

15 February 2019

## 2019 Half Year Result

### STRONG GROWTH IN NPAT

- Statutory Net Profit After Tax up 5.0% to \$8.467million\*
- Net interest income \$31.109 million, up 1.4%
- Annualised Loan Book growth of 4.9% to \$2.982 billion
- Strong capital position
  - Consolidated Capital Ratio of 14.43% with Tier 1 capital accounting for 12.30%
- Net Interest Margin declined slightly to 1.88%, due to competition in the home loan market and increased wholesale funding costs
- Investment in employees and technology expected to drive loan portfolio growth in the second half of FY19
- Fully franked interim dividend of 16 cents per share

\* All figures compare 1H FY19 to 1H FY18 unless otherwise indicated

**Friday 15 February 2019:** Auswide Bank Ltd (ASX: ABA), Australia's local bank, today announced half year results for the six months to 31 December 2018 (1H FY19).

1H FY19 net profit after tax was \$8.467 million, 5.0% higher than the previous corresponding period (pcp). Total operating income rose by 2.1% to \$36.098 million and earnings per share increased by 0.7 cents per share to 20.1 cps.

	H1 FY19	H1 FY18	Change
Net interest revenue (\$m)	31.109	30.688	1.4%
Consolidated statutory NPAT (\$m)	8.467	8.060	5.0%
Earnings per share (cents)	20.1	19.4	0.7 cents
Underlying EPS from continuing operations (cents)	20.1	20.4	(0.3 cents)
Interim dividend per share, fully franked (cents)	16.0	16.0	-

*Small things. Big difference.*

## Loan Book Growth & NIM

Despite strong competition, Auswide Bank reported loan book growth on an annualised basis of 4.9%. Loan book value was \$2.982 billion at 31 December 2018 compared to \$2.804 billion at 31 December 2017.

Home loan settlements during the half year totalled \$301.244million, an increase of 22.8% on the \$245.410 million in home loan settlements in pcg.

Auswide's Net Interest Margin (NIM) for the first half was 1.88% compared with 1.96% pcg. Managing Director, Martin Barrett, said, *"Auswide continued to grow its loan book in the first half despite strong competition from the big retail banks. The decrease in NIM was disappointing but is attributable to the elevated BBSW rates, which spiked in October, increasing wholesale funding costs by approx. 14 bps. This is an industry headwind which Auswide, as a smaller bank, has to manage appropriately as the marketplace remains competitive for both front book lending and term deposit funding. Recent repricing of liabilities will assist recovery of the NIM in the second half. The strategic focus remains on building the customer deposit base during 2019 and decreasing the bank's reliance on higher cost securitisation funding, assisting a more efficient funding mix."*

Auswide continued to invest in its customer service team and technology during the period. The additional appointments in its customer service team, including home loan sales specialists, are expected to result in increased loan portfolio growth for the remainder of the FY19 financial year. This investment supports the increased opportunities the bank sees from the reputational issues facing the large financial institutions, while recognising the ongoing competitiveness in the market.

Investment in technology continues to be a strategic focus for Auswide Bank, supporting the drive to offer efficient and secure, fit-for-purpose on-line solutions for customers and supporting the transition to digital channels. Apply Online, the new mobile app and the upgrade of the core banking system are currently major priorities for the bank.

## Strong Capital Position & Dividend

The bank retained its very strong capital position, one of the strongest in the Australian banking sector, with a consolidated capital ratio at the end of the period of 14.43%, with Tier 1 capital accounting for 12.30%. This strong position will facilitate loan book growth in the second half of the financial year, as well as provide Auswide Bank with opportunities to benefit from M&A and fintech partnerships.

*Small things. Big difference.*

Arrears continued to trend downwards, with total arrears past due 30 days decreasing to \$12.611 million for 1H FY19 from \$14.058m at 30 June 2018. Arrears past due 30 days represented 0.42% of total loans and advances at 31 December 2018 compared to 0.48% at 30 June 2018.

Based on the performance for the 6 months, the Directors have declared a fully franked interim dividend of 16 cps payable on 25 March 2019 to shareholders on the register at the record date of 1 March 2019.

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

### **Queensland Rugby League (QRL)**

In November 2018 Auswide Bank teamed up with QRL as major partner and jersey sponsor of the Queensland Maroons for the State of Origin Series.

Martin Barrett commented *"Auswide Bank sees a strong alignment of values, aspirations and commitment to local communities between the bank and the QRL. This partnership will also see Auswide Bank carry the naming rights to one of the QRL's most prestigious state wide under age competitions, the Auswide Bank Mal Meninga Cup, over the next three years. This partnership, together with the investment in customer services and technology, will increase brand awareness and enable Auswide Bank to increase its footprint across the state."*

### **Outlook**

Managing Director, Martin Barrett, said *"The bank's focus for FY19 can be simplified in to three key areas. The first is to continue investing in our products and services to ensure they appeal to customers' needs. This includes strengthening the omni-channel self-service channels to broaden customer access to products and services, simplifying our products and further automating back office processes. This will have the dual aim of improving customer experience while also driving down the cost to income ratio."*

*"Second is a continued investment in the Auswide Bank brand and to enhance and broaden our communication with a wider customer base, including millennials. Together with our investment in products and services we expect this to grow the loan portfolio which will translate into net interest revenue and profitability across the year and into FY20."*

*Small things. Big difference.*

*"Third is the continued focus on decreasing the bank's reliance on higher cost securitisation funding and to develop a more efficient funding mix.*

*"The first half of FY19 has started well and we are excited by the opportunities ahead for the rest of the year."*

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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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