

21 September 2015

Manager of Company Announcements
Australian Securities Exchange Ltd
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Auswide Bank Limited (ABA) – Investor Presentation

Please find attached an investor presentation to be presented to analysts and representatives of institutional investors.

The presentation provides a review of Auswide Bank's operating activities, strategic initiatives and performance.

Yours Sincerely,



Bill Schafer
Company Secretary

Small things. Big difference.

AUSWIDE BANK

INVESTOR PRESENTATION

SEPTEMBER 2015

Small things. Big difference.

auswidebank.com.au

2014-15 HIGHLIGHTS

Our progress in strengthening and repositioning Auswide Bank has underpinned improving operating and financial performance and organic growth

	2014-15
Chief entity underlying cash NPAT	↑ 7.4%
Loan book growth	↑ 4.8%
Home loan approvals	↑ 8.5%
Net interest margin	↑ 4 bp
Arrears (greater than 30 days past due)	↓ 48.1%
Capital adequacy ratio	15.15%
Dividend	30 cents per share

2014-15 FINANCIAL SUMMARY

	2014-15	2013-14	Change
Net interest revenue (\$m)	51.203	49.653	↑ 3.1%
Chief entity NPAT – cash underlying (\$m)	13.104	12.196	↑ 7.4%
Consolidated NPAT – statutory (\$m)	13.262	14.063	↓ 5.7%
NIM (basis points)	179	175	↑ 4bp
Chief entity cash underlying cost to income ratio (%)	68.54	69.46	↓ 0.92%
Earnings per share (cents per share)	36.07	38.75	↓ 2.68c
Dividend (cents per share)	30.0	28.0	↑ 2.0c
Capital adequacy ratio (%)	15.15	14.29	-

STRATEGY OVERVIEW

OUR CUSTOMERS

- AB Six branch refurbishments with more planned in 2015-16
- AB New mobile banking app and website
- AB Launching online accounts and transactions, home and personal loan applications
- AB Modernised ATM fleet
- AB Expanded capability of Bundaberg Contact Centre

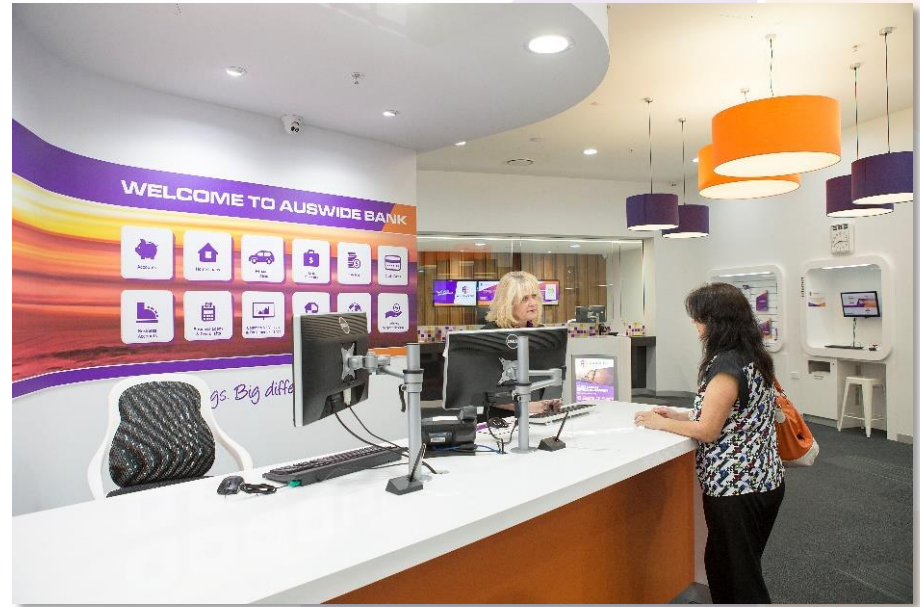


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STRATEGY OVERVIEW

OUR TECHNOLOGY

- ▣ Completed Ultracs 4 implementation
- ▣ Significant productivity improvements
- ▣ Strengthened quality assurance systems
- ▣ Time and cost efficiencies
- ▣ Loan origination system planned for H1 2015-16

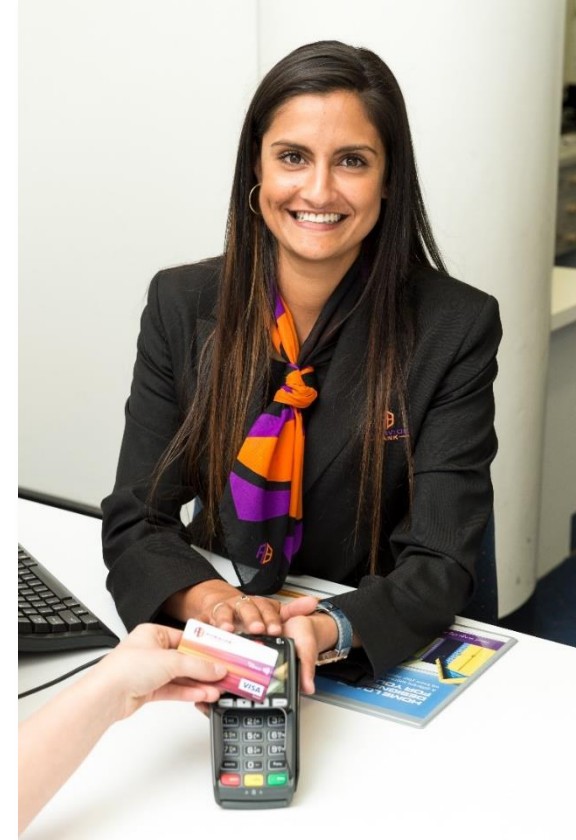


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STRATEGY OVERVIEW

OUR PEOPLE

- 🏠 Tripled training budget to build capability in sales, collections and lending teams
- 🏠 Moving more people into customer-facing roles as processes are streamlined
- 🏠 SalesMAX coaching program across branch network has increased sales performance
- 🏠 LeaderMAX has built leadership skills to manage change
- 🏠 Delivered e-learning platforms for regulatory and compliance training



STRATEGY OVERVIEW

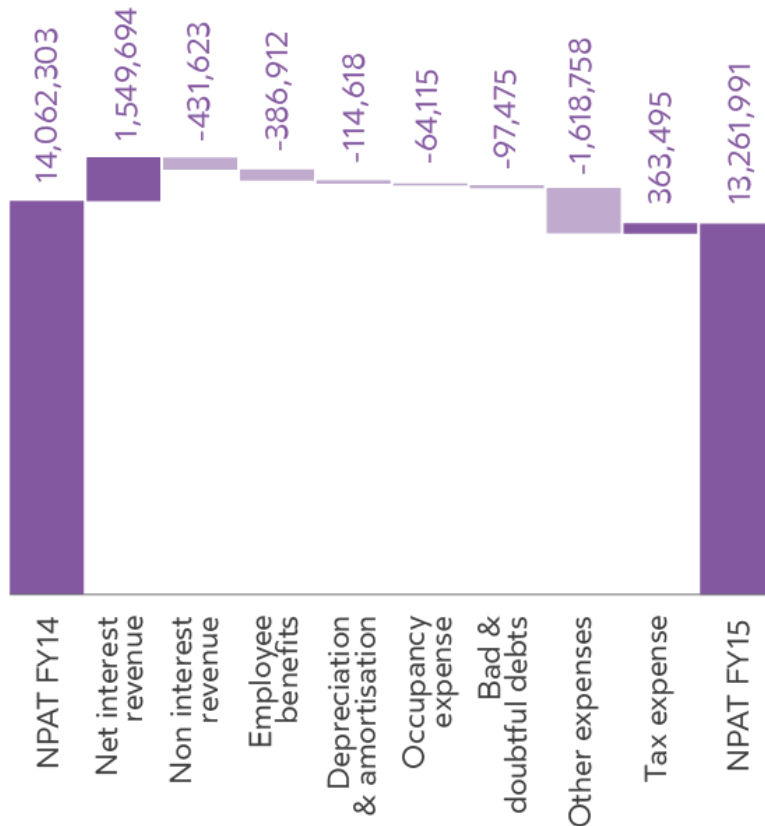
OUR SHAREHOLDERS

- Continued loan book growth
- Maintained Net Interest Margin
- Continued emphasis on risk and arrears
- Maintain focus on achieving 10% ROE target over three years



Small things. Big difference.

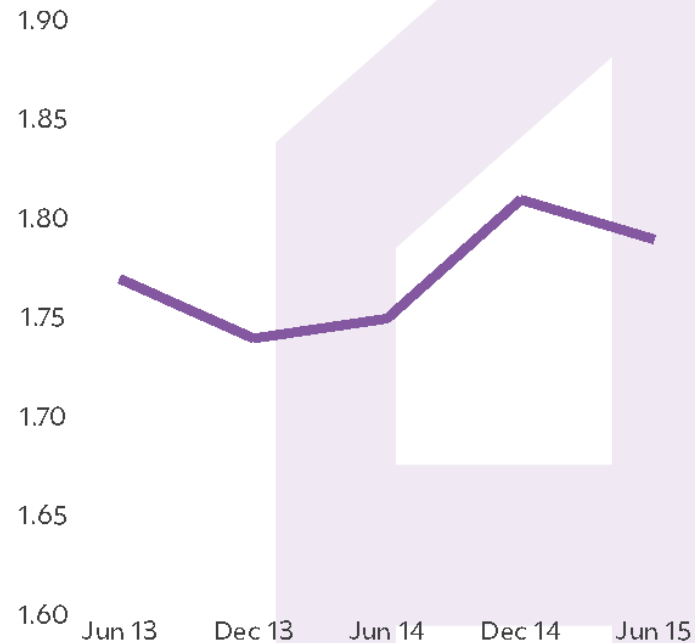
MOVEMENT IN CONSOLIDATED NPAT (FY14 V FY15)



- One-off expenses of \$516,000 relating to rebranding costs and outsourcing of ATM fleet
- Technology overheads up \$425,000
- Mortgage Risk Management Pty Ltd net underwriting expenses up by \$950,000

MOVEMENT IN NET INTEREST MARGIN (FY14 V FY15)

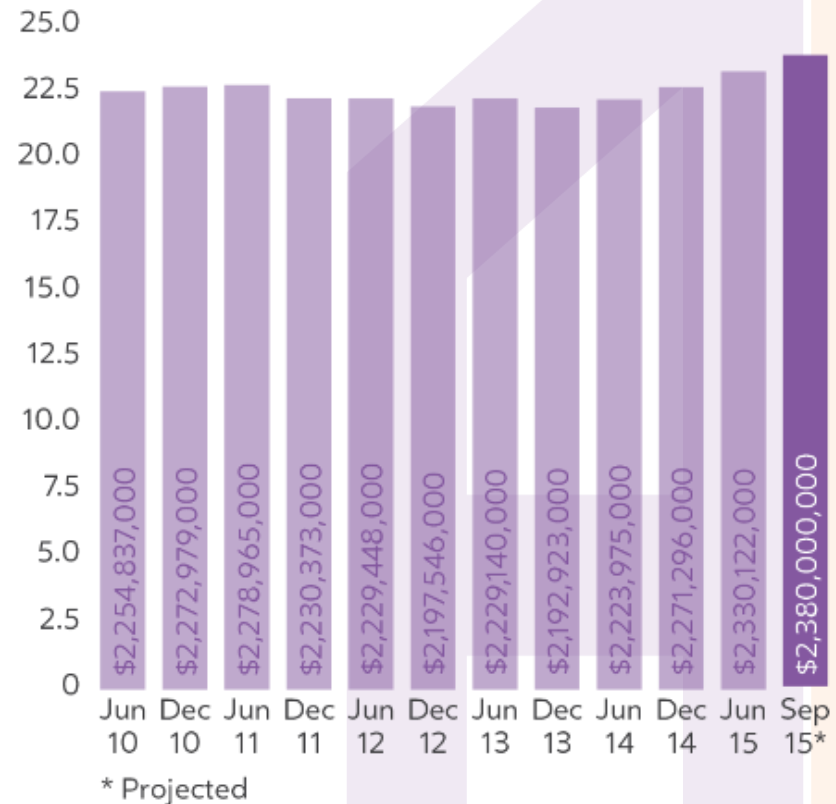
- 🏠 Diversification of funding sources
- 🏠 Management of product pricing
- 🏠 Rollover of term deposits
- 🏠 Extension of higher yielding product offerings – personal loans



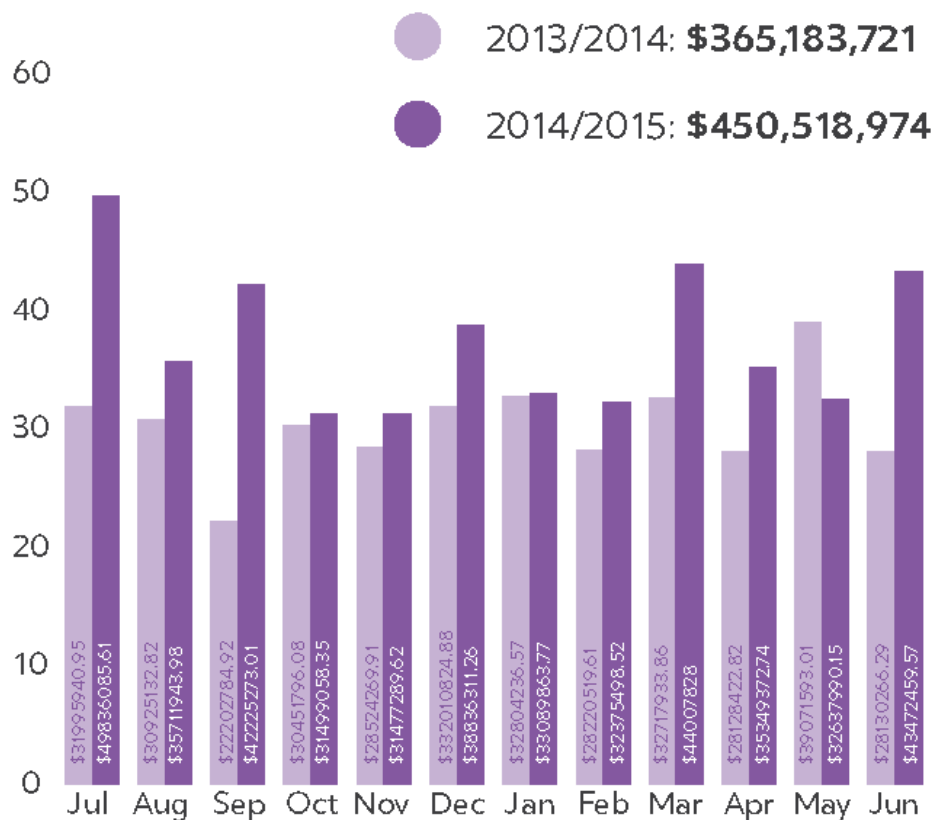
Calculated as the interest revenue or expense and average interest rate on the average monthly balance of interest bearing assets and liabilities

LOAN BOOK GROWTH

- 4.8% loan book growth: >\$100m
- In line with QLD system growth despite flat system growth CQ/FNQ
- Growth in residential lending demand from SEQ
- Acceleration of loan growth projected in H1 2015-16



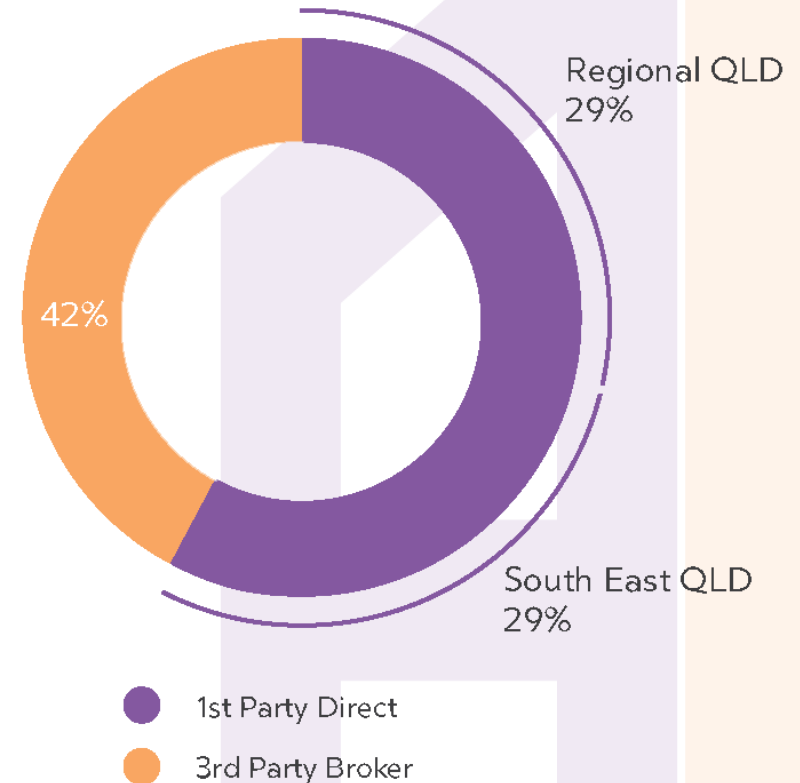
HOME LOAN SETTLEMENTS



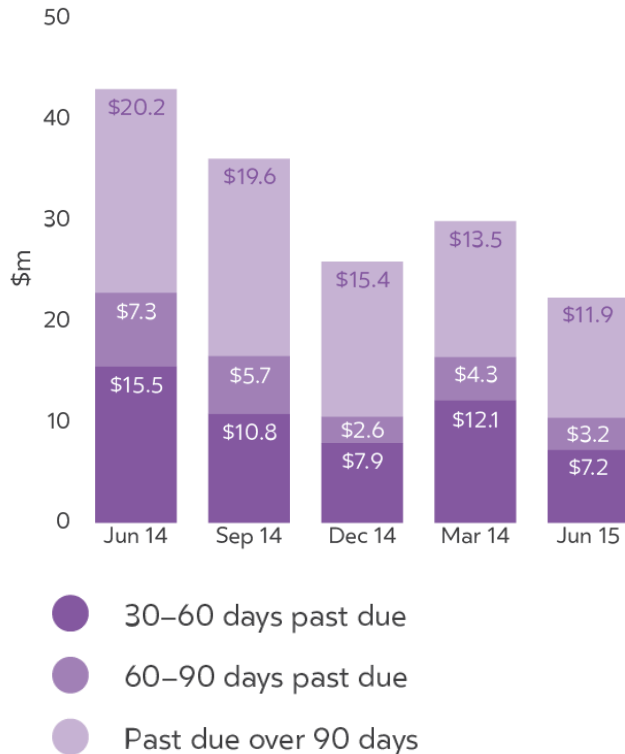
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HOME LOAN ORIGINATION

- 🏠 Training investments, new products and marketing campaigns driving growth in direct channel
- 🏠 Improved management of broker and mortgage alliance platform
- 🏠 Significant increase in brokers seeking Auswide Bank accreditation
- 🏠 Expansion in third party channels provides national exposure
- 🏠 Growth in loan originations has not increased overall risk appetite

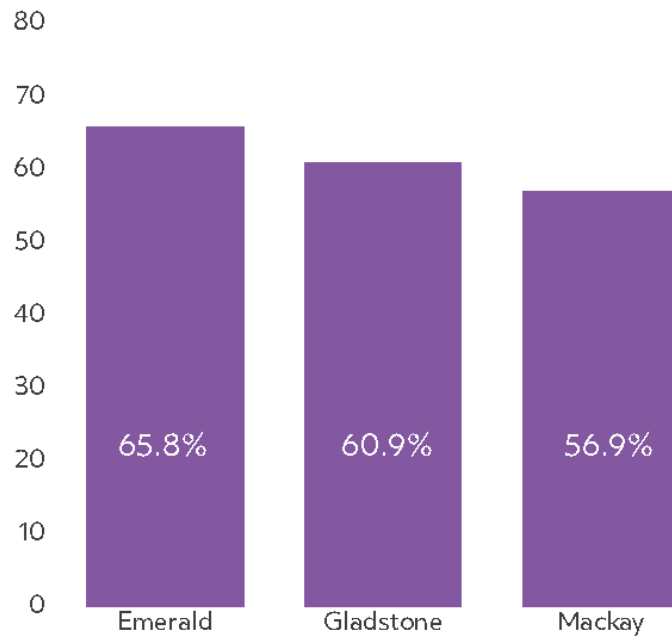


LOAN ARREARS

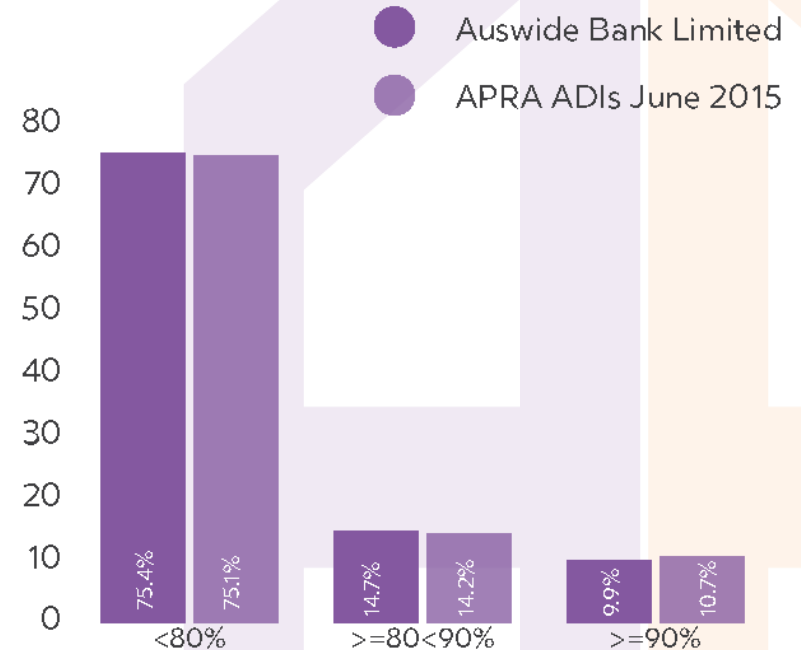


- Arrears fell from \$43.0m to \$22.3m across 2014-15
- Enhanced risk management culture reflected in reduced arrears
- Also reflected in S&P revised credit outlook
- Total provisions for consolidated group (including MRM) at 30 June 2015 of \$6.569m (0.28% of total loans and advances)

LENDING QUALITY



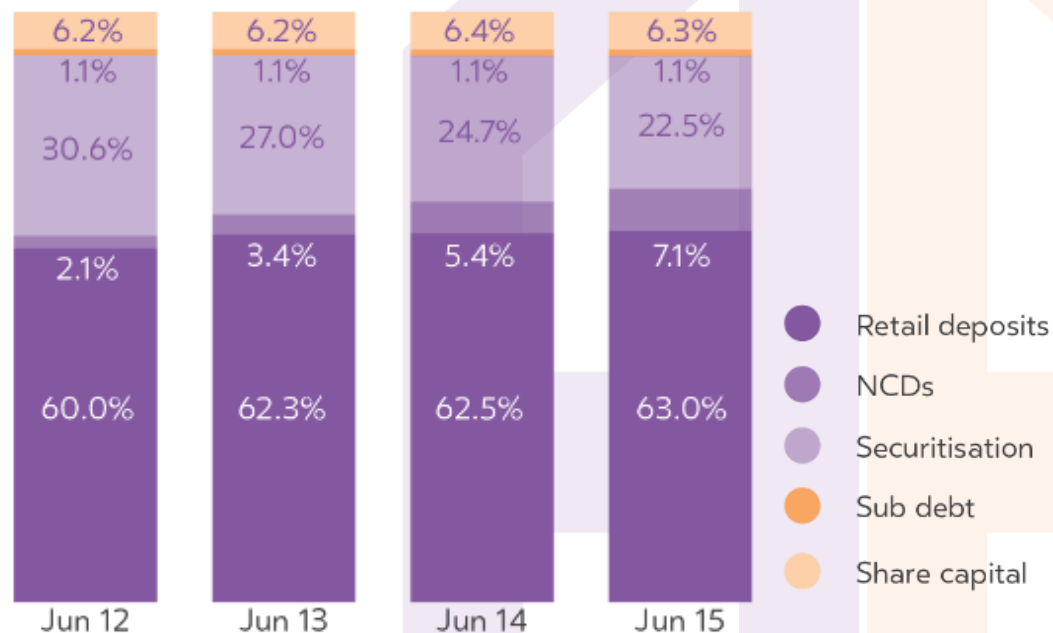
Average LVRs on regional residential loans



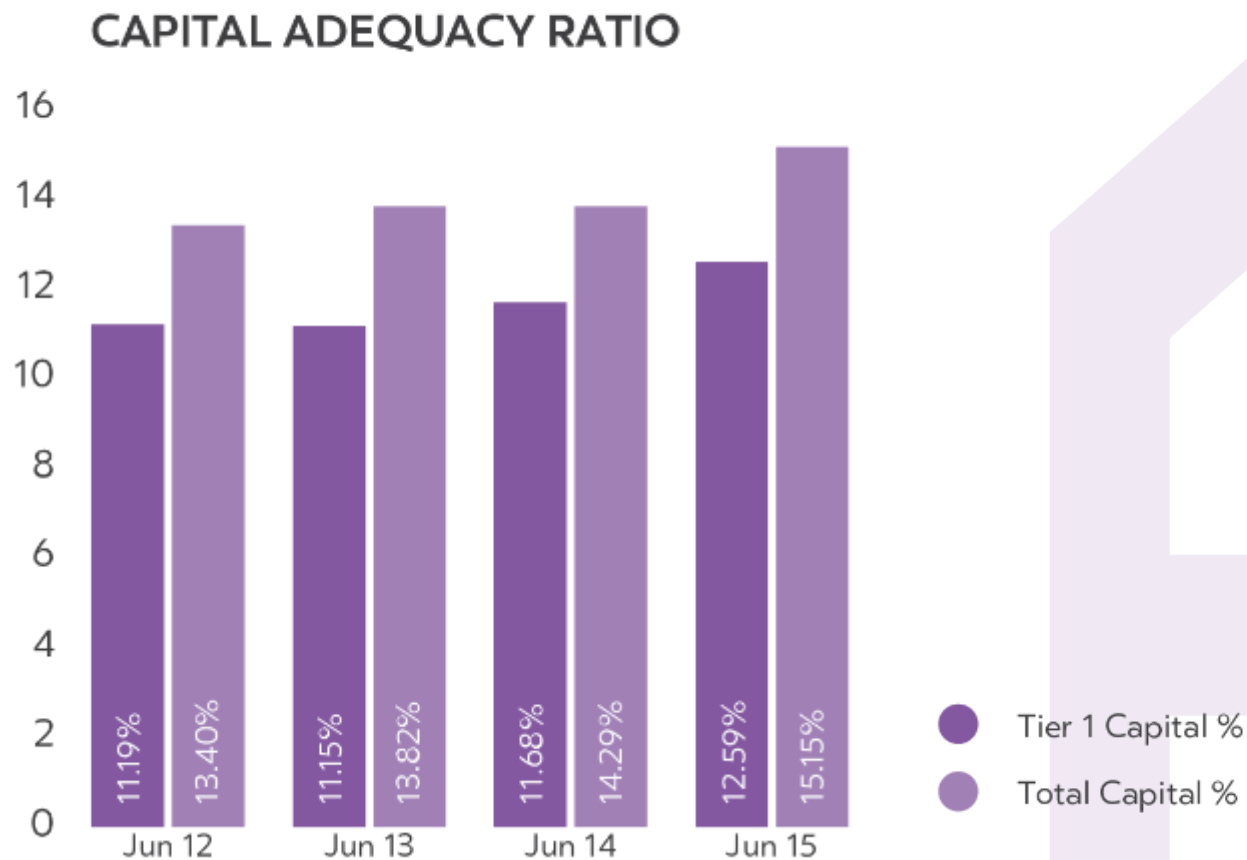
DIVERSIFYING FUNDING MIX

Strong market support
for issue of \$25m debut
Senior Unsecured
Floating Rate Note
(August 2015)

FUNDING RATIOS



STRENGTHENING CAPITAL POSITION



Small things. Big difference.

STRENGTHENING CAPITAL POSITION

- Capital adequacy ratio (excluding MRM) of 15.15% well ahead of regulatory requirements and Board target (13%)
- Wind-up of MRM on 30 September will release up to \$10m in Tier 1 capital
- Balance Sheet strength provides flexibility to:
 - Fund accelerating loan growth
 - Consider special dividends to shareholders
 - Fund prospective mergers, acquisitions or investments that align with strategy and create shareholder value
 - Effectively deal with any prospective regulatory changes
 - Capital adequate for January 2016 introduction of conservation buffers – revised Board CAR target 14.0%

MARKET OUTLOOK

- ⌘ Challenging economic conditions expected to continue in central and northern Queensland; partially offset by tourism uplift
- ⌘ SEQ provides opportunity for diversification
- ⌘ Historically low interest rate environment and intense competition causing margin pressure across the sector
- ⌘ Strategic decisions over past 2.5 years have positioned Auswide Bank for growth in spite of market conditions



STRATEGIC OUTLOOK



New three-year Strategic Plan under development – continued focus on strengthening and repositioning ABA

- ✚ Continued expansion of third party and mobile banking origination
- ✚ Increasing digital presence and sales points
- ✚ Further expansion into SEQ with emerging strength in lending demand
- ✚ Expansion into Sydney and Melbourne markets
- ✚ Acceleration of growth in Consumer Finance and Business Banking
- ✚ H1 branch rationalisation program and investment in branch optimisation expected to contribute from H2
- ✚ Strong capital position provides flexibility to consider consolidation opportunities and special dividends

STRATEGIC OUTLOOK

Increased emphasis on customer experience to drive retention and acquisition

- Continuing investments in IT and capability to improve customer experience and cost efficiency
- Extending Contact Centre capability
- Increasing broker relationships to drive growth in Brisbane, Sydney and Melbourne
- Ongoing branch refurbishment program including Brisbane branch in 2015-16



DISCLAIMER

This Presentation has been prepared by Auswide Bank Ltd ABN 40 087 652 060, Australian Financial Services and Australian Credit License Number 239686, ASX Code ABA. The information is current as at 21st September 2015.

Financial amounts

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of ABA's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of ABA cannot be relied upon as an indicator of (and provides no guidance as to) future ABA performance including future trading or share price performance.

Future performance

This Presentation contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “will”, “could”, “may”, “target”, “plan” and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of ABA, and may involve significant elements of subjective judgment as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.