

29th August 2016

## Underlying NPAT up 2.8% to \$14.041m

- **Total 2015-16 dividend 30.0 cents per share, fully franked**
- **8.9% growth in underlying loan book to \$2.537b**
- **Net Interest Margin stable at 196 basis points**

Auswide Bank Ltd (ASX: **ABA**) today announced a 2015-16 underlying cash net profit after tax (NPAT) of \$14.041m in the consolidated group, an increase of 2.8% from 2014-15 (\$13.655m).

The improvement in performance has been underpinned by Auswide's progress in implementing the three-year Strategic Plan to strengthen and reposition the business.

Auswide also reported strong underlying loan book growth of 8.9%, taking the loan book to \$2.537b at 30 June 2016 (2014-15: \$2.330b). Taking account of loans acquired through the YCU merger, Auswide Bank's loan book grew by 14.4% to \$2.666b.

Statutory NPAT for the consolidated group was \$11.699m, compared to the 2014-15 figure of \$13.262m. One-off expenses totalling \$3.788m (before tax) included M&A projects of \$2.836m, \$848,000 in branch rationalisation and rebranding expenses, and other professional costs.

Despite an increasingly competitive lending environment, Net Interest Margin remained stable at 196 basis points, compared with 198 basis points for the prior year.

Net interest revenue increased by 6.1% to \$53.892m in 2015-16 compared to \$50.806m in the previous financial year.

The Board has declared a final dividend of 16.0 cents per share, fully franked and payable on 30 September 2016 with a record date of 13 September 2016. This brings the total dividend for 2015-16 to 30.0 cents per share (2014-15: 30.0 cents per share). The Dividend Reinvestment Plan will continue for the final dividend with a discount of 2.5%.

The total dividend equates to 82.9% of underlying cash NPAT. The Board's approach is to seek consistent improvement in the return 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 policy of paying out 70-80% of earnings.

*Small things. Big difference.*

	2015-16	2014-15	Change
Net interest margin (basis points)	196	198	↓ 2 points
Net interest revenue (\$m)	53.892	50.806	↑ 6.1%
Consolidated net profit after tax – underlying (\$m)	14.041	13.655	↑ 2.8%
Consolidated net profit after tax – statutory (\$m)	11.699	13.262	↓ 11.8%
Earnings per share (cents) – underlying	37.5	37.1	↑ 0.4c
Earnings per share (cents) – statutory	31.2	36.1	↓ 4.9c
Final dividend per share, fully franked (cents)	16.0	16.0	-
Total dividend per share, fully franked (cents)	30.0	30.0	-

Managing Director, Martin Barrett said “Auswide Bank’s solid performance is built on the organic growth momentum we have achieved by improving our organisational capabilities across retail and business banking, third party relationships and omni-channel delivery.

“In addition, YCU represents a growth opportunity for us in the current financial year and beyond with the addition of more than 4,000 new customers. Importantly, the merger has positioned Auswide Bank to lead further consolidation in the mutuals sector.”

### Loan book growth

Organic loan growth of 8.9% was above system. While growth in Auswide Bank’s traditional central and north Queensland markets retreated, strong growth was reported in the south-east Queensland region which now makes up more than one-third of the loan book.

Home loan approvals for 2015-16 totalled \$591.571m, an increase of 31.7% compared with 2014-15 (\$449.048m). This growth was balanced between first party and third party channels, with the broker and mortgage alliance platform contributing approximately 60% of loan originations in the period.

Auswide Bank reported a strong improvement in consumer finance, through a combination of an increase in personal loan growth and the Company’s P2P presence via its strategic investment in MoneyPlace. This growth is expected to continue and consumer finance will make a more material contribution in 2016-17.

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Loan book growth has occurred without broadening the Company's overall risk appetite, and a prudent risk management approach underpinned a creditable arrears performance. Total arrears greater than 30 days past due increased to \$26.0m from \$22.3m in 2014-15. Despite economic challenges in Auswide Bank's traditional markets, arrears remain materially lower than those reported in 2013-14, and the Board is satisfied that adequate provision has been made for risks from current and future doubtful debts.

### **Technology investments**

Auswide Bank invested in the deployment of a new automated loan origination system during the financial year, which has resulted in substantial processing efficiencies and faster loan application processing for customers and brokers. This investment is expected to provide further cost efficiencies in 2016-17 as new procedures are implemented.

### **Strong capital position**

Auswide Bank reported a capital adequacy ratio at 30 June 2016 of 14.3%, compared with 15.2% at the end of 2014-15. The level of capital reduced as a result of Auswide Bank's investments in M&A and loan funding, and remains well beyond the Board target of 13.5%. The Tier 1 capital ratio at 30 June 2016 was 11.9% compared with 12.6% for 2014-15.

Auswide Bank has maintained a solid capital position to support further loan growth and allow the Board to consider prospective mergers or acquisitions.

### **Outlook**

The banking sector continues to face margin pressures resulting from the sustained low interest rate environment and intense competition. Auswide Bank's retail and business customers in its traditional markets in central and northern Queensland continue to be confronted with challenging general economic conditions. This is more than offset by Auswide's growing presence in south-east Queensland in particular, and nationally through its digital offering and third party broker relationships.

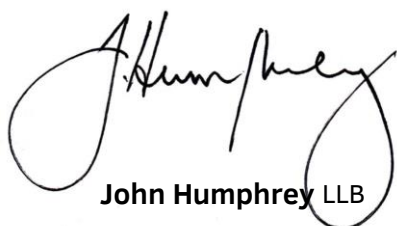
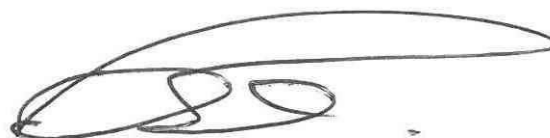
Auswide Bank has delivered improved performance and organic growth through the implementation of its strategic plan to strengthen and reposition the business. The Board adopted a refreshed three-year Strategic Plan in March 2016, and the Company will continue to focus on areas of improvement that enhance the customer experience, provide sustainable cost efficiencies and support organic growth.

The YCU business has been successfully integrated into Auswide Bank, adding more than 4,000 new customers and cementing a south-east Queensland footprint for the Company. The merger has raised

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the profile of Auswide Bank within the mutuals sector as a potential merger partner, and allowed the business to develop its capabilities to effectively execute future transactions.

Mr Barrett said, “We have built greater capabilities to delight customers and as a result, support the growth of the business. In spite of continuing margin pressures across the banking sector, we are reasonably optimistic about our ability to maintain loan book growth. In addition, we continue to focus on pursuing suitable consolidation opportunities.”

  
**John Humphrey LLB**  
Chairman

**Martin Barrett BA(ECON) MBA**

**Managing Director**

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## About Auswide Bank Ltd

[www.auswidebank.com.au](http://www.auswidebank.com.au)

Auswide Bank Ltd (ASX: ABA) offers personal and business banking products & services across Australia directly or in partnership with leading service providers via an omni-channel distribution strategy including branches, strategic relationships and online & digital channels.

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