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Auswide Bank remains on the acquisition trail seeking mutual benefits

Auswide Bank Ltd, fresh from its successful, friendly merger with Queensland Professional Credit Union Ltd (trading as Your Credit Union (YCU)), remains on the lookout for further merger opportunities with Australia's customer-owned lenders.

Auswide Bank's recent transaction with YCU marked the first merger between a customer-owned lender and a shareholder-owned bank in over a decade.

Managing Director Martin Barrett said Auswide Bank, which is Australia's tenth and Queensland's third ASX-listed Australian-owned bank, was actively seeking further mergers within the sector.

Mr Barrett said the YCU transaction demonstrated any philosophical concerns held by mutual members and directors about becoming part of a shareholder owned company could be overcome.

"Auswide Bank's origins as a community-based mutual are identical to many of the mutuals with whom we would like to merge. We also continue to share the core values of customer service and active community involvement.

"The merger with YCU has demonstrated that mutual members will embrace demutualisation if they can see the value," he said.

"Customers of smaller mutuals may see an improvement in service given a broader branch network, and improved technology capability, wider product and service offerings as well as Auswide Bank's enviable customer service record.

"Also, although many are unaware, most members of a mutual credit union or building society would be entitled to several thousand dollars if their mutual merged with Auswide Bank."

Small things. Big difference.

In all transactions it has completed, Auswide Bank has also been at pains to ensure that employees are appropriately looked after. In the YCU transaction, most YCU employees have continued with the merged group and Auswide Bank worked closely with the directors of YCU to ensure that generous provision was made for non-continuing employees and directors.

Mr Barrett said the time was right for consolidation within the mutual sector given the increasing challenges of funding competitive member services, especially in the current low interest rate environment.

“Higher cost-to-income ratios constrain the capacity of mutuals to internally fund loan book growth, and create the risk that member value is significantly eroded,” he said. Mr Barrett said smaller institutions faced challenges raising enough capital to invest in digital capabilities and customer experience initiatives.

“Capital adequacy requirements are a relative disadvantage for many mutuals because they don’t have access to shareholders to raise new equity, while others may lack scale to access wholesale debt markets to diversify funding beyond deposits.” Mr Barrett said mutuals that merged with mutuals were effectively telling members they could deliver new benefits that were worth more than the merger consideration. He said demutualisation was not an ‘either/or’ proposition, but allowed mutual members to access more competitive services and realise the value of their ownership.

“YCU members accepted the consideration partly in Auswide shares, which shows they are buying into our future success. At the end of the day, 99 per cent of the votes from YCU members supported our offer – they clearly recognised the value.”

Mr Barrett said Auswide is a bank which shares similar customer and corporate philosophies with mutuals.

“We are shareholder owned but have the DNA of a customer-owned institution – we were customer-owned for almost 30 years from 1966 to 1994,” he said.

Mr Barrett said Auswide Bank has received positive feedback from YCU members following the acquisition.

Small things. Big difference.

“We have had some exceptional comments from YCU members who feel we have already demonstrated similar values in our approach to the merger and their initial experiences,” he said.

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About Auswide Bank Ltd

Auswide Bank is helping Australians achieve home ownership, create wealth, access banking & financial services that make their life easier and help them to protect their assets and loved ones from financial loss or hardship.

We provide an extensive range of personal and business banking products and services issued directly or in partnership with leading service providers via our branches, strategic relationships and online & digital channels.

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.

Even though we are a smaller bank, we believe it's the small things that make us different and can make a big difference for our customers and communities.

Small things. Big difference.