

22 November 2023

Auswide Bank Trading Update

Auswide Bank Ltd (ASX: ABA) today provides a trading update for the period ending 31 October 2023.

Market conditions have been challenging with elevated funding costs following unprecedented increases in interest rates and intense competition in the home lending market. This has led to a material short-term fall in margins following:

- intense competition for home lending and deposits;
- an unprecedented shift from lower cost transaction and savings accounts to higher cost term deposits;
- ongoing home lending retention activity at a time of historically high refinancing across the industry; and
- replacement of the Term Funding Facility.

Auswide Bank's net interest margin has fallen from 1.77% for the half year to June 23 to 1.52% as at 31 October 2023.

Auswide Bank however anticipates that margins will improve into the 2nd half as competition eases and its fixed rate loan book continues to mature and convert to higher variable rates.

Auswide Bank grew its loan book by \$1.137b over three years at a Compound Annual Growth Rate (CAGR) of 10.47%. During this time Auswide Bank did not offer cashbacks and therefore does not have an amortised cost for this expense. In the four months to October, there has been a marginal decrease in the total loan portfolio of 1.55%.

Positively, both capital and loan arrears are strengths for the bank. Lending arrears are at record lows, 30 day arrears at 0.29% and 90 day arrears at 0.11%. Capital has continued to improve and as at 31 October 2023 is 14.18%.

Operating expenses continue to be tightly managed with an increase of less than 3% on the pcip.

Martin Barrett, Managing Director of Auswide Bank said 'this has been an unprecedented time as the bank faces significant margin pressure. Industry margin contraction is evident across retail banking following the recent result announcements from three of the big four banks.

Small things. Big difference.

Deposit and lending competition has been significant and wholesale funding costs elevated. Hedging assumptions on the fixed rate book have been tested in the face of record interest rate increases and low-cost deposit migration to higher priced deposits. However, the position is now recovering as our fixed rate loan book continues to rollover to variable rate loans and our funding has materially re-priced.'

The bank is focusing on profitable home loan growth. Following the intense home lending competition that prevailed in the first quarter, the bank has taken a conservative pricing position for new home lending. However, there has been some easing in competition with a subsequent uplift in loan flows and the expectation of a solid start to the second half.

This announcement has been authorised by the Board.



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

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.

Small things. Big difference.