

18 August 2017

AUSWIDE BANK (ASX:ABA) ANNOUNCES FY17 RESULTS

Small bank, Big results

- NPAT underlying \$15.636M increasing 11.4%
- 4.01% loan book growth resulting in total loan book value of \$2.773B
- 5.77% Growth in customer base to 84,101
- National recognition received for Loan product offering
- Capital adequacy increased to 14.58% and Tier 1 capital ratio increased to 12.20%

MD Martin Barrett

"Auswide Bank has demonstrated further progress with a very solid result for the financial year. Our diligent approach to optimising funding costs, broadening and strengthening revenue streams while controlling cost growth, is gaining traction. We continue to invest in technology and process improvement which is positively impacting our customer experience and assisting in growing our business."

Financial Performance

| Key Financial Results | FY17 | YOY |
|-----------------------------|-----------|---------|
| Underlying NPAT | \$15.636M | ↑ 11.4% |
| Statutory NPAT | \$15.149M | ↑ 29.5% |
| Loan Book | \$2.773B | ↑ 4.0% |
| Net Interest Margin | 1.90% | ↓ 0.06% |
| Cost-to-income (underlying) | 65.6% | ↓ 3.5% |

| Returns | FY17 | YOY |
|--|-----------|--------|
| Net Interest Revenue | \$57.509m | ↑ 6.7% |
| ROE (underlying) | 7.2% | ↑ 0.2% |
| ROTE (underlying) | 9.2% | ↑ 0.3% |
| Total Customer Deposits | \$2.06b | ↑ 8.6% |
| Total dividend per share (fully franked) | 31.0c | ↑ 1.0c |

Auswide Bank Ltd (ASX: ABA) today announced underlying NPAT for the consolidated entity for financial year 2016/17 was \$15.636m compared to \$14.041m for 2015/16. This represents an increase of 11.4% from 2015/16. The statutory consolidated net profit after income tax for the 2016/17 financial year was \$15.149m compared to the result of \$11.699m for the 2015/16 year.

There were one-off expense items in the 2016/17 financial year totalling \$0.579m before tax (\$0.487m after tax). These one-off expenses were as follows:

- Professional fees - MoneyPlace controlling interest: \$0.188m;
- Professional fees - YCU acquisition: \$0.126m;
- Stamp duty - YCU acquisition: \$0.265m.

Auswide Bank Ltd's loan book increased from \$2.666b at 30 June 2016 to \$2.773b at 30 June 2017. This was achieved despite modest growth in the first half of the financial year due to the rollout of the new LendFast loan origination system. The annualised loan book growth for the 2016/17 financial year was 4.01%.

Group Performance

Dividend

A fully franked final dividend of 17.0 cents per ordinary share has been declared by the Board and will be paid on 22 September 2017 (30 September 2016 - 16.0 cents).

Auswide Bank has entered into an agreement to underwrite Auswide Bank's Dividend Reinvestment Plan (DRP) in respect of the 2017 Final Dividend. The capital raised through the underwritten DRP will strengthen the Bank's Tier 1 Capital position and the proceeds will be used for the general business purposes of the Bank.

Net Interest Margin

Net Interest Margins (NIM) continued to decline across the financial sector exacerbated by interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2016/17 financial year. In order to maintain stability in NIM, the Bank's Product Pricing Committee closely monitors the competitive pricing of products while Treasury continues to proactively manage assets and liabilities. The net margin and interest spread for the 2016/17 year was 1.90% compared to 1.96% in 2015/16.

Capital

The capital adequacy ratio for the Auswide Group at 30 June 2017 was 14.58% (2016: 14.31%). The tier 1 capital ratio at 30 June 2017 was 12.20% (2016: 11.90%). The total capital level remains strong and will remain a priority for the Board in FY18.

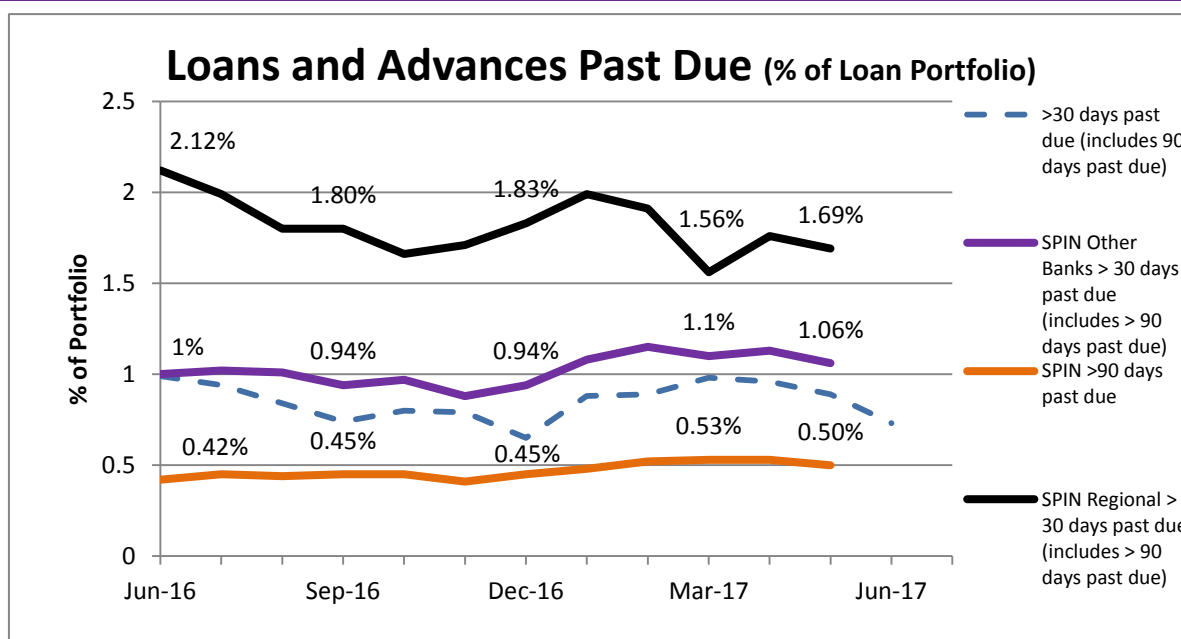
Personal Loans

The personal loan book continues to grow and although not material to the total loan portfolio, reached \$15.061m at the conclusion of the financial year.

MoneyPlace

Positive uplift in loan originations through the MoneyPlace platform has resulted in an increased return on Auswide Bank's investment. The investment in MoneyPlace has grown from \$1.412m at 30 June 2016 to \$14.042m at 30 June 2017, representing an increase of \$12.630m.

Positive Risk Mitigation



While Auswide Bank has a robust risk culture, further strengthening the risk management of the organisation has been a focus of the Board and management of Auswide in the 2016/17 financial year, and continues to remain a key focus for the 2017/18 financial year.

The Arrears Project implemented in prior years has continued to deliver positive results in the arrears of the Group. In accordance with data disclosed in the financial accounts of the bank, total arrears greater than 30 days past due decreased from \$26.6m to \$20.1m.

Arrears have decreased as a percentage of the Group's total loan book from 0.99% at 30 June 2016 to 0.72% at 30 June 2017.

Customer Experience

Auswide Bank was rated higher by customers in 2017* in:

- Customers rating of their last experience
- Staff knowledge & helpfulness
- Speed & efficiency
- Our Brand, compared with other banks
- Loan & Term Deposit competitiveness, compared with other banks

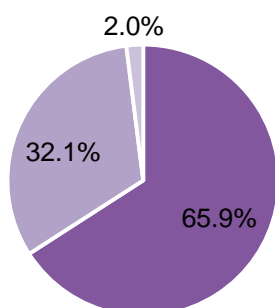
* Customer Feedback Survey (Sparx Digital Customer Feedback Survey –National Results July 2017)

There was a significant decrease in customers considering moving from Auswide Bank to another institution in the next 6 months.

75.9% declared they are “Not Likely” to leave the organisation. Overall customer satisfaction mood score increased to 84.0% based on the 2017 Customer Satisfaction Survey. Customers who considered Auswide Bank as their MFI was strong with 65.9% of those surveyed stating ABA was their “Main Bank.”

Auswide Bank MFI Customer*

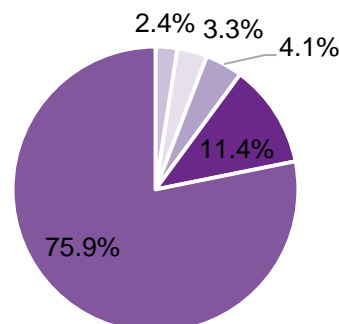
Do you consider Auswide Bank your main banking institution?



■ Yes ■ No ■ Unsure

Auswide Bank Customer Retention*

Over the next 6 months, how likely are you to move your loan / banking to another financial institution?



■ Very Likely ■ Likely ■ Somewhat Likely ■ Neutral ■ Not Likely

Customers

Auswide Bank's appointment of a Chief Customer Officer in 2016 has allowed the bank to increase its focus and strategy on customer experience and growth. Customer numbers increased from 79,508 at 30 June 2016 to 84,101 at 30 June 2017. This represents an increase of 5.77% over the year. Auswide Bank continues to enjoy lower than industry attrition rates. We are focussing further attention on this over the course of 2017 with the introduction of our new customer care program.

Home loan recognition

Auswide Bank has received national recognition for its innovative and market leading home loans. The unique RBA Rate Tracker home loan won the 'Innovative Mortgage Offering of the Year' category at the prestigious 27th annual Australian Retail Banking Awards. The Bank's Freedom Package was also recognised by financial comparison website mozo.com.au as one of the 'best value' home loans in Australia in their annual Experts

Choice Home Loan Awards.

Business banking

Auswide continues to grow the business banking segment through central and south-east Queensland via selective provision of finance and banking services to SME's. The establishment of the Brisbane branch following the acquisition of YCU and the employment of a full time business banker based in Brisbane will strengthen this focus in 2017/18.

YCU Merger Implementation

The integration of the systems and products and YCU customer data was fully consolidated with Auswide Bank's core banking system on 30 September 2016. The merger was a strategic acquisition for Auswide with the addition of a branch in the Brisbane CBD, strong customer retention, along with deposit book growth and capitalisation of financial synergies.

Outlook

The Managing Director Martin Barrett said "The economic forecast for Queensland is positive with growth expected in the resources sector, tourism and state government investment."

"Auswide Bank will continue to focus on growth of its home loan book with the LendFast loan system upgrade, Apply Online capability and process optimisation. The growing consumer loan book contributes to the revenue of the bank with an increase in branch based capacity and growth in the MoneyPlace platform."

Management of expenses will continue to be a key priority for the bank as further transformation processes are adopted and the reduction of the 'Cost-to-Income' ratio continues. Mr Barrett also stated that management of the Net Interest Margin was paramount in this environment of historically low interest rates and intense competition. Auswide Bank will continue to effectively manage the funding mix of retail and wholesale sources with an expected continuation of growth in customer deposits.

Auswide Bank is also committed to meeting and proactively managing our current and any future regulatory requirements.

For further information please contact:



Martin Barrett BA(ECON) MBA
Managing Director
Mobile: 0413 279 746
Email: mbarrett@auswidebank.com.au



Bill Schafer BCom CA
Chief Financial Officer & Company Secretary
Mobile: 0428 269 333
Email: bschafer@auswidebank.com.au

About Auswide Bank Ltd

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.