



Auswide Bank Ltd
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Manager of Company Announcements
Australian Securities Exchange Ltd
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Auswide Bank Ltd (ABA) – Chairman’s Address 2019 AGM

Please find attached the Chairman’s Address which will be presented at today’s Annual General Meeting.

Yours faithfully

Martin Barrett
Managing Director

Small things. Big difference.

Auswide Bank Limited
Annual General Meeting
27 November 2019

Chairman's Address - John Humphrey

Over the 2019 financial year, the banking sector has faced a number of challenges which have been well documented. These include a sluggish domestic economy, historically low interest rates and global economic uncertainty which have all weighed heavily on local credit conditions.

FY19 Financial Highlights

Despite a challenging environment, over the past year our team has delivered on our commitment to grow the loan book responsibly and shift our funding mix to customer deposits.

As a result, Net Interest Revenue increased by 3.5 per cent to \$63.185 million compared to \$61.020 million in the previous financial year. Our Net Interest Margin was 1.87 per cent compared to 1.93 per cent in the previous year and our Cost to Income ratio was 64.5 per cent compared to 63.3 per cent in the prior year.

We delivered underlying NPAT for the consolidated group of \$17.201 million, a 0.5 per cent increase on underlying NPAT of \$17.108 million in the 2018 financial year.

Our statutory NPAT of \$17.201 million was 3.8 per cent lower than the previous year reflecting the sale of a controlling equity stake in MoneyPlace in January 2018. The sale had a one-off positive impact on the 2018 financial results with a NPAT contribution of \$1.227 million. Underlying NPAT was in line with statutory NPAT as there were no adjustments for one-off or nonrecurring items in the 2019 financial year.

The Board declared a fully franked final dividend of 18.5 cents per share which was 0.5 cents per share higher than the previous year. The dividend was paid on 20 September 2019. The total dividend of 34.5 cents per share represented a payout ratio of 84.6 per cent and a dividend yield of 6.7 per cent.

Once again, total dividends were higher than the previous year, highlighting the ongoing improvement in dividend returns to shareholders, in a low interest rate environment. Given Auswide's capital strength, the Board maintained the suspension of the Dividend Reinvestment Plan for the final dividend.

Regional update

Economic activity continues to improve in our core markets in regional Queensland. There has been a greater level of certainty since the Federal Election with several large projects and significant government investment occurring in Rockhampton, Mackay, Bundaberg and Townsville.

Risk, Regulation, Culture & Compliance

We continue to manage risk well with prudent loan underwriting standards and sound controls enabling us to grow our loan book while maintaining a solid arrears position. The implementation of the new AASB 9 accounting standard in July 2018 further strengthens the provisions set aside for bad and doubtful debts. The Board is satisfied that existing provisions cover the risks relating to current and future doubtful debts.

The regulatory environment continues to evolve with APRA progressing changes to the capital framework to ensure that ADIs remain on track to meet the “unquestionably strong” capital ratio benchmarks. Auswide’s capital ratio of 13.79 per cent means we are already well ahead of the new benchmarks. The combination of our strong capital position, the ACCC’s push for improved competition and ongoing reputational challenges faced by the Big Four banks will provide future growth opportunities for smaller, more nimble banks such as Auswide.

We believe the culture of Auswide Bank remains sound and we are focused on making sure we meet our governance and regulatory compliance requirements. From a responsible lending perspective, we continue to operate prudently, constantly reviewing our lending practices to meet regulatory, and our own requirements. Recent industry events have highlighted the importance of not just having a healthy balance sheet, but strong governance, a sound culture, appropriate internal controls and clear accountabilities.

FY20 Outlook

Over the year ahead we will focus on delivering against our three-year strategy, targeting a cost to income ratio of 60 per cent, a return on net tangible assets of 10 per cent, above system loan growth and a stable net interest margin. We will continue to focus on disciplined cost management, expanding our digital footprint and enhancing our value proposition.

As mentioned earlier, we firmly believe that growth opportunities will come from the ongoing reputation challenges, regulatory capital increases, remediation and greater regulatory focus on the Big Four banks.

In closing, I would like to thank the staff and management of Auswide Bank for their hard work and commitment throughout the year, our people are key to our competitive advantage.

I would also like to thank my fellow directors for guiding Auswide as we strive to provide sustainable outcomes for all our stakeholders.

And finally, to our shareholders, thank you for your continued support as we work to deliver sustainable returns.