme of Arrangement

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## 11 Notices

### 11.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Auswide, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Auswide's registered office or at the office of the registrar of Auswide Shares.

### 11.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### 11.3 Form

- (a) Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an authorised officer of the sender.
- (b) All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).
- (c) Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

### 11.4 Delivery

Communications must be:

- (a) left at the address referred to in the Details;
- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

### 11.5 When effective

Communications take effect from the time they are received or taken to be received under clause 11.6 (whichever happens first) unless a later time is specified in the communication.

### 11.6 When taken to be received

Subject to clause 11.1, communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another); or
- (b) if sent by email:

- (i) when the sender receives an automated message confirming delivery; or
- (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

### **11.7 Receipt outside business hours**

Despite anything else in this clause 11, if communications are received or taken to be received under clause 11.6 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

---

## **12 General**

### **12.1 Variations, alterations and conditions**

- (a) Auswide may, with the prior consent of MyState, by its counsel or solicitor, consent on behalf of all persons concerned to those variations, alterations or conditions to this Scheme which the Court thinks fit to impose; and
- (b) each Scheme Participant agrees to any such variations, alterations or conditions which Auswide has consented to pursuant to clause 12.1 of this Scheme.

### **12.2 Further action by Auswide**

Auswide will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

### **12.3 Authority and acknowledgement**

Each of the Scheme Participants irrevocably consents to Auswide, Bidder and MyState doing all things necessary or expedient for or incidental to the implementation of this Scheme.

### **12.4 No liability when acting in good faith**

Each Scheme Participant agrees that neither Auswide, Bidder nor MyState, nor any of their respective officers or employees, will be liable to a Scheme Participant for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

### **12.5 Enforcement of Deed Poll**

Auswide undertakes in favour of each Scheme Participant to enforce the Deed Poll against MyState and Bidder on behalf of and as agent and attorney for the Scheme Participants.

## Annexure C Scheme of Arrangement

### 12.6 Stamp duty

MyState and Bidder jointly and severally, must pay all stamp duties and any related fines, penalties and interest payable on or in connection with this Scheme, this document, any instrument executed under this document and the transactions effected by or made under the Scheme, and indemnify each Scheme Participant against any liability arising from a failure to comply with this clause 12.6.

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## 13 Governing law

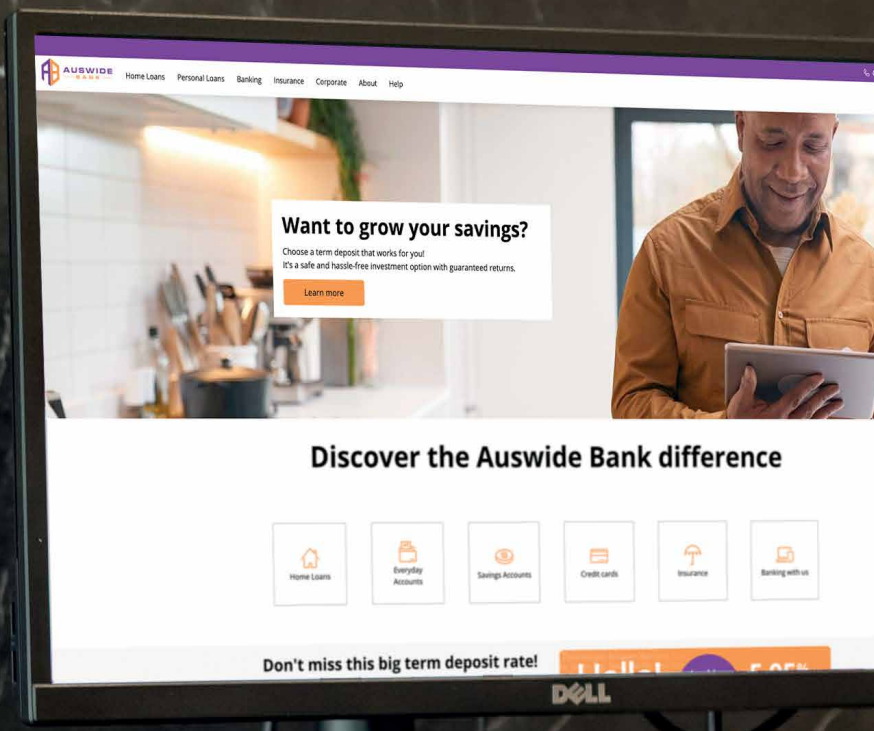
### 13.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

### 13.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

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# ANNEXURE D

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## DEED POLL

# Annexure D Deed Poll

KING & WOOD  
MALLESONS

## Deed Poll

Dated 17 October 2024

Given by each of MyState Limited (ACN 133 623 962) (**MyState**) and MyState Bank Limited (ACN 067 729 195) (**Bidder**)

In favour of each registered holder of fully paid ordinary shares in Auswide Bank Ltd (ABN 087 652 060) (**Auswide**) as at the Record Date (**Scheme Participants**)

**King & Wood Mallesons**

Level 33  
Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Australia  
T +61 7 3244 8000  
F +61 7 3244 8999  
DX 311 Brisbane  
www.kwm.com



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## Annexure D Deed Poll

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## Deed Poll

### Details

#### Parties

<b>MyState</b>	Name	<b>MyState Limited</b>
	ACN	133 623 962
	Formed in	Australia
	Address	Level 2, 137 Harrington Street, Hobart, Tasmania 7000
	Email	Secretariat@MyStateLimited.com.au
	Attention	Company Secretary
<b>Bidder</b>	Name	<b>MyState Bank Limited</b>
	ACN	067 729 195
	Formed in	Australia
	Address	Level 2, 137 Harrington Street, Hobart, Tasmania 7000
	Email	Secretariat@MyStateLimited.com.au
	Attention	Company Secretary

**In favour of** Each registered holder of fully paid ordinary shares in Auswide as at the Record Date.

**Governing law** New South Wales

- Recitals**
- A** The directors of Auswide have resolved that Auswide should propose the Scheme.
  - B** The effect of the Scheme will be that all Scheme Shares will be transferred to Bidder.
  - C** Auswide and MyState have entered into the Scheme Implementation Agreement.
  - D** In the Scheme Implementation Agreement, MyState agreed (amongst other things) to provide (or procure the provision of) the Scheme Consideration to each Scheme Participant, subject to the terms and conditions of that document.

## Annexure D Deed Poll

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- E** MyState is entering into this deed poll for the purpose of undertaking in favour of Scheme Participants to perform its obligations under the Scheme and the Scheme Implementation Agreement, including that it will issue the Scheme Consideration.
- F** Bidder is entering into this deed poll for the purpose of undertaking in favour of Scheme Participants to perform its obligations under the Scheme and the Scheme Implementation Agreement, including to procure the provision of the Scheme Consideration to each Scheme Participant.

# Deed Poll

## General terms

---

### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**Adjusted Scheme Consideration** has the meaning given to that term in clause 6.2 of the Scheme.

**Authorised Officer** means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

**Scheme** means the proposed scheme of arrangement between Auswide and Scheme Participants under which all the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Auswide and MyState.

**Scheme Consideration** means the consideration to be issued by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder, being, in respect of each Auswide Share, 1.112 New MyState Shares, unless the Scheme Consideration is adjusted in accordance with clause 6.2 of the Scheme, in which case all references to the 'Scheme Consideration' in this document are to be read as references to the 'Adjusted Scheme Consideration'.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 19 August 2024 between Auswide, MyState and Bidder under which, amongst other things, Auswide has agreed to propose the Scheme to Auswide Shareholders, and each of MyState, Bidder and Auswide has agreed to take certain steps to give effect to the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

#### 1.2 General interpretation

Clause 1.2 of the Scheme applies to this document except that references to "this Scheme" are to be read as references to "this document".

#### 1.3 Nature of deed poll

Each of Bidder and MyState acknowledge that:

- (a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints Auswide and each of its directors, officers and secretaries (jointly and individually) as its agent and attorney to enforce this deed against Bidder and MyState on behalf of that Scheme Participant.

# Annexure D Deed Poll

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---

## 2 Conditions precedent and termination

### 2.1 Conditions precedent

The respective obligations of each of Bidder and MyState under clause 4 are subject to, and conditional on, the Scheme first becoming Effective.

### 2.2 Termination

The obligations of Bidder and MyState under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Effective,

unless Auswide and MyState otherwise agree in writing.

### 2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) Bidder and MyState are released from their respective obligations to further perform this document except those obligations contained in clause 7(b) and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Bidder and MyState in respect of any breach of this document which occurs before it is terminated.

---

## 3 Performance of obligations generally

- (a) MyState and Bidder must comply with its obligations under the Scheme Implementation Agreement and each of MyState and Bidder must do all acts and things necessary or desirable on its part to give full effect to the Scheme.
- (b) Subject to clause 2, each of MyState and Bidder covenants in favour of each Scheme Participant that it will be bound by the terms of the Scheme as if it were a party to the Scheme and undertakes to perform all obligations and other actions attributed to it, including those obligations and actions which relate to the issue of the Scheme Consideration, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme, subject to and in accordance with the terms of the Scheme Implementation Agreement and the Scheme.

---

## 4 Scheme Consideration

### 4.1 Provision of Scheme Consideration

Subject to clause 2, each of MyState and Bidder undertakes in favour of each Scheme Participant to observe and perform all obligations contemplated of it

under the Scheme to provide, or procure the provision of, the Scheme Consideration to each Scheme Participant, in accordance with the Scheme.

#### 4.2 Manner of payment

MyState's and Bidder's obligation to provide the Scheme Consideration under clause 4.1 is satisfied by MyState issuing, on or before the Implementation Date, the New MyState Shares required to be issued under the Scheme and procuring that the name and address of each such Scheme Participant is entered into the MyState Share Register in respect of those New MyState Shares, subject to and in accordance with the terms of the Scheme.

#### 4.3 Shares to rank equally

MyState covenants in favour of each Scheme Participant that the New MyState Shares which are issued in accordance with the Scheme will, upon their issue:

- (a) rank equally in all respects with all other MyState Shares on issue as at the Effective Date; and
- (b) be issued fully paid and free from any Encumbrance.

#### 4.4 Joint holders

In the case of Scheme Shares held in joint names any New MyState Shares to be provided under the Scheme must be provided to, and registered in the names of, the joint holders and entry in the MyState Share Register must take place in the same order as the holders' names appear in the Register as at the Record Date.

---

## 5 Representations and warranties

Each of MyState and Bidder represents and warrants that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
  - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
  - (ii) any law binding on or applicable to it or its assets; or
  - (iii) any Encumbrance or material document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each corporate authorisation necessary, and has taken all necessary corporate action, to authorise its entry into this document and has taken or will take all necessary corporate action to authorise the performance of this

## Annexure D Deed Poll

document and to carry out the transactions contemplated by this document;

- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** it is not Insolvent (as that term is defined in the Scheme Implementation Agreement).

---

### 6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) MyState and Bidder have fully performed their respective obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

---

### 7 Costs and stamp duty

- (a) MyState and Bidder must bear their own costs arising out of the negotiation, preparation and execution of this document.
- (b) MyState and Bidder jointly and severally, must pay or reimburse all stamp duties and any related fines, penalties and interest payable in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (c) MyState and Bidder jointly and severally indemnify each Scheme Participant against any liability in respect of stamp duty under clause 7(b).

---

### 8 Notices and other communications

#### 8.1 Form

- (a) Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.
- (b) All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).
- (c) Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

#### 8.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;



- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

### **8.3 When effective**

Communications take effect from the time they are received or taken to be received under clause 8.4 (whichever happens first) unless a later time is specified in the communication.

### **8.4 When taken to be received**

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another); or
- (b) if sent by email:
  - (i) when the sender receives an automated message confirming delivery; or
  - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

### **8.5 Receipt outside business hours**

Despite anything else in this clause 8, if communications are received or taken to be received under clause 8.4 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

---

## **9 General**

### **9.1 Variation**

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) if the variation occurs before the First Court Date (as that term is defined in the Scheme Implementation Agreement) the variation is agreed to by Auswide and MyState in writing; and
- (b) if the variation occurs on or after the First Court Date (as that term is defined in the Scheme Implementation Agreement), the variation is agreed to by Auswide and MyState in writing and the Court indicates (either at the hearing on the First Court Date, at an interlocutory hearing or the hearing on the Second Court Date) that the variation, alteration or amendment would not itself preclude approval of the Scheme,

## Annexure D Deed Poll

in which event MyState and Bidder must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

### 9.2 Partial exercising of rights

Unless this document expressly states otherwise, if MyState or Bidder (as applicable) does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

### 9.3 No waiver

- (a) A provision of this document, or any right, power or remedy created under it may not be varied or waived except in writing signed by the party to be bound.
- (b) No failure to exercise, nor any delay in exercising, any right, power or remedy by MyState, Bidder or by any Scheme Participant operates as a waiver. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy.

### 9.4 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

### 9.5 Assignment or other dealings

None of MyState, Bidder or any Scheme Participant may assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of MyState, Bidder and Auswide. Any purported dealing in contravention of this clause 9.5 is invalid.

### 9.6 Further steps

Each of MyState and Bidder agree to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) at its own expense necessary or expedient to give full effect to this document and the transactions contemplated by it.

### 9.7 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

---

## 10 Governing law and jurisdiction

### 10.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. Each of MyState and Bidder submits to the non-exclusive jurisdiction of the courts of that place.

**10.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on MyState or Bidder by being delivered or left at its address set out in the Details.

**EXECUTED** as a deed poll

# Annexure D Deed Poll

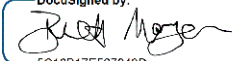
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## Deed Poll

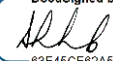
### Signing page

**DATED: 17 October 2024**

**EXECUTED by MYSTATE LIMITED** )  
(ACN 133 623 962) in accordance with )  
section 127(1) of the Corporations Act )  
2001 (Cth) by authority of its directors: )

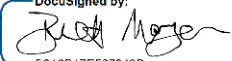
DocuSigned by: )  
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Signature of director )  
Brett Morgan )  
Name of director (block letters) )

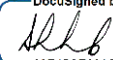
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 )  
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Signature of director/company )  
secretary )  
Scott Lukianenko )  
Name of director/company secretary )  
(block letters)

**EXECUTED by MYSTATE BANK** )  
**LIMITED** (ACN 067 729 195) in )  
accordance with section 127(1) of the )  
Corporations Act 2001 (Cth) by )  
authority of its directors: )

DocuSigned by: )  
 )  
5C18B17E527943D..... )

Signature of director )  
Brett Morgan )  
Name of director (block letters) )

DocuSigned by: )  
 )  
83E45CE62A54450..... )

Signature of director/company )  
secretary )  
Scott Lukianenko )  
Name of director/company secretary )  
(block letters)

**Deed Poll**

**Annexure A - Scheme**

## Annexure D Deed Poll

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**KING & WOOD  
MALLESONS**

# Scheme of Arrangement

Auswide Bank Ltd (ACN 087 652 060) (**Auswide**)

Scheme Participants

**King & Wood Malleons**  
Level 33  
Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Australia  
T +61 7 3244 8000  
F +61 7 3244 8999  
DX 311 Brisbane  
[www.kwm.com](http://www.kwm.com)

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## Scheme of Arrangement

### Details

#### Parties

<b>Auswide</b>	Name	<b>Auswide Bank Ltd</b>
	ACN	087 652 060
	Formed in	Australia
	Address	Level 3, 16-20 Barolin Street, Bundaberg, Queensland 4670
	Email	dsnell@auswidebank.com.au
	Attention	Managing Director & Chief Executive Officer

<b>Scheme Participants</b>	Each person registered as a holder of fully paid ordinary shares in Auswide as at the Record Date.
----------------------------	--

<b>Governing law</b>	New South Wales
----------------------	-----------------

## General terms

---

### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**ACCC** means the Australian Competition and Consumer Commission.

**Adjusted Scheme Consideration** has the meaning given to that term in clause 6.2.

**APRA** means the Australian Prudential Regulation Authority.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Auswide Share** means a fully paid ordinary share in the capital of Auswide.

**Auswide Shareholder** means each person registered in the Register as a holder of Auswide Shares.

**Bidder** means MyState Bank Limited ACN 067 729 195.

**Business Day** means a business day as defined in the Listing Rules.

**CHESS** means the clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act agreed in writing by MyState, Bidder and Auswide.

**Deed Poll** means the deed poll executed by MyState and Bidder substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by MyState and Auswide under which each of MyState and Bidder covenant in favour of each Scheme Participant to perform the actions attributed to it under this Scheme and the Scheme Implementation Agreement, including the issue of the Scheme Consideration by MyState.

**Details** means the section of this agreement headed "Details".

**Effective**, when used in relation to this Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

**End Date** means the "End Date" determined in accordance with the Scheme Implementation Agreement, or such other date as is agreed by MyState and Auswide in writing.

**Implementation Date** means the fifth Business Day following the Record Date or such other date after the Record Date as is agreed by MyState and Auswide in writing.

**Ineligible Foreign Shareholder** means an Auswide Shareholder:

- (a) who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom, the United Arab Emirates and the United States of America; or
- (b) whose address shown in the Register is a place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom the United Arab Emirates and the United States of America, or who is acting on behalf of such a person,

unless MyState determines that:

- (c) it is lawful and not unduly onerous or unduly impracticable to issue that Auswide Shareholder with the New MyState Shares on implementation of the Scheme; and
- (d) it is lawful for that Auswide Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong, the United Kingdom, the United Arab Emirates and the United States of America.

**Listing Rules** means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

**MyState Share** means a fully paid ordinary share in the capital of MyState.

**MyState Share Register** means the register of shareholders maintained by MyState in accordance with section 168(1) of the Corporations Act.

**New MyState Share** means a MyState Share issued or to be issued as Scheme Consideration in accordance with this Scheme.

**Nominee Holder** means a Scheme Participant who holds one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person.

**PPSA** means the *Personal Property Securities Act 2009 (Cth)*.

**Proceeds** means, in respect of the Relevant MyState Shares sold in accordance with clause 6.5, the proceeds of such sale (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges).

**Record Date** means 5.00pm on the second Business Day following the Effective Date or such other time and date after the Effective Date as Auswide and MyState agree in writing.

## Annexure D Deed Poll

**Register** means the register of members of Auswide maintained by or on behalf of Auswide in accordance with section 168(1) of the Corporations Act.

**Registered Address** means, in relation to an Auswide Shareholder, the address shown in the Register as at the Record Date.

**Regulatory Authority** includes:

- (a) ASX, ACCC, ASIC, APRA and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Relevant MyState Shares** has the meaning given in clause 6.5(b)(i).

**Sale Agent** means an entity or person appointed by MyState in accordance with clause 4.7 of the Scheme Implementation Agreement to sell New MyState Shares that are to be issued under clause 6.5(b)(i) of this Scheme.

**Scheme** means this scheme of arrangement between Auswide and Scheme Participants under which all of the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Auswide and MyState in accordance with this Scheme.

**Scheme Consideration** means the consideration to be issued by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder, being, in respect of each Auswide Share, 1.112 New MyState Shares, unless the Scheme Consideration is adjusted in accordance with clause 6.2, in which case all references to the 'Scheme Consideration' in this document are to be read as references to the 'Adjusted Scheme Consideration'.

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 19 August 2024 between Auswide, MyState and Bidder under which, amongst other things, Auswide has agreed to propose this Scheme to Auswide Shareholders, and each of MyState, Bidder and Auswide has agreed to take certain steps to give effect to this Scheme.

**Scheme Meeting** means the meeting of Auswide Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which Auswide Shareholders will vote on this Scheme.

**Scheme Participant** means each person who is an Auswide Shareholder on the Record Date.

**Scheme Share** means an Auswide Share held by a Scheme Participant as at the Record Date and, for the avoidance of doubt, includes any Auswide Shares issued on or before the Record Date.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason means the date on which the adjourned application is heard or scheduled to be heard.

**Selfco Raise** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction Documents** has the meaning given to that term in the Scheme Implementation Agreement.

**Selfco Transaction End Date** has the meaning given to that term in the Scheme Implementation Agreement.

**Settlement Rules** means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

**Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

**Share Splitting** means the splitting by an Auswide Shareholder of Auswide Shares into 2 or more parcels of Auswide Shares but which does not result in any change in beneficial ownership of the Auswide Shares.

**Subsidiary** has the meaning given to it in the Corporations Act.

**Unclaimed Money Act** means the *Unclaimed Money Act 1995* (NSW).

## 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);

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- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (n) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (o) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and
- (p) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day.

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## 2 Preliminary

### 2.1 Auswide

Auswide is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Queensland; and
- (c) admitted to the official list of the ASX and Auswide Shares are officially quoted for trading on the stock market conducted by ASX.

As at the date of this document, Auswide’s issued securities are:

- (a) Auswide Shares: 46,630,859; and
- (b) performance rights: 139,513.

### 2.2 MyState

MyState is:

- (a) a public company limited by shares; and
- (b) incorporated in Australia and registered in Tasmania; and
- (c) admitted to the official list of the ASX and MyState Shares are quoted for trading on the ASX.

### 2.3 Bidder

Bidder is:

- (a) a public company limited by shares; and

- (b) incorporated in Australia and registered in Tasmania.

## 2.4 Implementation

Auswide, MyState and Bidder have agreed, by executing the Scheme Implementation Agreement, to implement the terms of this Scheme.

## 2.5 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to Bidder, Bidder will procure MyState to issue the Scheme Consideration to each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;
- (b) all Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder on the Implementation Date; and
- (c) Auswide will enter the name of Bidder in the Register in respect of all of the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

## 2.6 Deed Poll

This Scheme attributes actions to MyState and Bidder but does not itself impose an obligation on them to perform those actions. MyState and Bidder have executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) the obligations attributable to MyState and Bidder as contemplated by this Scheme, including to provide the Scheme Consideration to the Scheme Participants.

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## 3 Conditions precedent

### 3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in clause 3.1(d) relating to Court approval of this Scheme), in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, by making orders pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Auswide, Bidder and MyState having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (d) subject to clause 12.1, such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this

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Scheme and agreed to by Bidder, MyState and Auswide having been satisfied or waived; and

- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme on or before the End Date (or any later date Auswide and MyState agree in writing in accordance with the Scheme Implementation Agreement).

### 3.2 Conditions precedent and operation of clause 5

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme (other than, in respect of clause 5.1 of this Scheme only, the condition precedent in clause 3.1(e) of this Scheme).

### 3.3 Certificate in relation to conditions precedent

- (a) Before 8.00am on the Second Court Date, each of Auswide and MyState must provide to the Court a certificate in a form agreed by Auswide and MyState signed by a duly authorised representative (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1(a) and clause 3.1(b) of this Scheme) have been satisfied or waived.
- (b) The certificate referred to in this clause 3.3(a) will constitute conclusive evidence (in the absence of manifest error) of whether the conditions precedent referred to in clause 3.1(a) and clause 3.1(b) of this Scheme have been satisfied or waived as at 8.00am on the Second Court Date.

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## 4 Scheme

### 4.1 Effective Date

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### 4.2 End Date

- (a) Unless Auswide and MyState otherwise agree in writing this Scheme will lapse and be of no further force or effect if:
  - (i) the Effective Date does not occur on or before the End Date or any later date Auswide and MyState agree in writing in accordance with the Scheme Implementation Agreement; or
  - (ii) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with their terms before the Scheme becomes Effective.
- (b) Without limiting any rights under the Scheme Implementation Agreement, if the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00am on the Second Court Date, Auswide and MyState are each released from:
  - (i) any further obligation to take steps to implement the Scheme; and



- (ii) any liability with respect to this Scheme.

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## 5 Implementation of Scheme

### 5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(e) of this Scheme) are satisfied, Auswide must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme (or any later time agreed in writing by Auswide and MyState).

### 5.2 Transfer and registration of Auswide Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.1(b) of this Scheme:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Auswide as attorney and agent for Scheme Participants under clause 9 of this Scheme) by:
- (i) Auswide delivering to Bidder a duly completed and executed Share Scheme Transfer executed by Auswide on behalf of the Scheme Participants; and
  - (ii) Bidder duly executing the Share Scheme Transfer and delivering it to Auswide for registration; and
- (b) immediately following receipt of the duly executed Share Scheme Transfer, but subject to the stamping of the Share Scheme Transfer (if required) Auswide must enter, or procure the entry of, the name of Bidder in the Register as the registered holder of all of the Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

### 5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder of all of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

### 5.4 Title and rights in Scheme Shares

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date the Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Auswide of Bidder in the Register as the holder of the Scheme Shares.
- (b) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, vest in

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Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind.

### 5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant (and, to the extent relevant, the Sale Agent) irrevocably:

- (a) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of this Scheme;
- (b) agrees to the variation, cancellation or modification (if any) of the rights attached to its Auswide Shares constituted by, or resulting from, the Scheme;
- (c) agrees to, on the direction of Bidder, destroy any holding statements or share certificates relating to its Auswide Shares;
- (d) who holds its Auswide Shares in a CHESS Holding (as defined in the Settlement Rules) agrees to the conversion of those Auswide Shares to an Issuer Sponsored Holding (as defined in the Settlement Rules) and irrevocably authorises Auswide to, and consents to Auswide doing, anything necessary, expedient or incidental (whether required by the Settlement Rules or otherwise) to effect or facilitate that conversion;
- (e) if the Scheme Participant is not an Ineligible Foreign Shareholder, agrees to become a member of MyState, to have their name entered in the MyState Share Register, accepts the New MyState Shares issued to them and agrees to be bound by the constitution of MyState;
- (f) agrees and acknowledges that the issue of the New MyState Shares in accordance with clause 6.1(b) or the provision of the Proceeds in accordance with clause 6.5(b)(iii) or clause 6.5(b)(ii)(B), constitutes satisfaction of all their entitlements to Scheme Consideration under this Scheme;
- (g) acknowledges that this Scheme binds Auswide and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at the Scheme Meeting or vote against the Scheme at the Scheme Meeting) and to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Auswide;
- (h) that is an Ineligible Foreign Shareholder, appoints Auswide, and each director and officer of Auswide, as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law; and
- (i) consents to Auswide and MyState doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

### 5.6 Warranty by Scheme Participants

- (a) Each Scheme Participant warrants to Bidder and is deemed to have authorised Auswide to warrant to Bidder as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (i) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances or any other third party interest or restrictions on transfer of any kind;
  - (ii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme; and
  - (iii) they have no existing right to be issued any Auswide Shares, or any options, performance rights, securities or other instruments exercisable, or convertible, into Auswide Shares.
- (b) Auswide undertakes that it will provide such warranty in clause 5.6(a) to Bidder as agent and attorney of each Scheme Participant.

### 5.7 Appointment of MyState as sole proxy

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.1(b) of this Scheme, on and from the Implementation Date and until Auswide registers Bidder as the holder of all of the Auswide Shares in the Register, each Scheme Participant:
- (i) irrevocably appoints Auswide as attorney and agent (and directs Auswide in such capacity) to appoint Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to Auswide Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.7(a)(i));
  - (ii) must take all other actions in the capacity of the registered holder of Auswide Shares as MyState directs; and
  - (iii) acknowledges and agrees that in exercising the powers referred to in clause 5.7(a)(i), Bidder and any director may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.
- (b) Auswide undertakes in favour of each Scheme Participant that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.7(a)(i) of this Scheme.

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## 6 Scheme Consideration

### 6.1 Consideration under the Scheme

On the Implementation Date, Bidder and MyState:

- (a) must provide or procure the provision of, in consideration for the transfer to Bidder of the Scheme Shares, the Scheme Consideration to Scheme Participations in accordance with this clause 6 of this Scheme; and

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- (b) in satisfaction of Bidder and MyState's obligation to provide or procure the issue of such Scheme Consideration to the Scheme Participants under clause 6.1, issue the Scheme Consideration in accordance with this clause 6.

### 6.2 Adjustment of Scheme Consideration

If

- (a) the Selfco Raise does not occur (in which case completion of the Selfco Transaction will also not occur), then the parties acknowledge and agree that the Scheme Consideration will be adjusted, such that the consideration to be issued by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder will be, in respect of each Auswide Share, 1.120 New MyState Shares; and
- (b) the Selfco Raise is implemented, but the acquisition of Selfco as expressly provided for by the Selfco Transaction Documents does not occur on or before the Selfco Transaction End Date, then the parties acknowledge and agree that the Scheme Consideration will be adjusted, such that the consideration issuable by MyState for the transfer of Auswide Shares held by a Scheme Participant to Bidder will be, in respect of each Auswide Share, 1.112 New MyState Shares,

in either case, being the '**Adjusted Scheme Consideration**'.

### 6.3 Provision of Scheme Consideration

Subject to the other provisions of this clause 6, the obligations of MyState and Bidder to provide (or procure the provision of) the Scheme Consideration to the Scheme Participants will be satisfied by Bidder procuring that MyState:

- (a) on the Implementation Date:
  - (i) issues and allots to each Scheme Participant such number of New MyState Shares to which that Scheme Participant is entitled under this clause 6; and
  - (ii) enters into the register of members of MyState the name and address of each Scheme Participant in respect of the aggregate number of New MyState Shares issued to them under clause 6.3(a)(i); and
- (b) as soon as practicable after the Implementation Date and no later than 10 Business Days after the Implementation Date, sends or procures the dispatch to each Scheme Participant, to their Registered Address as at the Record Date, a share certificate or holding statement (or equivalent document) representing the number of New MyState Shares issued to that Scheme Participant pursuant to this Scheme.

### 6.4 Fractional entitlements and splitting

- (a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fractional entitlement to a New MyState Share, the fractional entitlement will be rounded to the nearest whole number of New MyState Shares as follows:
  - (i) if the fractional entitlement is less than 0.5, the entitlement will be rounded down; and

- (ii) if the fractional entitlement is equal or more than 0.5, the entitlement will be rounded up.
- (b) A Nominee Holder that:
- (i) makes separate elections in relation to parcels of Scheme Shares it holds as trustee or nominee for, or otherwise on account of, another person, then for the purposes of this clause 6.4, the Scheme Consideration for the Nominee Holder will be calculated and rounded based on each nominated parcel of Scheme Shares held by the Nominee Holder as trustee or nominee for, or otherwise on account of, another person; or
  - (ii) does not make separate elections in relation to parcels of Scheme Shares it holds as trustee or nominee for, or otherwise on account of, another person, then for the purposes of this clause 6.4, the Scheme Consideration for the Nominee Holder will be calculated and rounded based on the aggregate number of Scheme Shares held by the Nominee Holder in those parcels as trustee or nominee for, or otherwise on account of, other persons.
- (c) If MyState or Auswide are of the opinion (acting reasonably) that 2 or more Scheme Participants (each of whom holds a number of Auswide Shares which results in rounding in accordance with clause 6.4(a)) have, before the Record Date for the Scheme, been party to Share Splitting in an attempt to obtain unfair advantage by reference to that rounding, if requested by MyState, Auswide must give notice to those Scheme Participants:
- (i) setting out their names and registered addresses as shown in the Register;
  - (ii) stating that opinion; and
  - (iii) attributing to one of them specifically identified in the notice the Auswide Shares held by all of them.

After the notice has been given, the Scheme Participant specifically identified in the notice as the deemed holder of the specified Auswide Shares will, for the purpose of the provisions of the Scheme, be taken to hold all of those Auswide Shares and each of the other Scheme Participants whose names and registered addresses are set out in the notice will, for the purposes of the provisions of the Scheme, be taken to hold no Auswide Shares. Bidder and MyState, in complying with the provisions of the Scheme relating to it in respect of the Scheme Participant specifically identified in the notice as the deemed holder of all the specified Auswide Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Participants named in the notice under the terms of the Scheme.

## 6.5 Ineligible Foreign Shareholder Sale Facility

- (a) Bidder is under no obligation under this Scheme to procure or provide, and MyState is under no obligation under this Scheme to procure or issue, and will not issue, any New MyState Shares to any Ineligible Foreign Shareholders as part of the Scheme Consideration and instead must comply with clause 6.5(b).

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- (b) Each Ineligible Foreign Shareholder authorises Bidder and MyState to, and Bidder (or MyState as applicable) must, subject to clauses 6.4 and 6.7:
- (i) procure the issue by MyState to the Sale Agent any New MyState Shares to which an Ineligible Foreign Shareholder would otherwise be entitled to receive in the form of New MyState Shares (**Relevant MyState Shares**);
  - (ii) procure that the Sale Agent as soon as reasonably practicable after the Implementation Date (and in any event not more than 20 Business Days after the Implementation Date), as directed by MyState or Bidder (as applicable):
    - (A) sells or procures the sale of all of the Relevant MyState Shares issued to the Sale Agent pursuant to clause 6.5(b)(i) (including on an aggregated or partially aggregated basis), in the ordinary course of trading on ASX in such manner, and at such price as the Sale Agent reasonably determines in good faith; and
    - (B) remits to Bidder (or MyState at the direction of and on behalf of Bidder) (as applicable) or to Ineligible Foreign Shareholders directly, as directed by Bidder or MyState (as applicable), the proceeds of such sale (net of any applicable brokerage, stamp duty and other selling costs, taxes and charges) (**Proceeds**);
  - (iii) promptly after receiving the Proceeds in accordance with clause 6.5(b)(ii)(B) (and for the avoidance of doubt, except where the relevant payment has already been made by the Sale Agent directly to the Ineligible Foreign Shareholder, as directed by MyState or Bidder under clause 6.5(b)(ii)(B)), Bidder or MyState (as applicable) will pay or procure the payment to each Ineligible Foreign Shareholder an amount equal to the proportion of the Proceeds received by Bidder or MyState under clause 6.5(b)(ii)(B) to which that Ineligible Foreign Shareholder is entitled in full satisfaction of their entitlement to the Scheme Consideration, in accordance with the following formula and rounded down to the nearest cent:

$$A = (B/C) \times D$$

Where

**A** is the amount to be paid to the Ineligible Foreign Shareholder;

**B** is the number of Relevant MyState Shares attributable to, and that would otherwise have been issued to (in the form of New MyState Shares), that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which are instead issued to the Sale Agent;

**C** is the total number of Relevant MyState Shares attributable to, and which would otherwise have been issued to, all Ineligible Foreign Shareholders collectively (in the form of New MyState Shares) and which are instead issued to the Sale Agent; and

**D** is the Proceeds (as defined in clause 6.5(b)(ii)(B)).

- (iv) Each Ineligible Foreign Shareholder acknowledges that none of Auswide, MyState, Bidder or the Sale Agent make any assurances or representation as to the price that will be achieved for the sale of the Relevant MyState Shares under clause 6.5(b)(iii) or the amount of Proceeds to be received by Ineligible Foreign Shareholders under clause 6.5(b)(ii). Each of Auswide, MyState, Bidder and the Sale Agent expressly disclaim any fiduciary duty to the Ineligible Foreign Shareholders which may otherwise arise in connection with this clause 6.5.
- (v) Sale Agent, Bidder or MyState (as applicable) must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 6.5(b)(iii) by either (in the absolute discretion of Sale Agent, Bidder or MyState (as applicable), and despite any election referred to in clause 6.5(b)(v)(B) or authority referred to in clause 6.5(b)(v)(A) made or given by the Scheme Participant):
  - (A) paying, or procuring the payment of, the relevant amount in dollars by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to MyState or Bidder (or Sale Agent) as applicable; or
  - (B) if a bank account has not been nominated by the Ineligible Foreign Shareholder in accordance with clause 6.5(b)(v)(A):
    - (aa) if an Ineligible Foreign Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Registry to receive dividend payments from Auswide by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in dollars by electronic means in accordance with that election; or
    - (ab) otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount in dollars to the Ineligible Foreign Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.9).
- (vi) If MyState, Sale Agent or Bidder receives professional advice that any withholding or other tax is required by law or by a Regulatory Authority to be withheld from a payment to an Ineligible Foreign Shareholder, MyState, Sale Agent or Bidder (as applicable) is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 6.5(b)(iii)). MyState, Sale Agent or Bidder (as applicable) must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of

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such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.

- (vii) Each Ineligible Foreign Shareholder appoints MyState and Bidder severally as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.
- (viii) Payment of the amount 'A' calculated in accordance with clause 6.5(b)(iii) to an Ineligible Foreign Shareholder in accordance with this clause 6.5 (subject to any reduction in accordance with clause 6.5(b)(vi)) satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration and interest will not be paid on any Proceeds.

### 6.6 Unclaimed monies

- (a) MyState, Bidder or the Sale Agent (as applicable) may cancel a cheque issued under clause 6.5(b)(v)(B)(ab) of this Scheme if the cheque:
  - (i) is returned to MyState, Bidder or the Sale Agent (as applicable); or
  - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Sale Agent, MyState or Bidder (as applicable) must reissue (or procure the reissue of) a cheque that was previously cancelled under clause 6.6(a).
- (c) The Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 7 of the Unclaimed Money Act). Any interest or other benefit accruing from the unclaimed Scheme Consideration will be to the benefit of Bidder.

### 6.7 Orders of a court or Regulatory Authority

- (a) If an applicable law requires, or if written notice is given to Auswide (or the Registry), Bidder or MyState (or MyState's Share Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority that:
  - (i) requires consideration which would otherwise be provided to a Scheme Participant in accordance with this clause 6 to instead be provided to a Regulatory Authority or other third party (either through payment of a sum or the issuance of a security), or which requires any amount to be deducted or withheld from any consideration which would otherwise be provided to a Scheme Participant in accordance with this clause 6, then Auswide, Bidder or MyState (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order, direction or notice (and payment or provision of, or the deduction or withholding from, that consideration in accordance with that order, direction or notice will be treated for all purposes under this Scheme as having been paid or provided to that Scheme Participant); or



(ii) prevents consideration being provided to any particular Scheme Participant in accordance with this clause 6, or the payment or provision of such consideration is otherwise prohibited by applicable law, Auswide, Bidder or MyState (as applicable) shall be entitled to:

- (A) in the case of an Ineligible Foreign Shareholder, retain an amount, in dollars, equal to the relevant Ineligible Foreign Shareholder's share of the Proceeds; or
- (B) not issue (or procure the issue of), or to issue (or procure the issue) to a trustee or nominee, such number of New MyState Shares as that Scheme Participant would otherwise be entitled to under this clause 6,

until such time as payment or provision of the consideration in accordance with this clause 6 is permitted by that order or direction or otherwise by law.

- (b) Auswide, MyState or Bidder (as applicable) may deduct and withhold from any Scheme Consideration otherwise due to be provided in accordance with this Scheme, any amount which Auswide, Bidder or MyState (as applicable) determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by any Regulatory Authority.
- (c) To the extent that amounts are deducted or withheld under or in accordance with this clause 6.7, such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction or withhold was made.

## 6.8 Status of New MyState Shares

MyState covenants in favour of Auswide (in its own right and separately as trustee or nominee of each Scheme Participant) that:

- (a) the New MyState Shares required to be issued under this Scheme will:
  - (i) upon their issue, rank equally in all respects with all other MyState Shares then on issue and be entitled to participate in and receive any dividends, any distribution of capital and any other entitlements accruing in respect of MyState Shares after the Implementation Date; and
  - (ii) be fully paid and free from Encumbrance; and
- (b) it will do everything reasonably necessary to ensure the New MyState Shares issued under the Scheme will be listed for quotation on the official list of ASX on or before the Business Day after the Effective Date, initially on a deferred settlement basis and, with effect from no later than the Business Day following the Implementation Date, on a normal (T+2) settlement basis.

## 6.9 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any New MyState Shares to be issued as Scheme Consideration in respect of those Scheme Shares must be issued to and registered in the names of the joint holders and entry in the MyState Share Register must

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take place in the same order as the holders' names appear in the Register as at the Record Date;

- (b) any cheque required to be sent by MyState, Bidder or Sale Agent under this Scheme must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at the Record Date; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Auswide, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

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### 7 Dealings in Scheme Shares

#### 7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares or other alterations to the Register will only be recognised by Auswide if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Register is kept.

#### 7.2 Register

Auswide must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before the Record Date.

#### 7.3 No disposals after Effective Date

- (a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, purport to dispose of, agree to dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal or attempt to do so will be void and of no legal effect whatsoever and Auswide will disregard any such disposal or dealing or attempted disposal or dealing.
- (b) Auswide will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after the Record Date (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title).

#### 7.4 Maintenance of Auswide Register

For the purpose of determining entitlements to the Scheme Consideration, Auswide will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been issued to the Scheme Participants and Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

**7.5 Effect of certificates and holding statements**

Subject to provision of the Scheme Consideration, any statements of holding in respect of Scheme Shares will cease to have effect after the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Bidder and its successors in title). After the Record Date, each entry current on the Register as at the Record Date (other than entries in respect of Bidder or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

**7.6 Details of Scheme Participants**

As soon as possible on or after the Record Date, and, in any event, by 5.00pm on the third Business Day after the Record Date, Auswide will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at the Record Date are available to MyState and Bidder in such form as MyState reasonably requires.

**7.7 Quotation of Auswide Shares**

Auswide must apply to ASX to suspend trading on ASX of Auswide Shares with effect from the close of trading on the Effective Date.

**7.8 Termination of quotation of Auswide Shares**

After the Scheme has been fully implemented, Auswide will apply:

- (a) for termination of the official quotation of Auswide Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

---

**8 Instructions and notifications**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Participant to Auswide that are binding or deemed binding between the Scheme Participant and Auswide relating to Auswide or Auswide Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Auswide Shares; and
- (c) notices or other communications from Auswide (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by MyState in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to MyState and to be a binding instruction, notification or election to, and accepted by, MyState until that instruction, notification or election is revoked or amended in writing addressed to MyState at its registry.

---

**9 Appointment of Auswide as attorney for implementation of Scheme**

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Auswide and each of its directors and

## Annexure D Deed Poll

secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document or doing or taking any other act necessary, desirable or expedient, or incidental to give effect to this Scheme and the transactions contemplated by it including executing and delivering any Share Scheme Transfer and any other deed or document reasonably required by MyState, that causes each Scheme Participant (or the Sale Agent, if applicable) to become holder of New MyState Shares and to be bound by the constitution of MyState; and
- (b) on and from the Effective Date enforcing the Deed Poll against Bidder and MyState (and Auswide undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Bidder and MyState on behalf of, and as agent and attorney of, each Scheme Participant),

and Auswide accepts such appointment. Auswide, as attorney and agent of each Scheme Participant, may sub-delegate any of its functions, authorities or powers under this clause 9 to all or any of its directors or officers (jointly, individually or jointly and individually).

---

### 10 Appointment of MyState as attorney in respect of Scheme Shares

Immediately upon the provision of the Scheme Consideration to each Scheme Participant in the manner contemplated by clauses 6.3 and 6.4, until Bidder is registered as the holder of all Scheme Shares, each Scheme Participant:

- (a) irrevocably appoints MyState and Bidder severally as its agent and attorney (and irrevocably appoints MyState and Bidder severally as its agent and attorney to appoint any of the directors and officers nominated by MyState or Bidder (as applicable) as its agent and attorney) to:
  - (i) appoint the chair of the board of directors of Auswide and, where applicable, corporate representative to attend Auswide Shareholders' meetings;
  - (ii) exercise the votes attaching to Auswide Shares registered in the name of the Scheme Participant; and
  - (iii) sign any Auswide Shareholders' resolution;
- (b) must not attend or vote at any Auswide Shareholders' meetings or sign any Auswide Shareholders' resolution (whether in person, by proxy or by corporate representative) other than pursuant to clause 10(a)(ii); and
- (c) must take all other action in the capacity of a registered holder of Scheme Shares as MyState or Bidder (as applicable) reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 10(a) to 10(c), Bidder, MyState and any nominated director and officer or, where applicable, corporate representative nominated by Bidder, MyState, or any nominated director or officer under clause 10(a), may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

---

## 11 Notices

### 11.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Auswide, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Auswide's registered office or at the office of the registrar of Auswide Shares.

### 11.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### 11.3 Form

- (a) Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an authorised officer of the sender.
- (b) All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).
- (c) Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

### 11.4 Delivery

Communications must be:

- (a) left at the address referred to in the Details;
- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

### 11.5 When effective

Communications take effect from the time they are received or taken to be received under clause 11.6 (whichever happens first) unless a later time is specified in the communication.

### 11.6 When taken to be received

Subject to clause 11.1, communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another); or
- (b) if sent by email:

## Annexure D Deed Poll

- (i) when the sender receives an automated message confirming delivery; or
- (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

### 11.7 Receipt outside business hours

Despite anything else in this clause 11, if communications are received or taken to be received under clause 11.6 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

---

## 12 General

### 12.1 Variations, alterations and conditions

- (a) Auswide may, with the prior consent of MyState, by its counsel or solicitor, consent on behalf of all persons concerned to those variations, alterations or conditions to this Scheme which the Court thinks fit to impose; and
- (b) each Scheme Participant agrees to any such variations, alterations or conditions which Auswide has consented to pursuant to clause 12.1 of this Scheme.

### 12.2 Further action by Auswide

Auswide will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

### 12.3 Authority and acknowledgement

Each of the Scheme Participants irrevocably consents to Auswide, Bidder and MyState doing all things necessary or expedient for or incidental to the implementation of this Scheme.

### 12.4 No liability when acting in good faith

Each Scheme Participant agrees that neither Auswide, Bidder nor MyState, nor any of their respective officers or employees, will be liable to a Scheme Participant for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

### 12.5 Enforcement of Deed Poll

Auswide undertakes in favour of each Scheme Participant to enforce the Deed Poll against MyState and Bidder on behalf of and as agent and attorney for the Scheme Participants.

**12.6 Stamp duty**

MyState and Bidder jointly and severally, must pay all stamp duties and any related fines, penalties and interest payable on or in connection with this Scheme, this document, any instrument executed under this document and the transactions effected by or made under the Scheme, and indemnify each Scheme Participant against any liability arising from a failure to comply with this clause 12.6.

---

**13 Governing law**

**13.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

**13.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

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## **ANNEXURE E**

### **NOTICE OF SCHEME MEETING**



# Annexure E Notice of Scheme Meeting

## Auswide Bank Ltd

### Notice of Scheme Meeting

Auswide Bank Ltd (ACN 087 652 060) (**Auswide**) gives notice that, by order of the Supreme Court of New South Wales (**Court**) pursuant to section 411(1) of the Corporations Act, a meeting of holders of fully paid ordinary shares in Auswide (**Scheme Meeting**) will be held on Monday, 2 December 2024 at 11.00am (AEDT) (10.00am Queensland time).

The Scheme Meeting will be held:

- physically, at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000; and
- virtually, via the online platform at <https://meetnow.global/MQDTYD7>.

More detailed instructions on how to participate in the Scheme Meeting are set out in the Scheme Booklet that accompanies and forms part of this Notice of Scheme Meeting.

Unless otherwise defined, terms used in this notice have the same meaning as set out in the Glossary in section 10 of the Scheme Booklet.

### Business of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, agree to a scheme of arrangement proposed to be entered into between Auswide and its shareholders (with or without modification or conditions) (being the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the *Corporations Act 2001* (Cth) in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part. The explanatory statement contains important information on the Scheme, to enable Auswide Shareholders to make an informed voting decision.

### Scheme Resolution

To consider and, if thought fit pass (with or without amendment) the following resolution (**Scheme Resolution**):

*"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth): (a) the scheme of arrangement proposed between Auswide and its holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which this Notice of Scheme Meeting forms part, is agreed to (with or without alterations or conditions as approved by the Court to which Auswide and MyState agree), and Auswide is authorised, subject to the terms of the Scheme Implementation Agreement to agree to such alterations or conditions, and (b) subject to approval by the Court, to implement the Scheme with any such alterations or conditions."*

### Chair

The Court has directed that Sandra Birkenleigh is to act as chair of the Scheme Meeting (and that, if she is unable or unwilling to attend, Gregory Kenny is to act as chair of the Scheme Meeting).

By order of the Court and the Board of Auswide Bank Ltd.



**William R. Schafer**  
Company Secretary Auswide Bank Ltd

# Annexure E Notice of Scheme Meeting

## Explanatory notes

### 1. General

These explanatory notes have been prepared for the information of Auswide Shareholders in connection with the business to be conducted at the Scheme Meeting to be held at 11.00am (AEDT) (10.00am Queensland time) on Monday, 2 December 2024.

This Notice of Scheme Meeting and the Scheme Resolution should be read in conjunction with the Scheme Booklet of which this notice forms part. The Scheme Booklet provides the important information you need to help you decide on how to vote on the Scheme Resolution.

Unless otherwise defined, terms used in this notice have the same meaning as set out in the Glossary in section 10 of the Scheme Booklet.

### 2. Attending the Scheme Meeting

Auswide Shareholders are encouraged to lodge a completed proxy form prior to the Scheme Meeting. Further, any Auswide Shareholder who wishes to attend the Scheme Meeting in person is requested to confirm their intention to do so by email to [auswide@auswidebank.com.au](mailto:auswide@auswidebank.com.au) by 11.00am (AEDT) (10.00am Queensland time) on Monday, 25 November 2024. Registration for online attendance at the Scheme Meeting will commence at 10.00am (AEDT) (9.00am Queensland time) on Monday, 2 December 2024.

In the event that it is necessary or appropriate for the Company to make alternative arrangements for the Scheme Meeting, information in relation to any alternative arrangements will be announced via ASX.

### 3. Participation in the Scheme Meeting

The Scheme Meeting will be held at 11.00am (AEDT) (10.00am Queensland time) on Monday, 2 December 2024. There are a number of ways shareholders, proxy holders and corporate representatives can participate in the Scheme Meeting:

- **in person:** shareholders, proxy holders and corporate representatives may attend the Scheme Meeting in person at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000. Shareholders who will be attending the Scheme Meeting in person and who will not be appointing a proxy are asked to bring the proxy form enclosed with this Notice of Scheme Meeting to assist with registration; or
- **online:** shareholders, proxy holders and corporate representatives may view and participate online in real time at the Scheme Meeting through the Computershare online platform (via a computer) by entering the following URL into their browser: <https://meetnow.global/MQDTYD7>, (or via a smartphone, tablet or other online device). The latest version of Chrome, Safari, Edge or Firefox is required when using the online platform.

If a representative of a corporate representative or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com/au](http://www.investorcentre.com/au) and select "Printable Forms".

Detailed instructions on how to log in, view, participate, vote and ask questions (in writing and orally) online in real time at the Scheme Meeting are set out in the Online Meeting Guide available on the Company's website at: <http://www.auswidebank.com.au/> under the Corporate > Shareholder Information > Notice of Meetings tab.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting. Online registration for the Scheme Meeting will open 1 hour before the start of the Scheme Meeting.

### 4. Requisite Majorities at the Scheme Meeting

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be approved by Auswide Shareholders, the Scheme Resolution must be passed by:

- a majority in number (more than 50%) of Auswide Shareholders present and voting at the Scheme Meeting (either in person, online or by proxy, attorney or, in the case of corporate Auswide Shareholders, body corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Auswide Shareholders present and voting (either in person, online or by proxy, attorney or, in the case of corporate Auswide Shareholders, body corporate representative),

(the **Requisite Majorities**).

## 5. Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme must be approved by an order of the Court. If the Scheme Resolution is passed by the Requisite Majorities and the Conditions Precedent set out in the Scheme Implementation Agreement are satisfied or waived (where capable of waiver), Auswide will apply to the Court for the necessary orders to approve the Scheme.

## 6. Entitlement to participate in and vote at the Scheme Meeting

For the purpose of voting at the Scheme Meeting, Auswide Shareholders will be entitled to participate in and vote at the Scheme Meeting if they are a registered holder of Auswide Shares on the Auswide Register as at 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024 (**Eligible Shareholders**).

Eligible Shareholders (or their proxies, attorneys or authorised corporate representatives) will be able to participate in the Scheme Meeting held on Monday, 2 December 2024 by attending in person at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 or online at <https://meetnow.global/MQDTYD7>.

Details on how to attend and participate in the Scheme Meeting is provided in this notice and set out in the online user guide which is available at [www.computershare.com.au/virtualmeetingguide](http://www.computershare.com.au/virtualmeetingguide).

## 7. How to vote

Eligible Shareholders may vote at the Scheme Meeting as set out in this section 7.

If Auswide Shares are jointly held, each of the joint Eligible Shareholders is entitled to vote. However, if more than one Eligible Shareholder votes in respect of jointly held Auswide Shares, only the vote of the shareholder whose name appears first on the Auswide Register will be counted.

Voting at the Scheme Meeting will be conducted by poll.

The results of the voting on the Scheme Resolution will be announced to the ASX promptly after the Scheme Meeting.

### 7.1 Voting in person

Auswide Shareholders, proxy holders and corporate representatives entitled to vote at the Scheme Meeting may vote in person, by attending the Scheme Meeting at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000. Shareholders who will be attending the Scheme Meeting in person and who will not be appointing a proxy are asked to bring the proxy form enclosed with this Notice of Scheme Meeting to assist with registration.

### 7.2 Voting using the Computershare Online Platform

To log in to, view and participate, including to submit votes and ask questions (in writing and orally) in real time during the Scheme Meeting, Eligible Shareholders will need their Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and password (which is the postcode of your registered address in Australia or, for overseas residents, is your 3 character country code as set out in the Online Meeting Guide available on the Company's website at: <http://www.auswidebank.com.au/> under the Corporate > Shareholder Information > Notice of Meetings tab).

Proxyholders will need their unique username and password which may be obtained by contacting Computershare Investor Services on +61 3 9415 4024 Monday to Friday (excluding public holidays in Australia) during business hours (AEDT).

**The link for the Scheme Meeting is: <https://meetnow.global/MQDTYD7>.**

Voting will be open until the Chairperson of the Scheme Meeting declares the poll closed.

### 7.3 Voting by proxy

An Auswide Shareholder who is entitled to vote or ask questions at the Scheme Meeting is entitled to appoint no more than two proxies to act on their behalf at the Scheme Meeting. An Auswide Shareholder who appoints two proxies must specify the proportion or number of votes each proxy is appointed to exercise. If an Auswide Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Auswide Shareholder's votes each proxy may exercise, then each proxy may exercise half of the votes.

A proxy need not be a shareholder of Auswide.

## Annexure E Notice of Scheme Meeting

A proxy form, which includes further instructions, is enclosed with this Notice of Scheme Meeting. To be valid, the completed proxy form (together with the original or a certified copy of any Power of Attorney under which the proxy form is signed, if applicable) must be received by the Auswide Share Registry. Proxy forms may be lodged with the Auswide Share Registry as follows:

- **Mail** the completed proxy form to Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3001 using the reply paid envelope.
- **Fax** the completed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).
- **Sent electronically** by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and quoting the 6-digit control number found on the front of your proxy form. Intermediary Online subscribers (custodians) can lodge a proxy online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

### **Eligible Shareholders are encouraged to lodge their completed proxy form ahead of the Scheme Meeting.**

To be effective, a completed proxy form must be received by the Auswide Share Registry by 11.00am (AEDT) (10.00am Queensland time) on Saturday, 30 November 2024, being 48 hours before the commencement of the Scheme Meeting.

An Eligible Shareholder who appoints a proxy may still attend the Scheme Meeting in person and vote and ask questions, or attend the Scheme Meeting online, and submit votes and questions (in writing and orally) in real time during the Scheme Meeting. If an Eligible Shareholder decides to attend the Scheme Meeting after appointing a proxy to do so on their behalf, the proxy's authority to speak and vote for the Eligible Shareholder at the Scheme Meeting will be suspended while the Eligible Shareholder is present at the meeting. The Eligible Shareholder will therefore need to vote at the Scheme Meeting even if they have already appointed a proxy to vote at the Scheme Meeting on their behalf.

### **8. How to ask questions**

Eligible Shareholders will have the opportunity to ask questions at the Scheme Meeting to the Chairperson of the Scheme Meeting, either:

- in person; or
- online in real time (in writing or orally) via the Computershare online platform at: <https://meetnow.global/MQDTYD7>. Please see section 3, above, for details on how you can ask questions online.

Written questions to the Chairperson of the Scheme Meeting may also be submitted before the Scheme Meeting to:

The Company Secretary  
Auswide Bank Ltd  
Level 3, 16-20 Barolin Street  
Bundaberg QLD 4670  
Email: [auswide@auswidebank.com.au](mailto:auswide@auswidebank.com.au)

and must be received by Auswide by 6.00pm (AEDT) (5.00pm Queensland time) on Monday, 25 November 2024. More frequently asked questions received before the Scheme Meeting will be attempted to be addressed in the Chairperson's and the Managing Director and Chief Executive Officer's addresses at the Scheme Meeting.

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**ANNEXURE F**  
**ONLINE MEETING**  
**GUIDE**

# Annexure F Online Meeting Guide

## ONLINE MEETING GUIDE



### GETTING STARTED

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit <https://meetnow.global/au> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

### TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

#### Australian Residents

SRN or HIN and postcode of your registered address.

#### Overseas Residents

SRN or HIN and country of your registered address.

#### Appointed Proxies

Please contact Computershare Investor Services on +61 3 9415 4024 to request your unique email invitation link prior to the meeting day.

### PARTICIPATING AT THE MEETING

To participate in the online meeting, visit <https://meetnow.global/au>. Then enter the company name in the 'Search for meeting' field. Select and click on the displayed meeting.

#### Search for meeting

Please enter Company or Meeting Name. Enter 3 or more characters. e.g. Computershare

Or select the country where the company is based.

Australia

#### To register as a shareholder

Select 'Shareholder', enter your SRN or HIN and select your country. If Australia, also enter your postcode.

Shareholder	Invitation	Guest
If you are a shareholder or an appointed corporate representative, please enter the required details below.		
SRN/HIN # eg. X1234567890		
Country Australia		
Post Code eg. 0123		
<b>SIGN IN</b>		

#### OR To register as a proxyholder

To access the meeting click on the link in the invitation e-mail sent to you. Or select 'Invitation' and enter your invite code provided in the e-mail.

Shareholder	Invitation	Guest
If you have received an email invitation for this meeting, please enter your invite code below.		
Invite Code Enter your invite code. e.g. G-ABCDEFG or ABCD		
<b>SIGN IN</b>		

#### OR To register as a guest

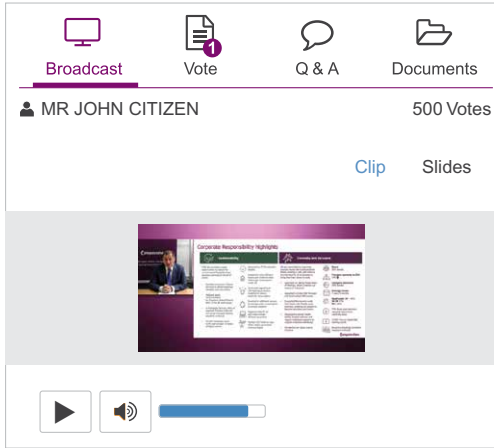
Select 'Guest' and enter your details.

Shareholder	Invitation	Guest
If you would like to attend the meeting as a Guest please provide your details below.		
First Name *		
Last Name *		
Email		
Company Name		
<b>SIGN IN</b>		

29250\_01\_V2

**Broadcast**

The webcast will appear automatically once the meeting has started. If the webcast does not start automatically press the play button and ensure the audio on your computer or device is turned on.

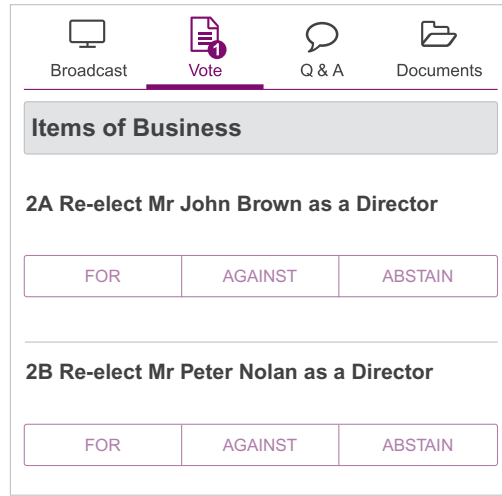


**Vote**

When the Chair declares the poll open, select the 'Vote' icon and the voting options will appear on your screen.

To vote, select your voting direction. A tick will appear to confirm receipt of your vote.

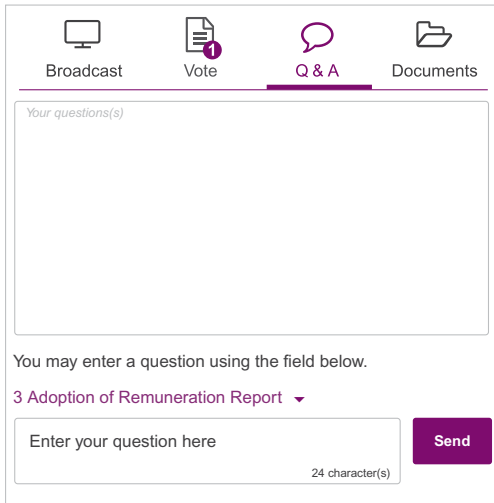
To change your vote, select 'Click here to change your vote' and press a different option to override.



**Q & A**

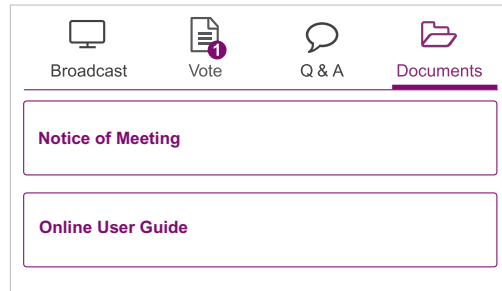
To ask a question select the 'Q & A' icon, select the topic your question relates to. Type your question into the chat box at the bottom of the screen and press 'Send'.

To ask a verbal question, follow the instructions on the virtual meeting platform.



**Documents**

To view meeting documents select the 'Documents' icon and choose the document you wish to view.



**FOR ASSISTANCE**

If you require assistance before or during the meeting please call +61 3 9415 4024.

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## ANNEXURE G

### SAMPLE SCHEME MEETING PROXY FORM




# Annexure G Sample Scheme Meeting Proxy Form




ABA

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?

 **Phone:**  
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)

 **Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11.00am (AEDT) (10.00am Queensland time) Saturday, 30 November 2024.**

## Proxy Form

### How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

#### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

#### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

#### PARTICIPATING IN THE MEETING

##### Attending the Meeting

If you wish to attend the meeting online, please use the details provided in this form. Alternatively, if you are attending the meeting in person, please bring this form with you to assist registration.

##### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com/au](http://www.investorcentre.com/au) and select "Printable Forms".

### Lodge your Proxy Form: **XX**

#### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I9999999999**  
**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

#### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

#### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

Samples/000001/000002

# Annexure G Sample Scheme Meeting Proxy Form

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Auswide Bank Ltd hereby appoint

the Chair of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Auswide Bank Ltd to be held at the Christie Spaces Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland 4000 and online at <https://meetnow.global/MQDTYD7> on Monday, 2 December 2024 at 11.00am (AEDT) (10.00am Queensland time) and at any adjournment or postponement of that meeting.

If you appoint someone other than the Chair of the Meeting as your proxy you will need to advise your proxy of their appointment and, if your proxy will attend the Meeting online, ask them to contact the Company's share registry, Computershare Investor Services on +61 3 9415 4024 Monday to Friday during business hours to arrange their login details so they may attend the Scheme Meeting, vote, and ask questions on your behalf via the Computershare online platform.

#### Comments and Questions:

If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form or otherwise in accordance with the instructions set out in the Notice of Meeting.

### Step 2 Item of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

For Against Abstain

#### 1 Scheme Resolution

To consider and, if thought fit pass (with or without amendment) the following resolution (**Scheme Resolution**):

"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth): (a) the scheme of arrangement proposed between Auswide and its holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which this Notice of Scheme Meeting forms part, is agreed to (with or without alterations or conditions as approved by the Court to which Auswide and MyState agree), and Auswide is authorised, subject to the terms of the Scheme Implementation Agreement to agree to such alterations or conditions, and (b) subject to approval by the Court, to implement the Scheme with any such alterations or conditions."

The Chair of the Meeting intends to vote undirected proxies in favour of the Scheme Resolution. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 <input type="text"/>	Securityholder 2 <input type="text"/>	Securityholder 3 <input type="text"/>	/ / <input type="text"/>
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

#### Update your communication details (Optional)

Mobile Number  Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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— BANK —

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