

30 August 2023

## Auswide Bank Ltd FY23 Result

### Focus on loan growth and investment in challenging environment

- Underlying Net Profit After Tax (NPAT) of \$25.067m, up 0.44%
- Loan book growth of 14.2% to \$4.403b
- Customer deposits up \$355m to \$3.414b
- Total dividend up 1cps to 43.0cps
- Capital Adequacy Ratio up from 12.90% to 13.70%

\* All figures compare FY23 to FY22 unless otherwise indicated

Financial overview	FY23	FY22	Change
Underlying NPAT <sup>1</sup> (\$m)	25.067	24.956	0.4%
Statutory NPAT (\$m)	25.067	26.132	-4.1%
Net interest revenue (\$m)	89.182	82.044	8.7%
Loan book <sup>2</sup> (\$b)	4.403	3.855	524m
Customer deposits (\$b)	3.414	3.059	355m
ROE statutory (%)	8.7%	9.8%	-1.1%
EPS statutory (cents)	55.6c	60.5c	-4.9c
Final dividend per share, fully franked (cents)	21.0c	21.0c	0.0c
Total dividend per share, fully franked (cents)	43.0c	42.0c	1.0c

**Auswide Bank Ltd** (ASX: ABA) today released its results for the full year ended 30 June 2023 (FY23). Established in 1966, Auswide offers Australians an extensive range of personal and business banking products and services via an omni-channel distribution strategy which includes branches, strategic relationships and online and digital channels. Auswide has a strong legacy in regional Queensland, and a growing customer base in Southeast Queensland, New South Wales and Victoria.

<sup>1</sup> Difference between NPAT, ROE and EPS statutory and excluding non-recurring items, due to tax credits which the Bank underclaimed, transition payment from payment systems provider, costs of M&A which did not proceed, release of COVID overlay in collective provision.

<sup>2</sup> Grossed up to include Managed Investment Schemes (MISs)

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**Auswide Bank's Managing Director Martin Barrett said:** "In a year which saw significant macroeconomic challenges and intense market competition, we placed an emphasis on growth and delivered our strongest year ever, with home loan growth of over 14%. The second half of the year was particularly marked by significant deposit and home lending competition which impacted margins across the industry. Nonetheless, Auswide was able to deliver an underlying NPAT of \$25.067m, an increase of 0.44% on the underlying NPAT of \$24.956m achieved for the year ended 30 June 2022. Profitable growth was challenged as we faced difficult conditions including rising interest rates, maturity of fixed loans and increasing people, technology, cyber, fraud detection and compliance costs.

We believe the period is transitioning and we are seeing early signs of improving conditions with the stability of interest rates and the settling of aggressive home lending pricing and incentives. Deposit pricing remains intense, but again some early signs of pullback are evident. This is also apparent in some subduing of the wholesale funding costs that had rapidly escalated over the year.

The year saw our operating expenses increase by 13.3%, as we channelled investment into technology to improve customer outcomes and cyber and fraud protection featured strongly. Success in the Broker space saw an increase to brokerage costs over the year and payroll expenses grew as we continue to expand capacity and build capabilities. Expense growth will moderate considerably over FY24 as we focus on releasing other costs across the business.

Auswide continues to concentrate on providing a positive banking experience for customers through face-to-face banking within our branch network, on the phone via the Customer Hub or across our digital channels. Enhancing customer experience by prioritising home loan support and retention for existing customers as well as elevating the brand across digital platforms helped to grow our customer base by over 5% during the financial year.

Capital remains strong at 13.7% and comfortably meets the 'unquestionably strong' regulatory targets."

### **FY23 Operational Review**

During the period, Auswide delivered loan book growth of 14.2%, valuing its loan book at \$4.403 billion, up from \$3.855 billion at June 2022. Settlements across the year were up 27.9% compared to FY22. Expansion of the Private Bank service model and ongoing success in generating loans via the broker channel have elevated the bank's capacity to grow.

The focus on profitable loan book growth, although challenging in the current climate, remains a key strategic objective of the bank as we aim on generating a loan book target of \$6b by 2025. Growth in the loan book has been supported by Auswide's heightened strategic focus on customer experience which contributed to an increase in the customer base over FY23. Technology was utilised to improve the loan experience, through

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auto decisioned loans, digital documentation, and automated processes along with enhanced fraud detection and improved payment services.

Strong broker flows continued to drive growth in Southeast Queensland which experienced a 12.1% uplift in the portfolio. The loan book outside of Queensland continues to diversify as portfolios across New South Wales and Victoria increased by 16.7% and 28.1% respectively.

Ongoing demand for Private Bank which offers bespoke lending and deposit solutions to targeted clients saw the portfolio increase from \$352m at 30 June 2022 to \$438m at 30 June 2023.

A standout has been the quality of our loan book with arrears amongst the best across the industry at a historic low of 0.10% of loan book at 30 June 2023.

### **FY23 Financial Review**

Auswide's strong loan book growth delivered net interest revenue of \$89.2m up 8.7% on pcp, however, a surge in funding costs and ongoing loan retention actions resulted in a NIM of 188bps, down 6bps from FY22.

Auswide has a continuing strategic focus on expanding customer deposits and tight management of funding costs. Customer deposits grew from \$3.059b at 30 June 2022 to \$3.414b at June 2023, an uplift of \$354.842m or 11.60%. Despite the funding advantages gained from increasing the retail deposit base, the loan book growth during the year surpassed customer deposit growth. Higher cost funding lines and sales into securitisation warehouses were utilised to support and supplement the loan book which triggered a corresponding impact to the net interest margin and resulted in a reduction in customer deposits as a percentage of total funds from 73.16% at 30 June 2022 to 72.37% at 30 June 2023.

Auswide retained its strong capital position with a capital adequacy ratio of 13.7% and CET1 of 11.4%, comfortably meeting APRA's 'unquestionably strong' requirement. The capital ratio is up from 12.9% at 30 June 2022 as the growing home loan portfolio contributes to elevated risk weighted assets.

The Board has declared a fully franked final dividend of 21.0cps, bringing the total dividend of 43.0cps for FY23 up from 42.0cps for FY22. This dividend reflects strong operational performance and prudent capital management to provide returns to shareholders. Based on our share price at 30 June 2023 our fully franked dividend represents a yield of 8%.

### **Environmental, Social and Governance (ESG)**

In FY23, Auswide's ESG Committee continued to evolve and develop the bank's Sustainability Strategy, which is focused on the six foundational pillars of Customer, Our People, Community, Environment, Financial and Technology and Data.

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A review of the ESG risk management framework was conducted to align the approach to ESG risk throughout the organisation. ESG reporting and measurement indicators embedded into performance have been introduced into Executive score cards to further support the Sustainability Strategy.

The ESG Committee will continue to monitor, identify and elevate the ESG issues that impact the business and matter most to our stakeholders as we continue our resolve to advance the commitment to environmental, social and governance priorities.

### **FY24 Outlook**

The present lending environment is highly challenging with new originations slowing in response to interest rate uncertainty and profitable growth challenges. Currently, we are taking a cautious approach to growth given prevailing lending rates and funding costs, however, we are seeing some improvement as we aim for modest growth, NIM protection and control of expenses as the focus continues on profitable high-quality lending, managing funding and pricing to ensure the loan book growth flows through to the net interest revenue of the bank.

It is expected that the Private Bank and broker channel will continue to provide growth opportunities as the industry experiences declining system growth and the maturity of a material volume of fixed rate loans.

### **Investor Conference Call**

Following the release of the FY23 result, 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, Wednesday 30 August.

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

<https://registrations.events/direct/OCP60851>

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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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