

25 February 2022

Auswide Bank Ltd H1 FY22 Result

Digital integration driving growth

- Statutory Net Profit After Tax (NPAT) of \$13.702m, up 19.4% driven by strong home loan growth and Private Bank
- Underlying NPAT of \$13.074m, up 14.0%, excludes underclaimed tax credits
- Statutory ROE of 10.5% (Underlying ROE of 10.1%)
- Annualised loan book growth of 8.7% to \$3.748b, 1.2x system growth
- Net Interest Margin (NIM) of 199bps, down 1bps on FY21
- Cost to income ratio of 59.1%, down from 59.6%

* All figures compare H1 FY22 to H1 FY21 unless otherwise indicated

Financial overview ¹	H1 FY22	H1 FY21	Change
Statutory NPAT (\$m)	13.702	11.472	19.4%
Underlying NPAT (\$m)	13.074	11.472	14.0%
Net interest revenue (\$m)	41.313	38.262	8.0%
Customer deposits (\$b)	3.049	2.791	258m
ROE Statutory (%)	10.5%	9.4%	1.1%
ROE Underlying (%)	10.1%	9.4%	0.7%
EPS Statutory (cents)	31.8	27.0	4.8
EPS Underlying (cents)	30.4	27.0	3.4
Interim dividend per share, fully franked (cents)	21.0	19.0	2.0

Auswide Bank Ltd (ASX: ABA, “Auswide”) today released its half year results for the six months ending 31 December 2021 (H1 FY22). Established in 1966, Auswide provides home loans, consumer and credit card lending through its national online offering, branch, Private Bank and broker networks. Auswide has a strong legacy in regional Queensland (QLD), and a growing customer base in Southeast Queensland (SE QLD), New South Wales (NSW) and Victoria.

Auswide Bank’s Managing Director Martin Barrett said: “Auswide has had a strong start to FY22, building on our momentum with continued improvement across all of our key financial metrics. Statutory net profit after tax of \$13.702m is up 19.4% on pcp, reflecting above system loan growth. We are continuing to grow our market share driven by our relentless focus on customer service excellence, which we execute across our value chain. Auswide is consistently focused on making improvements within its back-end processes and turnaround times to improve our offering to customers via our broker network, Private Bank, online and in-branch offering.”

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

Small things. Big difference.

“During the half we made progress on integrating our digital strategy across the business. We are in the process of delivering automation across the organisation to support better customer experiences. A series of robotic processes has been successfully implemented in the operations and loan processing functions of the bank. Further automation processes are planned to enhance the timing and operational efficiencies being realised. We continue to improve our customer facing technology to ensure we offer an excellent multi-platform service, upgrading our Internet Banking system and Mobile App in January, post-period end. In H2 of FY22 we will commence the implementation of industry leading artificial intelligence processes for the retention of credit assets”.

“The strength of our result allows an improved dividend on pcpr representing a very strong yield of 6.26% fully franked. Capital remains strong at 13.20% and exceeds the ‘unquestionably strong’ regulatory targets.”

H1 FY22 Operational Review

During the period, Auswide delivered an annualised loan book growth of 8.7%, valuing its loan book at \$3.748 billion, up from \$3.592 billion at June 2021, and 1.2x system growth. This result reflects Auswide’s strong broker flows, rapidly growing Private Bank, and the success of its partnerships, which are underpinned by digital integration across the business.

The growth in the loan book has been supported by significant flows through the broker channel which continues to be a focus of the bank’s strategic initiatives, representing an important growth opportunity for Auswide, as third-party loans continue to account for a larger portion of the home loan market each year. During the period, Auswide continued to invest in initiatives to further improve its third-party lending to enhance the experience for its broker relationships, along with fast turnaround times for loan customers. Improvements in broker engagement, Verification of Identity technology (VOI), auto-decisioning and internal dashboards are in progress within the bank, with delivery expected in the second half of the financial year.

Very strong growth and momentum is being seen in Auswide’s Private Bank which continues to attract new customers with an increase of \$72.4m in the Private Bank loan book to \$291.9m at 31 December 2021. Approvals and settlements in the Private Bank exceeded \$100m across the half year.

We continue to support loan book growth with the ongoing strategic focus on funding mix to support margin stability. Funding from customer deposits have continued to grow, now representing 75.0% of the total funding mix. Auswide has continued to build partnerships to achieve growth in customer deposits and funding of the loan book.

Underpinning loan book growth is a focus on marketing and building our brand through consistent messaging and enhanced customer service. The partnership with the Queensland Rugby League (QRL) remains an important reference point for brokers and consumers, lifting Auswide’s profile, especially across QLD and NSW.

Small things. Big difference.

H1 FY22 Financial Review

Very strong loan book growth delivered net interest revenue of \$41.3m up 8% on pcp. The high-quality loan book growth and continued focus on improving efficiency of Auswide's funding mix resulted in a Net Interest Margin (NIM) of 199bps, down 1bp from FY21.

Auswide has an ongoing strategic focus on expanding customer deposits and tight management of funding costs. Customer deposits grew at an annualised 7.9% in the period, to reach 75.0% of funding (H1 FY21: 74.4%). There was a 26.9% annualised growth in lower cost at call savings accounts from \$1.440b at June 2021 to \$1.634b. Branch deposits from at call savings and term deposits were up \$138.5m across H1 of FY22. Auswide continues to reduce its reliance on securitisation, which is a more expensive funding line, to 7.5% of total funding from 19.7% in June 2018. Auswide has maintained dual investment grade ratings from Fitch and Moody's of BBB+ and Baa2 respectively.

Auswide retained its strong capital position with a capital adequacy ratio of 13.20% and CET1 of 10.84%, in excess of the Board's target. The capital ratio has reduced from 13.31% at FY21 due to an increase in risk weighted assets as a result of growth in the loan book which has been supported by tier 1 capital flowing from retained earnings. Capital supply drivers will include the operation of the Dividend Reinvestment Plan for the interim dividend.

Return on Equity 10.5% (H1 FY21: 9.4%) and is amongst the strongest in the ADI sector.

The Board has declared a fully franked interim dividend of 21.0cps, representing a 2.0cps increase on pcp. This dividend reflects very strong operational performance and prudent capital management to provide returns to shareholders.

Environmental, Social and Governance (ESG)

Auswide Bank has established a leadership group to develop an ESG management framework and management committee. This committee will work to monitor and manage Auswide's ESG framework with the goal of establishing targets and measuring outcomes in line with Auswide's business objectives and ESG responsibilities.

In November we made further progress in our ESG journey, by launching a new eco-friendly Visa debit card, made from plant-based material, which will safely break down in landfill. The eco-friendly card has been carefully developed to ensure it functions just as well as a traditional plastic card and is certified by Visa to meet all the necessary scheme requirements. The card is available to all Auswide customers, replacing our standard Visa debit card. Lending policies are being reviewed for the development of green loans with a possible release in FY23.

Small things. Big difference.

Responding to COVID-19

Throughout the pandemic, Auswide has supported customers affected by COVID-19, providing a range of assistance packages, including the deferral or reduction of loan repayments and the shift to interest only loans.

As of 31 December 2021, less than 0.1% of Auswide’s loan book was receiving assistance as a result of COVID impacts, however, COVID-19 related provisions remain in place.

FY22 Outlook and Strategy

Auswide has had a strong start to the year, with continued growth in lending supported by increased customer deposits.

The financial goals contained in Auswide’s 3-year strategic plan from FY19-FY22 were reached within three years, with the company achieving a cost to income ratio of 60%, stable trend in NIM, and RONTA of 12.9% above its target of 10%.

Looking ahead, Auswide’s strategy will focus on delivering the Company’s growth aspirations by driving digital integration across the business, supporting above system loan growth. Auswide has developed a digital framework that will continue to support its focus on customer experience, partners, processes and people, recognising that digital integration underpins risk management, improves efficiency and manages costs.

Investor Conference Call

Auswide Bank’s Managing Director Martin Barrett and Chief Financial Officer Bill Schafer will brief the market via a conference call at 09:00 am (AEST) / 10:00am (AEDT) today, Friday 25 February.

To register for the conference call and access dial in details, please follow the link below.

<https://s1.c-conf.com/diamondpass/10019247-e6wy7c.html>

For more information:

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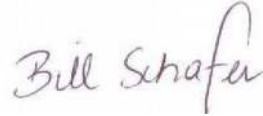
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About Auswide Bank Ltd

Auswide Bank became Australia's tenth and Queensland's third Australian owned bank, listed and trading on the ASX, on April 1, 2015. The company had operated as a building society since 1966.

Auswide Bank has an Australian Credit Licence and an Australian Financial Services Licence issued by ASIC and is an Authorised Deposit-taking Institution prudentially supervised by the Australian Prudential Regulation Authority.

Auswide Bank offers Australians an extensive range of personal and business banking products & services issued directly or in partnership with leading service providers via an omni-channel distribution strategy which includes branches, strategic relationships and online & digital channels.

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