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27 August 2020

FY20 Full Year Result

Growing loan book, maximising NIM in challenging 2H

- **Loan Book up 4.3% yoy to $3.266 billion, 1.5x system growth**
- **Net interest revenue up 11.6% yoy to $70.516m**
- **Net Interest Margin of 1.97%, up 10 bps; 1.99% in H2 FY20**
- **Statutory Net Profit After Tax (NPAT) of $18.504 million, up 7.6% yoy**
- **NPAT (excluding the effects of COVID-19) of $20.114m, up 16.9%**
- **Customer deposit growth of 10.4% to $2.620bn; 74.5% of funding (FY19: 71.4%)**
- **Capital adequacy ratio of 12.95% and CET1 ratio of 11.09%**
- **Return on Net Tangible Assets (RONTA) of 9.7%, up 0.6%**
- **RONTA (excluding the effects of COVID-19) of 10.6%; exceeds strategic target of 10%**
- **Earnings Per Share (EPS) of 43.8 cents, up 3.0 cents**
- **Final dividend of 10.75 cps, fully franked, reflects strength of financial result and APRA guidance**

* All figures compare FY20 to FY19 unless otherwise indicated

Auswide Bank Ltd (ASX: ABA) today released its full year result for the twelve months to 30 June 2020 (FY20). Net interest revenue increased by 11.6% to $70.516m and statutory net profit after tax (NPAT) was 7.6% higher at $18.504 million. Earnings per share rose by 3.0 cents to 43.8 cents.

NPAT (excluding the effects of COVID-19) increased by 16.9% to $20.114m reflecting above system loan book growth, a 10bps improvement in net interest margin and a lower cost to income ratio.

	FY20	FY19	Change
Net interest revenue ($m)	70.516	63.185	11.6%
Statutory NPAT ($m)	18.504	17.201	7.6%
NPAT (excluding the effects of COVID-19) ($m)	20.114	17.201	16.9%
Earnings per share (cents)	43.8	40.8	3.0 cps
Final dividend per share, fully franked (cents)	10.75	18.5	(7.75) cps

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Auswide Bank's Managing Director Martin Barrett said: "FY20 has been a year of outstanding growth in lending and customer deposits as well as profitability for Auswide Bank. We delivered on all our key financial targets with above system loan book growth, an increase in NIM in the second half, further reduction in our cost to income ratio and a Return on Net Tangible Assets excluding the effects of COVID-19 of above 10%.

"Our priority remained profitable loan book growth which increased by 4.3% or 1.5x system in a highly competitive market. Despite this, we were able to materially increase our net interest margin through the active management of our funding costs and the over 10% growth we achieved in customer deposits. This allowed us to continue to increase our self-funding ratio which at 74.5% was more than 300 basis points higher than FY19.

"The second half was marked by the COVID-19 outbreak and we responded rapidly to support our customers and ensure the safety and wellbeing of our staff. Our COVID-19 assistance packages provided relief to those who requested support and I am proud that, in most cases, we responded to customers within three days. Nine percent of our loan book has been placed on assistance which is slightly lower than the industry average and reflects the concentration of our loan book in Queensland. We will continue to work with our customers over the coming months to provide the appropriate levels of support.

"Auswide has declared a fully franked final dividend of 10.75 cents per share which represents a payout ratio of 49.3% of our statutory NPAT in the second half of FY20. The total dividend of 27.75 cps equated to a FY20 payout ratio of 63%. The decision to pay a final dividend reflects the strength of our financial result but also the need to prudently manage our capital and operate within recently announced APRA guidelines while also rewarding our shareholders for their ongoing support."

Strong loan book growth and reducing the cost of funding

In FY20, Auswide Bank delivered loan book growth of 4.3% which was 1.5x system and reflected strong broker flows, inclusion in the First Home Loan Deposit Scheme and the success of Auswide's partnerships. At 30 June 2020, Auswide's total loan book was valued at $3.266 billion. Auswide continued to diversify its loan book across regions, with NSW and South East Queensland representing significant growth opportunities.

In December 2019, Auswide was nominated by the National Housing Finance Investment Corporation (NHFIC) to join the lending panel of the new First Home Loan Deposit Scheme. From 1 February 2020, Auswide has offered loans to eligible first home buyers with the scheme providing a government guarantee for any loan monies above 80% LVR. In FY20, the First Home Loan Deposit Scheme contributed to a 25.8 % increase in Home Loan Approvals and a 9.9% increase in Home Loan Settlements.

Excluding COVID-19 related assistance, arrears of 0.39% remained at historic lows highlighting the sound credit quality of Auswide's loan book. Current arrears of $12.6m were 53% down compared to June 2016

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reflecting Auswide's consistent focus on risk management. Auswide's home lending book remains mature with 72% of loans having an LVR of 80% or less. An increase in loans with LVR>90% was due to the success of the First Home Loan Deposit Scheme with a government guarantee provided for any loan monies above 80% LVR. Other loans with LVR >80% are LMI covered.

Auswide's loan book growth was supported by an ongoing shift in its funding mix as customer deposits increased by 10.4% to $2,620m and securitisation continued to fall. Customer deposits now represent 74.5% of funding, driven largely by the strong growth in at-call savings accounts which increased by 24.8% to $1.13b.

Net interest revenue

Auswide's strong loan book growth delivered net interest revenue of $70.516m, up 11.6% on pcp. The high-quality growth and improving efficiency of Auswide's funding mix resulted in a 10bps expansion in net interest margin to 197 bps from 187 bps in June 2019. As expected, NIM continued to improve in the second half. Auswide maintained a discipline approach to costs with the cost to income ratio (CIR) falling to 62.5% from 64.5% in FY19 as the bank made further progress towards its medium-term strategic goal of a CIR of 60%.

Responding to COVID-19

Auswide entered the second half in a strong capital and liquidity position and responded rapidly to requests for support from customers affected by COVID-19. A range of assistance packages which included the deferral or reduction of loan repayments and the shift to interest only loans were provided to 1,014 account holders. This represents just under 9% of the total loan book which is slightly lower than the industry average and reflects the concentration of Auswide's loan book in Queensland (FY20: 74.9%). To reflect the uncertainty created by COVID-19, Auswide has increased its collective provisioning by $2.3m for possible future losses.

During this period, the health and wellbeing of Auswide's team has remained a priority. Auswide's branches remained open with the appropriate safety measures in place and office staff have worked remotely where possible.

Strong capital position and final dividend maintained

Auswide retained its strong capital position with a capital adequacy ratio of 12.95% and CET1 of 11.09% at 30 June 2020. The capital ratio reduced from 13.79% at 30 June 2019 due to the strong loan book growth and suspension of the dividend reinvestment plan (DRP) for the FY19 final dividend. Auswide's capital position remains comfortably in excess of the Board's target and will continue to support loan book growth through the first half of FY21. Capital supply drivers in FY21 will include a Tier 2 subordinated debt transaction and reinstatement of the DRP in Q1 FY21.

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The Board has declared a fully franked final dividend of 10.75 cps, payable on 18 September 2020 which reflects the strength of the financial result and recent APRA guidance on capital distribution. The total dividend of 27.75 cents for FY20 represented a payout ratio of 63%.

Outlook

During FY21, Auswide will remain focused on the delivery of its three-year strategic plan to further build brand awareness, invest in technology to realise business efficiencies and enhance customer experience, and meet increasingly complex regulatory obligations. In addition, Auswide will continue to provide the appropriate level of support to customers affected by COVID-19.

Investor conference call

Auswide Bank Managing Director Martin Barrett and CFO Bill Schafer will host a conference call with the investment community including a Q&A session at **11.30am AEST today (27 August 2020)**.

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

https://s1.c-conf.com/diamondpass/10009041-invite.html

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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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