

23 February 2017

NPAT up 20.73% to \$7.319m

- **Loan book and NIM stable**
- **Strong capital position of 14.60%**
- **Interim dividend 14 cents per share fully franked**

Auswide Bank Ltd (ASX: **ABA**) today announced a statutory consolidated net profit after tax of \$7.319m for the six months to 31 December 2016, a 20.73% increase compared to the corresponding half-year to 31 December 2015.

Underlying cash profit after tax of \$7.319m represented an increase of 7.92% over the previous corresponding period (\$6.782m) adjusted for the effects of non-recurring items.

This improved profit result was supported by the bank's continued focus on implementing the Strategic Plan to strengthen its business.

Details	H1 2016-17	H1 2015-16	Change
Net interest revenue (\$m)	28.264	26.503	↑ 6.64%
Consolidated underlying NPAT (\$m)	7.319	6.782	↑ 7.92%
Consolidated statutory NPAT (\$m)	7.319	6.063	↑ 20.73%
Earnings per share (cents)	18.10	16.36	↑ 1.74
Underlying cash earnings per share (cents)	18.10	18.30	↓ 0.20
Interim dividend per share, fully franked (cents)	14.0	14.0	-

Loan Book Growth

Despite strong competition, Auswide Bank reported loan book growth from \$2.666 billion at 30 June 2016 to \$2.671 billion at 31 December 2016.

Approvals were conservatively managed during the first quarter in order to facilitate the implementation and testing of the bank's new Lendfast loans processing system and to support the integration of the Your Credit Union business and systems.

Loan Book Performance

Arrears continued to trend downwards, with total arrears past due 30 days decreasing from \$26.56m at 30 June 2016 to \$17.34m at 31 December 2016. Arrears past due 30

Small things. Big difference.

days represented 0.65% of total loans and advances at 31 December 2016 compared to 0.99% at 30 June 2016.

Deposits

Customer deposits also grew by 2.42% to \$1.94 billion by 31 December 2016 despite strong market competition and continue to be the principal funding source for Auswide Bank's lending program.

Net Interest Margin

Auswide Bank's net interest from continuing operations for the half year increased from \$26.503m to \$28.264m or 6.64% compared to the previous corresponding period. The ongoing competitive lending environment resulted in a marginal decrease to the Net Interest Margin (NIM) for the half-year to 1.92% compared with the previous six months to 30 June 2016 of 1.94%.

Strong Capital Position

Auswide Bank maintained a very strong capital position, reporting a consolidated capital adequacy ratio of 14.60% at 31 December 2016, with Tier 1 capital accounting for 12.22%. The consolidated capital ratio increased from 14.31% at 30 June 2016. The bank's capital strength will facilitate loan book growth in the second half of the financial year.

Dividend

Based on the company's performance for the 6 months, the Board has declared a fully franked interim dividend of 14 cents per share payable on 30 March 2017.

Given the bank's strong capital position, the Board has also resolved to suspend the Dividend Reinvestment Plan for the interim dividend.

Outlook

Competition in the lending market from major and regional banks and non bank lenders continues to be intense. Interest rates remain at historic lows and regulatory intervention has increased. These factors continue to present challenging conditions across the banking sector.

Home and consumer lending will remain a major focus for Auswide Bank in 2017 as further emphasis is placed on growing the loan book and benefits are realised via the bank's recent investments in technology and partnerships.

Small things. Big difference.

Loan growth improved in the second quarter and is expected to continue in the second half. NIM management will remain a priority. Recent repricing of existing home loans will assist in this respect.

The strategic focus to significantly grow Auswide Bank's consumer lending, which is currently less than 1% of the total loan book, also continues. The bank's partnership with P2P lender MoneyPlace, along with its direct personal loan channel, are expected to reach \$30 million by June 2017. This represents an expected increase of \$20 million over the full financial year.

In addition, on-balance sheet credit card products are under development and are expected to be available to customers prior to the close of the 2017 financial year. Credit cards complement the bank's current financing activities and will provide an avenue to strengthen and diversify existing banking relationships with customers.

Auswide Bank will also seek to grow its Business Banking channel through its increased presence in south-east Queensland with the establishment of the Brisbane branch following the acquisition of YCU.

The appointments of a Chief Customer Officer and Head of Customer Operations in 2016 are consistent with the company's Strategic Plan and reflect increased focus on achieving customer satisfaction and customer growth. The appointments and resulting restructure also enhance co-operation, alignment of focus and the co-ordination of resources across the bank's marketing, products and retail, third party and business banking sales channels.

Auswide Bank will also continue investing in innovation seeking operational and technological efficiencies and opportunities. New digital and online mediums are continuing to emerge and are playing an increasingly significant role in the bank's operations, marketing, product delivery, distribution and customer engagement.

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About Auswide Bank Ltd

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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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