AUSWIDE BANK

19 February 2020

H1 FY20 Half Year Result

Above system loan book growth & NIM expansion

- **Loan Book up 5.4% (annualised) to $3.216b, 2.25 x system growth of 2.4%**
- **Net interest revenue up 10.9% on pcp to $34.516m**
- **Net Interest Margin of 1.95%, upward trend in H2**
- **Net Profit After Tax (NPAT) of $9.256m, up 9.3% on pcp**
- **Customer deposit growth of 12.6% (annualised) to $2.523b, 72.9% of funding**
- **Capital adequacy ratio of 13.03% and CET1 ratio of 11.12%**
- **Return on Net Tangible Assets (RONTA) of 9.7%, up 0.7%**
- **Earnings Per Share (EPS) of 21.9 cents, up 1.8 cents**
- **Fully franked interim dividend of 17cps, up 1cps**

* All figures compare H1 FY20 to H1 FY19 unless otherwise indicated

Auswide Bank Ltd (ASX: ABA) today released its half year results for the six months to 31 December 2019 (H1 FY20). Net interest revenue increased 10.9% from $31.109m to $34.516m and consolidated net profit after tax (NPAT) was up 9.3% from $8.467m to $9.256m. Earnings per share increased 1.8 cents to 21.9 cents.

	H1 FY20	H1 FY19	Change
Net interest revenue ($m)	34.516	31.109	10.9%
Consolidated NPAT ($m)	9.256	8.467	9.3%
Earnings per share (cents)	21.9	20.1	1.8cps
Interim dividend per share, fully franked (cents)	17.0	16.0	1.0cps

Loan Book Growth & Improving Funding Mix

During the first half, Auswide delivered strong annualised loan book growth of 5.4%, well ahead of system growth of 2.4%, despite a challenging lending environment. At 31 December 2019, Auswide's total loan book was $3.216b up from $3.019b at 31 December 2018.

The SE QLD and NSW markets remained strong as Auswide benefited from improved brand awareness from its partnership with the Queensland Rugby League (QRL), now in its second year.

Arrears continued to trend down, highlighting the sound credit quality of the loan book. Current arrears of $12.2m were down more than 54% compared to $26.6m at 30 June 2016, reflecting Auswide's ongoing focus on strong governance and risk management. Auswide's home lending book remains mature with 74.3% of loans having an LVR of 80% or less.

Auswide's loan book growth was supported by improvement in the funding mix with customer deposits increasing 12.6% on an annualised basis to $2.523b and securitisation declining to $461m at 31 December 2019. Customer deposits now represent 72.9% of Auswide's total funding mix, driven largely by strong growth in at call savings accounts which were up 24% on an annualised basis.

Net Interest Revenue

Auswide's strong loan book growth delivered net interest revenue of $34.516m, up 10.9% on pcp. The high-quality growth and improving efficiency of Auswide's funding mix resulted in a 7 bps net interest margin expansion from 188 bps in December 2018 to 195 bps with an expected upward trend in H2. Auswide maintained strong momentum throughout the period, while ongoing cost discipline delivered a reduction in the cost to income ratio from 64.8% to 62.9%.

Auswide's Managing Director Martin Barrett said: "Our team has produced a very strong result, delivering above system, high quality loan book growth and NIM expansion, in what continues to be a competitive lending environment. We are well positioned as a nimble, responsive business to build on this momentum in the second half of 2020."

Partnerships and Technology

Mr Barrett said "We made important steps establishing partnerships that support our lending and deposit growth ambitions. These partnerships, as well as improving regional economic conditions particularly in Northern QLD, contributed to customer deposits growing strongly throughout the period, further optimising our funding mix. We look forward to building on these foundations, as we leverage the Auswide brand in 2020."

"Technology will also be a key focus area going forward as we remain vigilant against the increasingly sophisticated cyber risks that face both us and our customers. We will take considered steps to develop our foundations, improve our digital offering to clients, enhance our processes and ensure our security continues to meet industry standards."

Strong Capital Position & Dividend

Auswide retained its strong capital position with a capital adequacy ratio of 13.03% and a CET1 of 11.12% at 31 December 2019. Auswide's capital position remains comfortably in excess of the Board's target and will continue to support loan growth throughout the second half.

The Board declared a fully franked interim dividend of 17 cps, payable on 16th March 2020, representing a 1 cps increase on pcp. The dividend reflects a dividend payout ratio of 77.5%, well within the Board's target of 70% - 80%. The Board has decided to reactivate the Dividend Reinvestment Plan for the interim dividend.

Outlook

Auswide will continue to work towards the objectives that define its three-year strategic plan, building brand awareness, improving technology, meeting regulatory obligations and improving the customer experience.

In the second half of the 2020 financial year, Auswide will continue to focus on improving the cost to income ratio, an upward trend in Net Interest Margin, return on net tangible assets of 10% and above system lending growth across home, personal and business lending.

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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.