

28 August 2015

## Underlying NPAT up 7.4% to \$13.1m

- **Total dividend 30 cents per share fully franked**
- **4.8% growth in loan book to \$2.33b**
- **Growth in NIM from 175 to 179 basis points**

Auswide Bank Ltd (ASX: **ABA**) today announced 2014-15 underlying cash net profit after tax (NPAT) of \$13.104m in the chief entity, an increase of 7.4% from 2013-14 (\$12.196m). The result excluded one-off expense items of \$516,000 in 2014-15 for rebranding and the write-down of assets relating to the outsourcing of the bank's ATM fleet. The improvement in performance has been underpinned by Auswide's progress in implementing the three-year Strategic Plan to strengthen and reposition the business.

Statutory NPAT for the chief entity was \$12.743m, compared to the 2013-14 figure of \$12.946m which included a one-off dividend from Mortgage Risk Management Pty Ltd (MRM) of \$750,000. Despite a competitive lending environment, Net Interest Margin (NIM) was 179 basis points up from 175 basis points for the prior year.

Auswide Bank also reported solid loan growth of 4.8%, taking the loan book to \$2.330b at 30 June 2015 (2013-14: \$2.224b).

Auswide continued to diversify funding sources through a combination of securitisation and continuing deposit growth in the reporting period and has the highest capital position of Australia's listed banks.

The Board of Auswide Bank has declared a final dividend of 16 cents per share, fully franked and payable on 2 October 2015 with a record date of 11 September 2015. This brings the total dividend for 2014-15 to 30 cents per share, an increase of two cents over 2013-14. The Board's approach is to seek consistent improvement in the return delivered for shareholders, and based on the bank's strong capital position, the directors felt that it was appropriate to pay a dividend slightly above the stated policy of paying out 70-80% of earnings. Given the strong capital position and a further anticipated boost in September through the release of capital from MRM the Board has resolved to suspend the Dividend Reinvestment Plan for the final dividend.

*Small things. Big difference.*

	2014-15	2013-14	Change (%)
Net interest revenue (\$m)	51.203	49.653	3.1
Chief Entity net profit after tax – underlying (\$m)	13.104	12.196	7.4
Consolidated net profit after tax – statutory (\$m)	13.262	14.063	(5.7)
Basic earnings per share (cents)	36.07	38.75	(6.9)
Diluted earnings per share (cents)	36.07	38.75	(6.9)
Final dividend per share, fully franked (cents)	16.0	15.0	6.7
Total dividend per share, fully franked (cents)	30.0	28.0	7.1
Net interest margin (basis points)	179	175	up 4 points

Martin Barrett, Managing Director, said “In our first reporting period as a bank, Auswide has made significant progress in strengthening and repositioning the business, which has restored organic growth and continued to build the momentum for improving performance.

“We commenced a comprehensive branch and omni-channel transformation program, invested in training our distribution teams to improve financial performance and customer experience, and expanded our IT capabilities to allow us to more quickly and efficiently process loan applications. Through a combination of our rebranding, improved third party relationships and new online and digital services, for the first time Auswide Bank has truly national reach.”

### Loan book growth

Organic loan growth of 4.8% was in line with system growth for Queensland and a creditable performance given flat system growth in traditional central and north Queensland markets. The bank also experienced growth in residential lending demand from the south-east Queensland region.

Home loan approvals for 2014-15 totalled \$449m, an increase of 8.5% compared with 2013-14 (\$414m). This growth was balanced between first party and third party channels, resulting from training investments in the retail network and better management of the broker and mortgage alliance platform. Importantly, this growth in lending originations has occurred without broadening the Company’s overall risk appetite.

*Small things. Big difference.*

Personal loans and business banking are recent additions to Auswide's product portfolio and provide our customers with a more comprehensive offering. As we build our capabilities and market presence in these areas, the bank expects to benefit from greater opportunities for growth and revenue diversification.

The bank's culture of risk management has been significantly enhanced during the reporting period. This cautious approach to risk management contributed to a substantial reduction in arrears greater than 30 days past due to \$22.3m compared with \$43.0m in 2013-14.

### **Strong capital position**

Auswide Bank reported a capital adequacy ratio (excluding MRM) at 30 June 2015 of 15.15% compared with 14.29% at the end of 2013-14, well beyond regulatory requirements and the Board target of 13%. The Tier 1 capital ratio at 30 June 2015 was 12.59% compared with 11.68% for 2013-14.

After the balance date, the Board announced that MRM will be wound up on 30 September 2015. This will make up to \$10m of Tier 1 capital available to considerably strengthen the bank's regulatory capital position.

Also after the financial year end, Auswide further diversified funding sources with the issue of its debut Senior Unsecured Floating Rate Note on 19 August. The issue received strong investor support and was oversubscribed, raising \$25m in cost-effective growth funding for the lending portfolio.

The combination of these factors will support further loan growth and allow the Board to consider a range of options including declaring a special dividend to shareholders and funding prospective mergers or acquisitions. In light of continuing public discussion of potential regulatory changes to capital requirements for financial institutions, the bank's strong capital position also gives the Board confidence that the business is in a position to effectively deal with any changes that may be introduced.

### **Outlook**

The historic low interest rate environment and intense competition are contributing to margin pressure across the banking sector. In Auswide's traditional markets in central and northern Queensland, general economic conditions continue to be challenging for our retail and business customers.

*Small things. Big difference.*

Auswide Bank has responded well to these challenges and the work over the past three years to strengthen and reposition the business has begun to deliver improved performance and organic growth. The Company has benefited from further developing its origination through third party channels, increasing its digital presence and raising its focus in south-east Queensland. Investments in IT and capability building across all facets of the organisation are enhancing the experience provided for customers and driving sustainable cost efficiencies. Balance sheet strength gives the Company the flexibility to fund cost-effective lending growth and consider appropriate consolidation opportunities.

Mr Barrett said, "As a smaller bank, Auswide Bank is more fleet of foot than our rivals. In 2015-16 we will continue to concentrate on being a positive disruptor in banking, offering products that are attractive and competitive to expand in our traditional and new markets."



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**Chairman**



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## About Auswide Bank Ltd

Auswide Bank, formerly Wide Bay Australia, is helping Australians achieve home ownership, create wealth, access banking & financial services that make their life easier and help them to protect their assets and loved ones from financial loss or hardship.

We provide an extensive range of personal and business banking products and services nationally issued directly or in partnership with leading service providers via branches, strategic relationships and online & digital channels.

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.

Even though we are a smaller bank, we believe that it's the small things that make us different and can make a big difference for our customers and communities.

*Small things. Big difference.*