

27 August 2021

Auswide Bank Ltd

FY21 Full Year Result

Record growth supported by increased NIM

- Statutory net profit after tax (NPAT) of \$24.155m, up 30.5% on FY20
- Loan book growth of 10.0% yoy to \$3.593bn, 3.2x system growth
- Net interest margin (NIM) of 200bps, up 3bps on FY20
- Cost to income ratio of 60.1%, down 2.4%
- Capital adequacy ratio of 13.31%, from 12.95% in June 2020

* All figures compare FY21 to FY20 unless otherwise indicated

	FY21	FY20	Change
Customer deposits (\$bn)	2.933bn	2.620bn	313m
Net interest revenue (\$m)	78.161	70.516	10.8%
Return on net tangible assets (RONTA)	12.1%	9.7%	2.4%
Earnings per share (EPS) (cents)	56.7	43.8	12.9c
Final dividend per share, fully franked (cents)	21.0	10.75	10.25c

Auswide Bank Ltd (ASX: ABA, “Auswide”) today released its full year results for the twelve months ending 30 June 2021 (FY21). 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: “FY21 has been another extremely successful year for Auswide, with strong improvement across all key financial metrics including NPAT of \$24.155m, up 30.5%. Auswide continues to build momentum, increasing its market share and shareholder value. We achieved our FY21 financial targets with above system loan book growth (3.2x), further reduction of cost to income ratio and RONTA of 12.1%. Our vision of becoming the bank that our customers, staff and partners want their friends, family and colleagues to bank with is coming to fruition with strong customer support”.

Small things. Big difference.

“Brokers continue to represent an important distribution channel for us and our most significant growth opportunity. Our loan book growth of 10.0% was assisted by strong broker flows in SE QLD, NSW and Victoria. We increased our broker flows in each region whilst maintaining our lending quality and improving our net interest margin. Our Cost to income ratio declined to 60.1%, reflecting our increasing revenue, careful cost management and return based investment in online capabilities. Similarly, our strategic focus on optimising and transforming our funding mix and reducing funding costs has been successful. Growth in customer deposits was 11.9% finishing the year at \$2.933bn.”

“Our private bank has been an exciting growth niche for us, and we’ve seen strong momentum throughout FY21. Our prioritised and personalised service differentiates Auswide from our competitors. We are able to leverage our customer service capabilities via a high service model to gain great advocacy and further opportunity”.

“The strength of our result allows an improved dividend on pcp representing a very strong yield of over 6% fully franked. Capital remains strong at 13.31% and exceeds the ‘unquestionably strong’ regulatory targets.

“Looking ahead, we see ‘digital’ as a material driver for our future growth strategy, delivering better outcomes for our customers and partners via our online services, processes and people. This will support us in our aim to grow our target younger customer base across the Eastern Seaboard, making it easier for our partners to do business with us, combined with delivering automation across the business and developing more efficient processes that support increased sales volumes.”

Operational Review

In FY21, Auswide delivered loan book growth of 10%, valuing our loan book at \$3.593 billion, up from \$3.266 billion on pcp, and 3.2x system growth. This result reflects Auswide’s strong broker flows, inclusion in the First Home Loan Deposit Scheme (FHLDS), rapidly growing private bank and the success of Auswide’s partnerships.

Mortgage brokers continue to represent a significant growth opportunity for Auswide, as third-party loans account for a larger portion of the home loan market each year. As part of our digital initiative, we continue to focus on improving our back-end processes, enabling us to deliver near best turnaround times in the industry. In FY21 we have also leveraged our involvement in the FHLDS, which we have been involved in since February 2020. Not only has the scheme introduced Auswide to a younger customer demographic, specifically between the ages of 24-35, it has also introduced us to a larger pool of brokers, who we have continued to deepen our relationships with. We continue to focus on customer service excellence and have leveraged this to deliver lending and deposit solutions to high-net-worth individuals through our private bank, further supporting loan book growth.

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This year these strong broker flows drove growth in SE QLD, NSW and Victoria. SE QLD remains a significant growth opportunity and the largest contributor to our loan book by region. We continue to 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. We continue to think of ways to further engage our customers and this year launched a limited-edition Maroons Visa Debit Card.

Auswide's loan book growth was supported by the ongoing strategic focus on funding mix to support margin growth. The 11.9% growth in customer deposits allowed Auswide to significantly reduce its funding costs and increase customer deposit funding to 75.7%. There has been a 27.7% growth in lower cost at call savings accounts which increased from \$1.13b to \$1.44b. Auswide has also reduced reliance on securitisation, which is a more expensive funding line, to 8.6% of funding in June 2021 compared 19.7% in June 2018. An RBA Term Funding Facility of \$151m has been fully drawn and Auswide has maintained dual investment grade ratings from Fitch and Moody's of BBB+ and Baa2 respectively.

Financial Review

Very strong loan book growth delivered net interest revenue of \$78m up 10.8% on pcp. The high-quality loan book growth and improving efficiency of Auswide's funding mix resulted in a net interest margin of 2.00%, up 3bps yoy (FY20: 1.97%).

Auswide retained its strong capital position with a capital adequacy ratio of 13.31% and CET1 of 10.84%. The result is expected to support above system loan book growth in FY22.

The Board has declared a fully franked final dividend of 21.0cps, bringing the total dividend for FY21 to 40.0cps representing a 12.25cps increase on pcp. This dividend reflects the balance between prudent capital management and providing returns to shareholders.

Responding to COVID-19

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

As at 30 June 2021, less than 0.1% of Auswide's loan book was receiving assistance as a result of COVID impacts.

Since the period end of 30 June 2021, lockdowns have been rolled out across QLD, NSW and Victoria. Auswide offers COVID assistance to customers in need.

Small things. Big difference.

Environmental, Social and Governance (ESG)

Auswide recognises the responsibility it has to its staff, customers, partners, shareholders and stakeholders to be sustainable. This year has represented a step change towards our efforts concerning our communication on our Environmental, Social and Governance practices. Internally, Auswide has established an ESG working group to oversee the development of an ESG framework for the organisation, which will be detailed in this year's FY21 Annual Report which will be published in September 2021.

FY22 Outlook and Strategy

Auswide has had a very strong year, with record performance, as lending growth accelerated and customer deposits supported this growth.

The financial goals contained in Auswide's 3-year strategic plan have been achieved in 18 months, with the company achieving a cost to income ratio of 60%, stable trend in NIM across FY21, and RONTA of 12.1%.

Looking ahead, the Board has reviewed Auswide's strategy and will focus on delivering the company's growth aspirations by driving digital integration across the business. We have developed a digital framework that will continue to support our focus on customer experience, partners, processes, and people, recognising that digital integration underpins risk management, improves efficiency and manages costs.

More information on the company's strategy will be delivered at its AGM in November 2021.

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) today, Friday 27 August.

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

<https://s1.c-conf.com/diamondpass/10015041-6tqyk7.html>

Small things. Big difference.

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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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