

24 February 2021

H1 FY21 Half Year Result

Record loan book growth increases NPAT 23.9%

- Annualised loan book growth of 13.4% across H1 FY21
- Net interest revenue up 10.9% to \$38.262m
- Net Interest Margin of 201bps, up 6bps on H1 FY20
- Net Profit After Tax (NPAT) of \$11.472m, up 23.9%
- Customer deposits up 10.6% to \$2.791b; 74.4% of funding mix
- Capital adequacy ratio of 13.32% and CET1 ratio of 10.88%
- Return on Net Tangible Assets (RONTA) of 11.6% (H1 FY20: 9.7%)
- Earnings Per Share (EPS) of 27.0 cents, up 5.1 cents
- Fully franked interim dividend of 19.0cps, up 2.0cps

* All figures compare H1 FY21 to 1H FY20 unless otherwise indicated

Auswide Bank Ltd (ASX: ABA) today released its half year results for the six months to 31 December 2020 (1H FY21). Established in 1966, Auswide Bank provides home loans, consumer and credit card lending through its national online offering, branch and brokers networks.

	H1 FY21	H1 FY20	Change
Net interest revenue (\$m)	38.262	34.516	10.9%
Consolidated NPAT (\$m)	11.472	9.256	23.9%
Earnings per share (cents)	27.0	21.9	5.1c
Interim dividend per share, fully franked (cents)	19.0	17.0	2.0c

Auswide Bank's Managing Director Martin Barrett said: "We have had a very successful six months with a 24% increase in Net Profit after Tax reflecting ongoing improvement in our customer attraction and service delivery. Despite a challenging macro environment with record low interest rates and a highly competitive market, we were able to achieve annualised loan book growth of 13.4% across the half year. Our strategic focus on delivering a highly scalable broker experience supported record loan flows assisted by participation in the First Home Loan Deposit Scheme and growing broker recognition. Our loan book has continued to diversify both geographically and with a younger demographic. Our Private Bank, QRL partnership and

Small things. Big difference.

technology investment are further building Auswide's brand profile and enhancing our customer value proposition."

"At the same time, our strategic focus on optimising our funding mix by growing customer deposits has enabled us to significantly reduce our funding costs. We increased our Net Interest Margin by 6bps on pcp and achieved a cost to income ratio that was below our medium-term strategic target of 60%. The quality of our lending portfolio and prudent risk controls were once again evident as we grew our loan book while maintaining total arrears at historic lows. We have continued to provide COVID-19 relief to customers during the half but the value of loans receiving assistance has fallen substantially from 9% at 30 June to only 1% at 31 December."

"Auswide has declared an increased interim dividend of 19.0cps, fully franked which represents a payout ratio of 70.8%. The strength of our result allows an improved dividend on pcp whilst managing capital for further growth. The second half has begun well with strong momentum as we continue to expand our broker network, grow our customer base and drive cost efficiencies across the business."

Loan Book Growth & Improving Funding Mix

At 31 December 2020, Auswide's total loan book, including investments in Managed Investment Schemes, was \$3.485 billion up from \$3.216 billion in pcp. Mortgage brokers continued to represent a significant growth opportunity for Auswide as third-party loans account for a larger portion of the home loan market each year. From February 2020, Auswide has participated in the First Home Loan Deposit Scheme which offers loans to eligible first homebuyers with the government providing a guarantee for any loan monies above 80% LVR. The scheme has introduced Auswide to a wider broker group, contributing to the expansion of the broker network, and a younger customer demographic, specifically between the ages of 24-35.

During the first half, strong broker flows extended Auswide's presence outside Queensland which now represents 28.6% of the total loan book (H1 FY20 24.9%).

Additionally the Bank has been growing its Private Bank providing a high service model to those that value such a relationship. This is an exciting growth opportunity for the Bank with a substantial and growing pipeline.

A key element of Auswide's strategy is building its brand awareness. The partnership with the Queensland Rugby League (QRL) remains an important reference point for brokers and consumers, lifting Auswide's profile, especially across Queensland and NSW. A focus on disciplined investment in technology is also enhancing the customer experience and supporting the transition from branch to digital channels.

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Auswide's loan book growth was supported by the ongoing shift in its funding mix as the 10.6% growth in customer deposits allowed Auswide to significantly reduce its funding costs. Excluding COVID-19 related assistance, arrears of 0.26% of total loans were at historic lows and highlighted the sound credit quality of Auswide's loan book. COVID-19 loan deferrals were not included in arrears based on APRA guidelines but only 1.1% of Auswide's loan balances remained on active assistance at 31 December 2020.

Net Interest Revenue

Auswide's strong loan book growth delivered net interest revenue of \$38.262m, up 10.9% on pcp. The high-quality loan book growth and improving efficiency of Auswide's funding mix resulted in a 6bps net interest margin expansion to 201bps. Auswide maintained ongoing cost discipline with a reduction in CIR to 59.6% (H1 FY20: 62.9%) which is ahead of its medium-term strategic target.

Responding to COVID-19

From the start of the pandemic, Auswide responded rapidly to requests for support from customers affected by COVID-19. A range of assistance packages were provided which included the deferral or reduction of loan repayments and the shift to interest only loans.

At 30 June 2020, this represented just under 9% of the total loan book, slightly lower than the industry average reflecting the concentration of its portfolio in Queensland and low risk home loans. Since then, the majority of these customers have resumed or indicated that they intend to resume repayments at the end of their deferral period. At 31 December 2020, just 1.1% of Auswide's loan book was still receiving assistance with these mainly related to home loans with an LVR of <80%. Total provisions and GRCL have increased slightly to \$9.9m in line with loan book growth. The Board is confident this is sufficient to manage the uncertainty created by COVID-19 with a review of COVID-19 related provisions to be undertaken during the second half.

Strong Capital Position & Interim Dividend Declared

Auswide retained its strong capital position with a capital adequacy ratio of 13.32%, in excess of the Board's target of 12.50%, and a CET1 of 10.88%. The capital ratio has increased from 12.95% at 30 June 2020 due to strong operating results and issuance of \$12m in Tier 2 Capital in August 2020. The strong capital position is expected to support above system loan book growth in H2 FY21.

The Board has declared a fully franked interim dividend of 19.0cps, payable on 19 March 2021, representing a 2.0cps increase on pcp. The dividend payout ratio is 70.8%, which is in line with the Board's target of 70% - 80%.

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Recent Board Changes

Effective 31 December 2020, Mr John Humphrey retired as Non-Executive Director and Chairman and was succeeded by Ms Sandra Birkenleigh who has been a Non-Executive Director of Auswide Bank since February 2015. Mr Grant Murdoch joined the Auswide Board as a Non-Executive Director from 1 January 2021 and replaced Ms Birkenleigh as Chair of the Audit Committee.

FY21 Outlook

Auswide has had a strong start to the second half as broker flows continue to support loan book growth and customer deposits remain a strong source of funding for the Bank. Despite already exceeding its medium-term strategic targets, Auswide will continue to prioritise the implementation of its three-year strategic plan to further build brand awareness, improve technology, fulfil its regulatory obligations and enhance the customer experience. In addition, Auswide will continue to support its customers affected by COVID-19.

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 11:00 am (AEDT) today, Wednesday 24 February.

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

<https://s1.c-conf.com/diamondpass/10012162-5io3yc.html>

For more information:

Investors: Françoise Dixon, Citadel-MAGNUS +61 412 292 977

Media: James Strong, Citadel-MAGNUS +61 448 881 174



Martin Barrett
Managing Director
+61 7 4150 4001

mbarrett@auswidebank.com.au



Bill Schafer BCom CA
Chief Financial Officer and Company Secretary
+61 7 4150 4075

bschafer@auswidebank.com.au

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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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