

26 February 2024

Auswide Bank Ltd 1H FY24 Result

Conservative approach to lending to protect NIM

- Statutory NPAT decreased to \$7.663m, during a competitive lending and funding environment
- Low arrears levels at 0.14% of loan book
- Loan book reduction of 2.1% to \$4.310b, conservative approach to protect NIM
- Net Interest Margin (NIM) down from 177bps in 2H FY23 to 150bps in 1H FY24
- Fully franked interim dividend of 11.0cps, down 11.0cps

(All figures compare 1H FY24 to 1H FY23 unless otherwise indicated)

Financial overview	1H FY24	1H FY23	Change
Statutory NPAT (\$m)	7.663	14.113	-45.7%
Underlying NPAT (\$m) ¹	6.618	14.113	-53.1%
Net interest revenue (\$m)	37.311	46.512	-19.8%
Loan book (\$b) ²	4.310	4.108	202m
Customer deposits (\$b)	3.428	3.248	180m
Net Interest Margin (NIM) (bps)	150bps	202bps	-52bps
Interim dividend per share, fully franked (cents)	11.0	22.0	-11.0c

Auswide Bank Ltd (ASX: ABA, “Auswide”) today released its half-year results for the six months ending 31 December 2023 (1H FY24). 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 Interim Managing Director Mr Greg Kenny said: “Market conditions during the first half of FY24 were challenging with intense competition for home loans and deposits, in addition to historically high refinancing activity across the banking industry. As a result, the bank’s statutory Net Profit After Tax (NPAT) for the half-year ending 31 December 2023 was \$7.663m, down 45.70% on the prior corresponding period.” The underlying NPAT of \$6.618m was down 53.11% compared to the prior corresponding period of \$14.113m. The underlying NPAT excludes the gain on sale for the equity accounted investment in FAMG of \$1.108m and \$0.063m of costs for professional fees relating to potential M&A activities.

¹ Difference between Statutory and Underlying NPAT is due gain on sale of equity accounted investment in FAMG and potential M&A activities

² Including Investments in Managed Investment Schemes reported in the financial assets line in the Balance Sheet

Small things. Big difference.

1H FY24 Operational Review

The bank took a conservative approach to growth across the half-year, resulting in a relatively steady loan book, however competitive pressures of home loan retention and change in customer deposit behaviour resulted in a contraction in the net interest margin.

The first half decline in the loan book has now been recovered with significant growth expected across Q3.

The bank has continued to manage risk and subscribe to prudent loan underwriting standards coupled with strong governance, a sound culture, appropriate internal controls, and clear accountabilities. To date, added economic pressures have not adversely impacted our arrears, which continue to remain at low levels rising marginally from \$4.232m at 30 June 2023, to \$6.168m at 31 December 2023 representing 0.14% of the loan book.

1H FY24 Financial Review

Due to the unprecedented competition at the beginning of the financial year, and Auswide's conservative approach to growth in Q1, the bank's loan book (including Investments in Managed Investment Schemes) declined \$93m or 2.11% from \$4.403 billion at 30 June 2023 to \$4.310 billion at 31 December 2023.

Auswide has an ongoing strategic focus on expanding customer deposits and tight management of funding costs to support margin stability and enhance further loan book growth. Retail deposits continue to be Auswide Bank's largest source of funding, recording growth of \$180m compared to the prior corresponding period, increasing from \$3.248 billion at 31 December 2022 to \$3.428 billion at 31 December 2023. Total customer deposits represent 73.7% of total funding while more expensive securitisation is at 11.6% of funding sources.

Auswide retained its strong capital position with a capital adequacy ratio of 15.34% and a tier 1 capital ratio of 12.82%. The capital ratio was up from 13.70% at 30 June 2023.

A \$400m off-balance sheet securitisation trust settled in December of 2023, resulting in a reduction in credit risk-weighted assets and capital well in excess of the Board target. This capital provides capacity for the bank to grow the loan book across the second half of the financial year and to reassess the investment opportunities for technology, security and productivity.

The Board has declared a fully franked interim dividend of 11.0cps, representing a 11.0cps decrease on the prior corresponding period. The dividend has declined in line with the net interest revenue and NPAT for the half-year.

FY24 Outlook and Strategy

In 1H of FY24 the loan book has seen a marginal decline as the bank took a more conservative approach to home loan lending. However, the bank signalled new growth aspirations for the second half of the financial year and has effectively recovered the losses in the loan book balance. It is predicted that loan book growth will exceed \$250m with projected growth of 5.80% across the second half.

Small things. Big difference.

During the half-year there has been a focus on technology and cybersecurity. The bank is currently assessing the next stage of investment in loan origination and customer engagement. In addition to the commitment to cyber resilience and data protection, Auswide remains committed to continual improvement in the way we engage with our customers, providing an efficient and timely loan origination process.

The Board constantly reviews opportunities to drive scale through acquisition and partnerships. The Board will continue to investigate and pursue opportunities to achieve further growth in the loan book through M&A activities. The strength of the capital base will assist the planned loan book growth and provide opportunity for M&A and partnerships.

Investor Conference Call

Auswide Interim Managing Director Greg Kenny and Chief Financial Officer Bill Schafer will brief the market via a conference call at 9:00am AEST/10:00am AEDT on Monday 26 February.

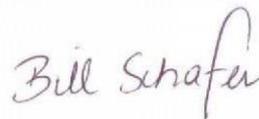
To register for the conference call and access dial in details, please follow the link below.

<https://registrations.events/direct/OCP966814>

This announcement has been approved for release by the Company Secretary.



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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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