

26 August 2019

FY19 Full Year Result

Strong loan book and deposit growth deliver underlying NPAT improvement

- Loan Book up 6.3% yoy to \$3.131b, 1.9x system growth
- Customer deposit growth of 12.6% to \$2.373b, representing 71.4% of funding mix
- Underlying Net Profit After Tax (NPAT) of \$17.201m, up 0.5% yoy
- Net Interest Margin of 1.87%, exit NIM of 1.94%
- Net interest revenue up 3.5% yoy to \$63.185m, with momentum increasing through 2H19
- Capital adequacy ratio of 13.79% and CET1 ratio of 11.76%
- Earnings Per Share (EPS) of 40.8 cents
- Fully franked final dividend of 18.5 cps, up 0.5cps

* All figures compare FY19 to FY18 unless otherwise indicated

Auswide Bank Ltd (ASX: ABA) today released full year results for the twelve months to 30 June 2019 (FY19). Net interest revenue rose 3.5% to \$63.185m and total operating income was up 1.1% to \$72.649m. FY19 underlying NPAT was up 0.5% to \$17.201m and earnings per share was 40.8 cents.

| | FY19 | FY18 | Change |
|---|--------|--------|-------------|
| Net interest revenue (\$m) | 63.185 | 61.020 | 3.5% |
| Statutory NPAT (\$m) | 17.201 | 17.886 | (3.8%) |
| Statutory earnings per share (cents) | 40.8 | 42.8 | (2.0 cents) |
| Underlying NPAT (\$m) | 17.201 | 17.108 | 0.5% |
| Underlying earnings per share (cents) | 40.8 | 41.0 | (0.2 cents) |
| Final dividend per share, fully franked (cents) | 18.5 | 18.0 | 0.5 cents |

Strong loan book growth

During FY19, Auswide Bank delivered strong loan book growth of 6.3%, well ahead of system growth (3.3%) in a highly competitive lending environment. At 30 June 2019, Auswide's total loan book was valued at \$3.131b. Loan book growth accelerated throughout H2 FY19 due to strong deposit growth and ongoing investment in customer service and technology.

Small things. Big difference.

A 12.6% increase in customer deposits yoy and a reduced reliance on securitisation resulted in a more efficient funding mix, facilitating loan book growth. In FY19, deposits accounted for 71.4% of the bank's funding (FY16: 66.8%) compared to securitisation at 14.8% (FY16: 22.0%).

The housing and consumer portfolios recorded strong growth. Home loan settlements rose 13% to \$616m and consumer lending increased to \$62.3m at 30 June 2019 from \$43.5m. From a geographic perspective, South East Queensland delivered the largest contribution to loan book growth and now represents 39.3% of the total loan book.

Home loan arrears remained at historic lows, decreasing to 0.46% of the total loan book at 30 June 2019 from 0.48% at 30 June 2018. The sound credit quality of Auswide's home lending portfolio is shown by the low level of arrears and its conservative loan to valuation ratio (73.8% of its home loan book has a loan to valuation ratio of 80% or less).

Net Interest Margin stabilises in H2 FY19

Auswide's FY19 NIM of 1.87% (FY18: 1.93%; H1 FY19: 1.88%) was impacted by historically low interest rates, competitive housing finance markets and elevated BBSW rates which increased wholesale funding costs for much of the year. Despite these challenges a reduction in BBSW rates and strong customer deposit growth led to lower funding costs with Auswide's NIM stabilising through the second half, to exit FY19 at 1.94%.

Auswide's Managing Director Martin Barrett said: "FY19 was a challenging year as the industry faced a number of headwinds including volatile BBSW levels and historically low interest rates. The market continued to be extremely competitive for lending and deposits; however, we made excellent progress in growing our loan book and optimising our funding mix. Customer deposits now account for 71.4% of our funding and we remain focused on achieving disciplined growth while balancing our loan book and funding targets. Going forward, the change in our funding mix will enable us to better control our NIM.

"In FY19, we also undertook our biggest ever brand awareness campaign through our partnership with the Queensland Rugby League (QRL). As the major sponsor, Auswide had front of jersey rights during the 2019 State of Origin series which attracted more than eight million viewers nationwide. Given the Auswide brand is only four years old, our objective was to increase brand awareness across Queensland and NSW. Post the series, initial studies show an increase in brand awareness while we have received positive feedback from customers and our broker network and have seen a significant increase in traffic to our website."

Strong Capital Position & Dividend

Auswide retained its strong capital position with a capital adequacy ratio of 13.79% and a Tier 1 capital ratio of 11.76% at 30 June 2019. Auswide meets APRA's "unquestionably strong" capital requirements with a capital position that is one of the best in the Australian banking sector and also provides significant headroom for loan book growth in FY20.

Small things. Big difference.

The Board declared a fully franked final dividend of 18.5cps, payable on 20 September 2019, which represents a 0.5cps increase on the prior year. Total dividends of 34.5cps were declared for the 2019 financial year (FY18: 34cps). Given Auswide's ongoing capital strength, the Board has resolved to maintain the suspension of the Dividend Reinvestment Plan for the final dividend.

Outlook

Auswide has recently implemented a new three-year strategic plan that is based on six pillars including building brand awareness, improving technology and realising operational efficiencies across the business.

In FY20, we will continue to focus on achieving disciplined lending growth, improving our customer experience and expanding our customer footprint and brand awareness across Australia.

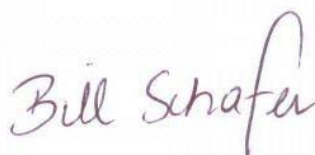
For more information:

Investors: Françoise Dixon Citadel-MAGNUS +61 412 292 977

Media: James Strong Citadel-MAGNUS +61 448 881 174



Martin Barrett
Managing Director
+61 7 4150 4001
mbarrett@auswidebank.com.au



Bill Schafer BCom CA
Chief Financial Officer and Company Secretary
+61 7 4150 4075
bschafer@auswidebank.com.au

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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