

14 March 2016

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

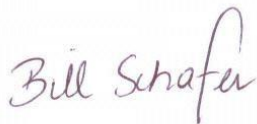
Dear Sir/Madam

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 faithfully



Bill Schafer
Company Secretary

Small things. Big difference.



AUSWIDE
— **BANK** —

INVESTOR UPDATE

H1 2015/16

March 2016

*Small things.
Big difference.*

Focus on strengthening the business is delivering improved operating performance and organic growth

4.40%  growth in underlying NPAT to **\$6.8m**

9.05%  annualised growth in loan book to **\$2.4b**

2.65%  increase in net interest revenue to **\$26.54m**

37.30%  increase in loan approvals to **\$324.81m**

2bps  expansion in net interest margin from **181 to 183** basis points

14.89% consolidated capital adequacy ratio (Tier 1 capital 12.24%)

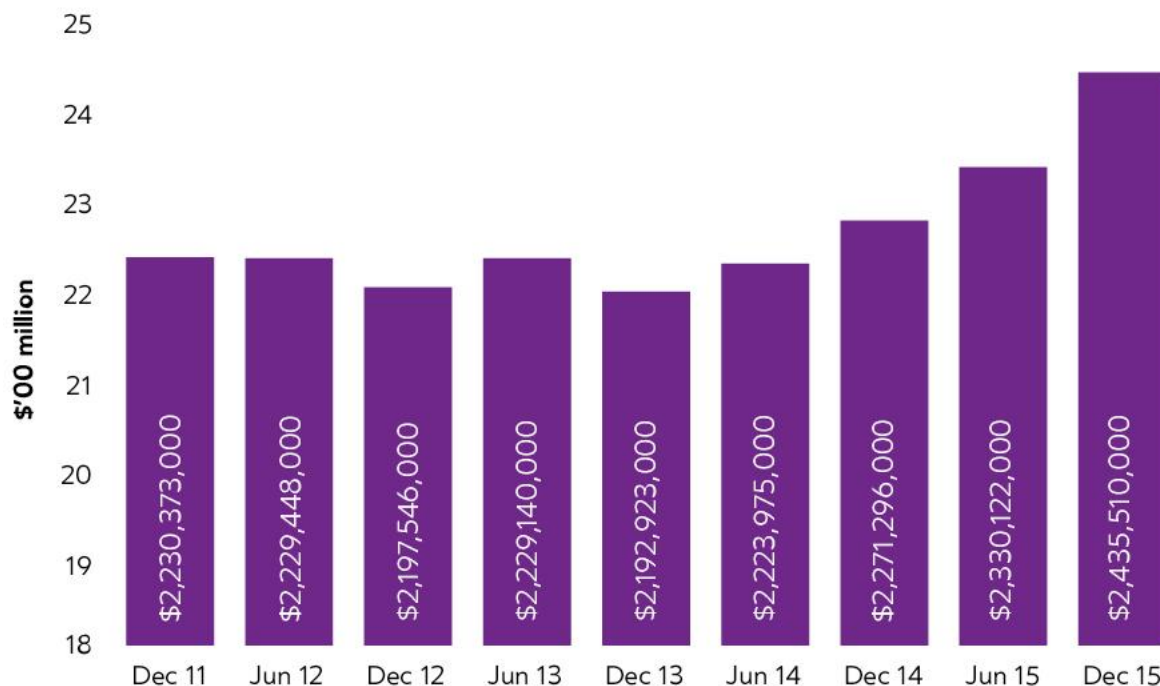
H1 FY16 financial summary

DETAILS	H1 2015-16	H1 2014-15	Change
Net interest revenue (\$m)	26.542	25.856	2.65%
Consolidated underlying NPAT (\$m)	6.782	6.495	4.40%
Consolidated statutory NPAT (\$m)	6.063	6.495	(6.67%)
Earnings per share (cents)	16.36	17.74	(1.38c)
Underlying cash earnings per share (cents)	18.30	17.74	0.56c
Return on equity – consolidated underlying NPAT (%)	6.77	6.59	0.18
Cost to income ratio (%)*	67.80	67.17	0.63
Interim dividend per share, fully franked (cents)	14.0	14.0	–
Net interest margin (basis points)	183	181	2
Capital adequacy ratio (%)	14.89	14.90	(0.01)
Arrears – 30 days past due (\$m)	20.271	25.914	(5.643)

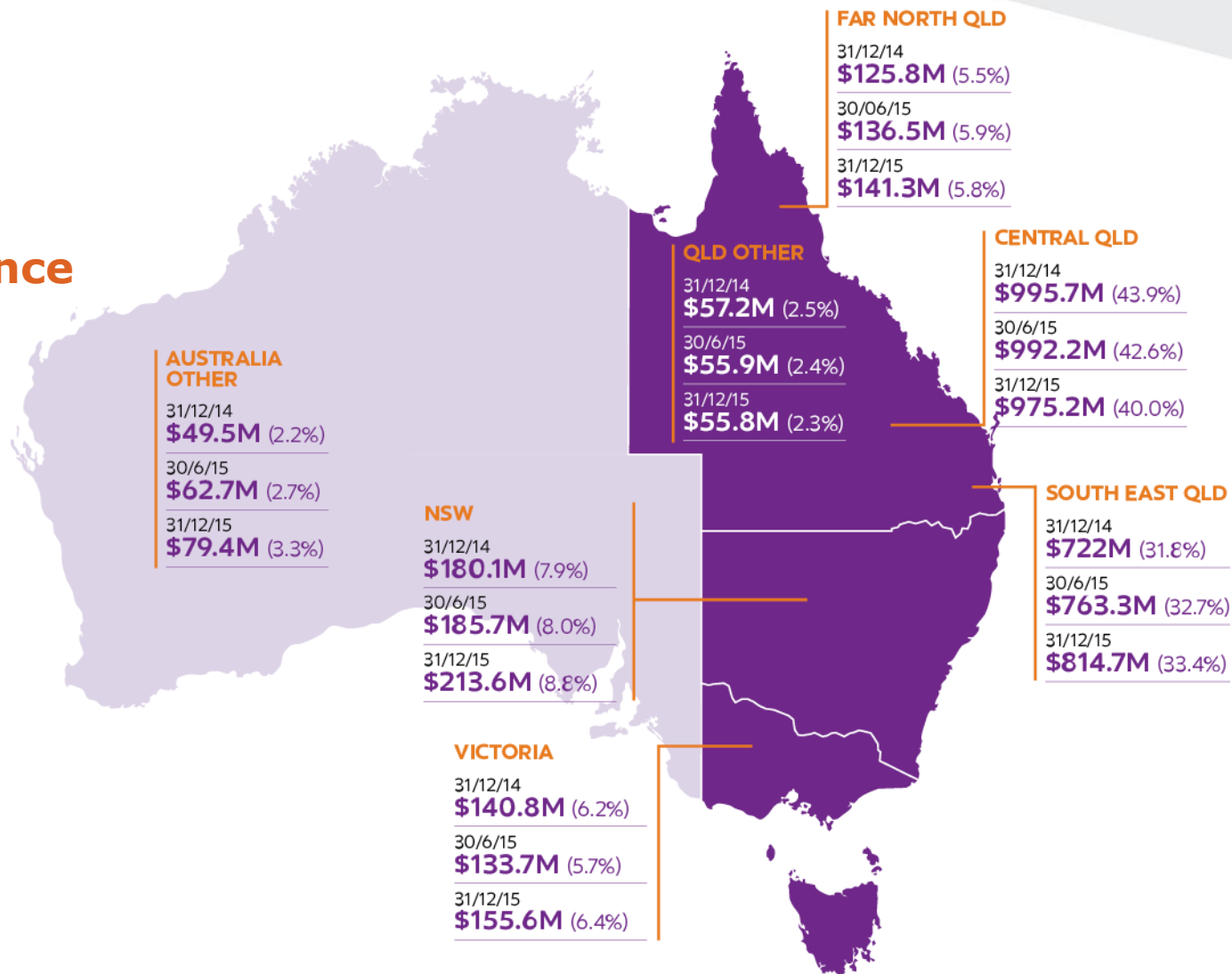
* excluding bad and doubtful debts, underwriting expenses and non-recurring items

**Loan book growth
driven by SEQ
lenders, broker
channel and
business banking
lenders**

LOANS AND ADVANCES

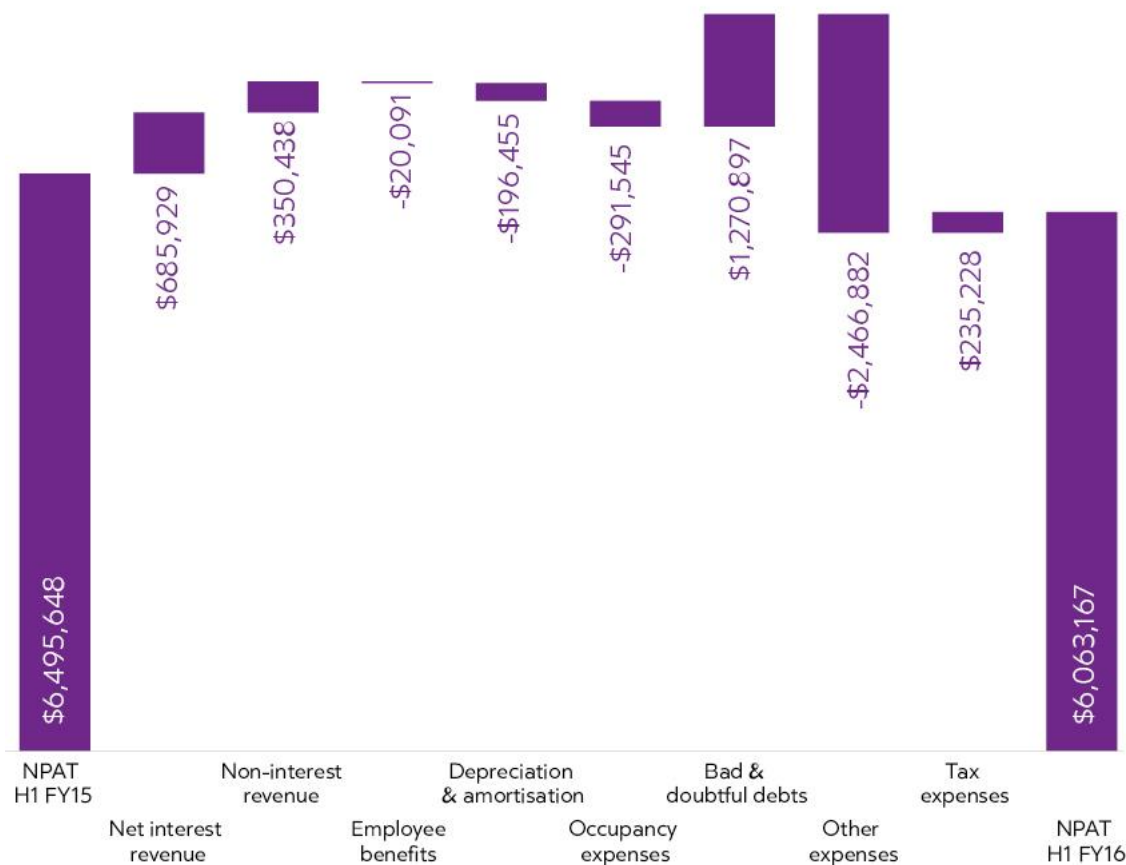


Continued diversification reducing reliance on Auswide's traditional Queensland markets



Consolidated statutory NPAT impacted by non-recurring expenses of branch rationalisation, M&A projects and final re-branding costs

CONSOLIDATED STATUTORY NPAT MOVEMENT



Investment in loan book growth, technology and distribution channels

Other income: Increase in loan fees offsetting reduction in transaction fees

Expenses: Rigorous management with cost to income ratio at H1 2016 of 67.80%

Non-recurring expenses to reposition Auswide Bank

OTHER INCOME		H1 2015-16 v H1 2014-15 \$'000
Loan Fees	348	⬆
Profit on Sale of Assets	126	⬆
ATM/PoS Transaction Fees	(136)	⬇

EXPENSES		
Advertising & Promotion	355	⬆
Brokers Fees	258	⬆
Computer Maintenance	475	⬆
Depreciation – Buildings, Plant & Equipment, Computer Equipment	196	⬆

NON-RECURRING EXPENSES		\$'000
Branch Rationalisation	682	
Merger & Acquisition Projects	267	
Rebranding	78	

Arrears continue to trend downwards

Total provisions of \$5.205m at 31 December 2015 – 0.21% of total loan book (\$6.802m at 31 December 2014)

>30 day arrears – 0.83% of total loan book

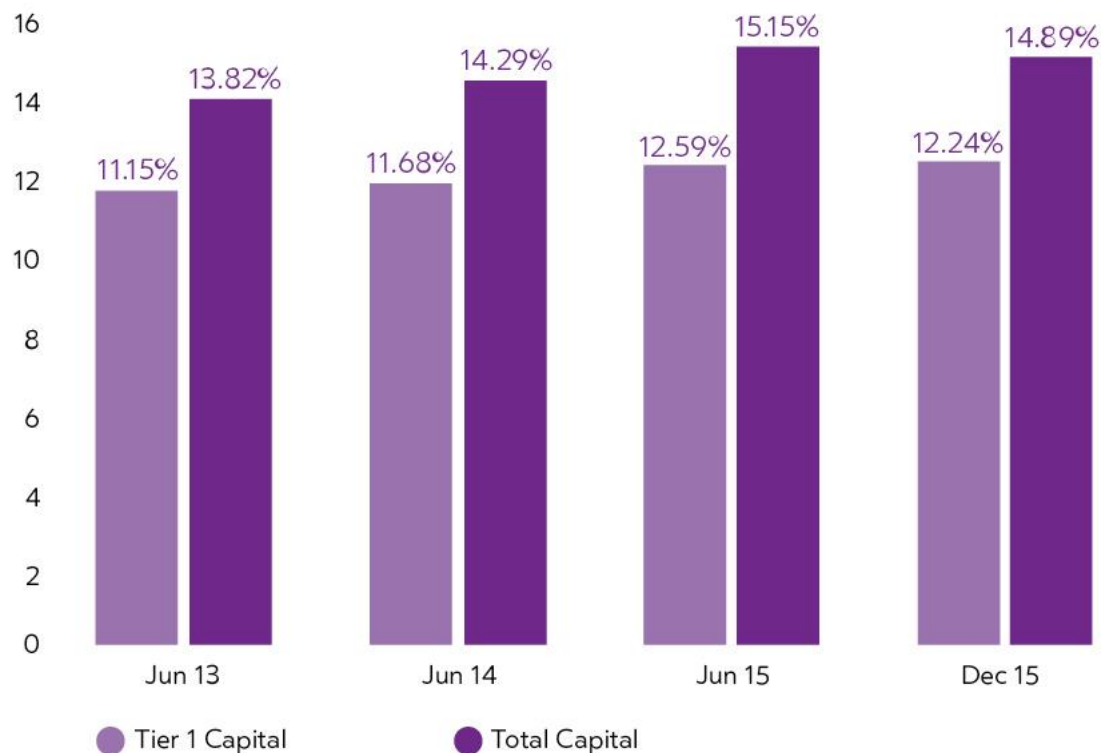
>90 day arrears – 0.36% of total loan book

LOANS AND ADVANCES PAST DUE



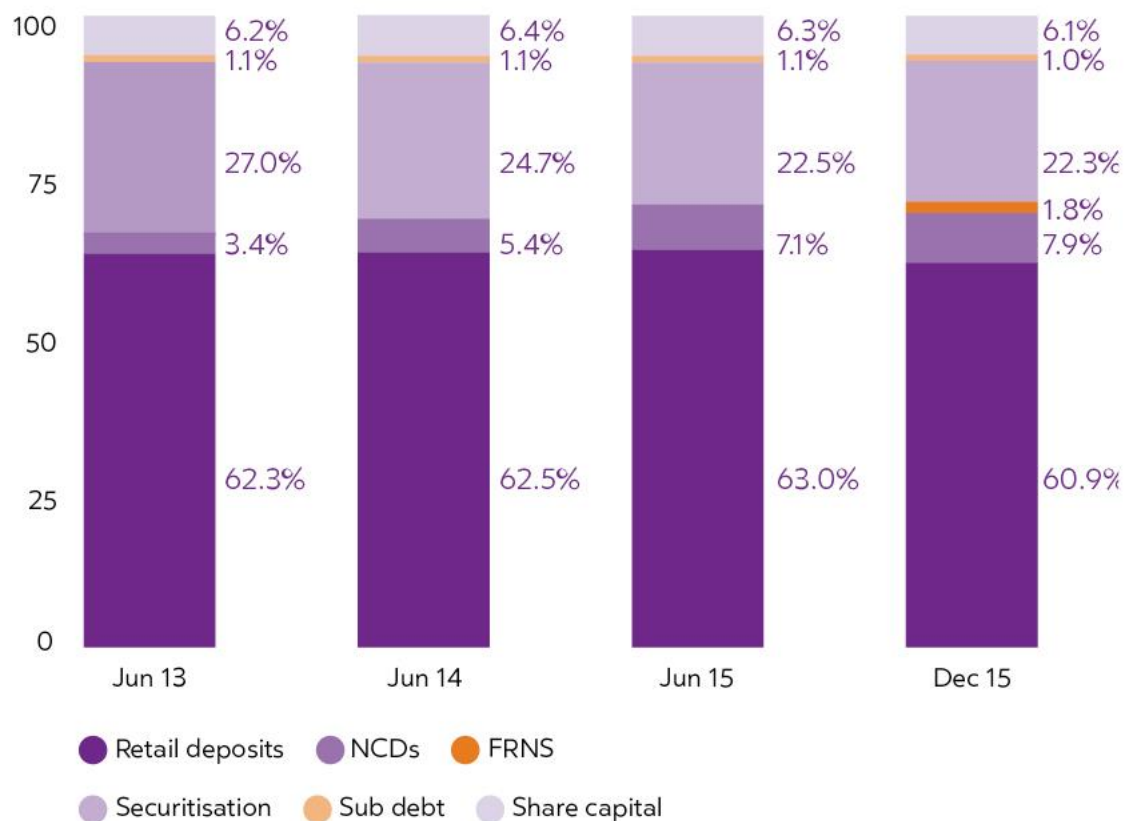
Strong capital adequacy ratio provides flexibility for loan book growth and M&A activity

CONSOLIDATED CAPITAL ADEQUACY RATIO



Increased funding diversification with debut floating Rate Note

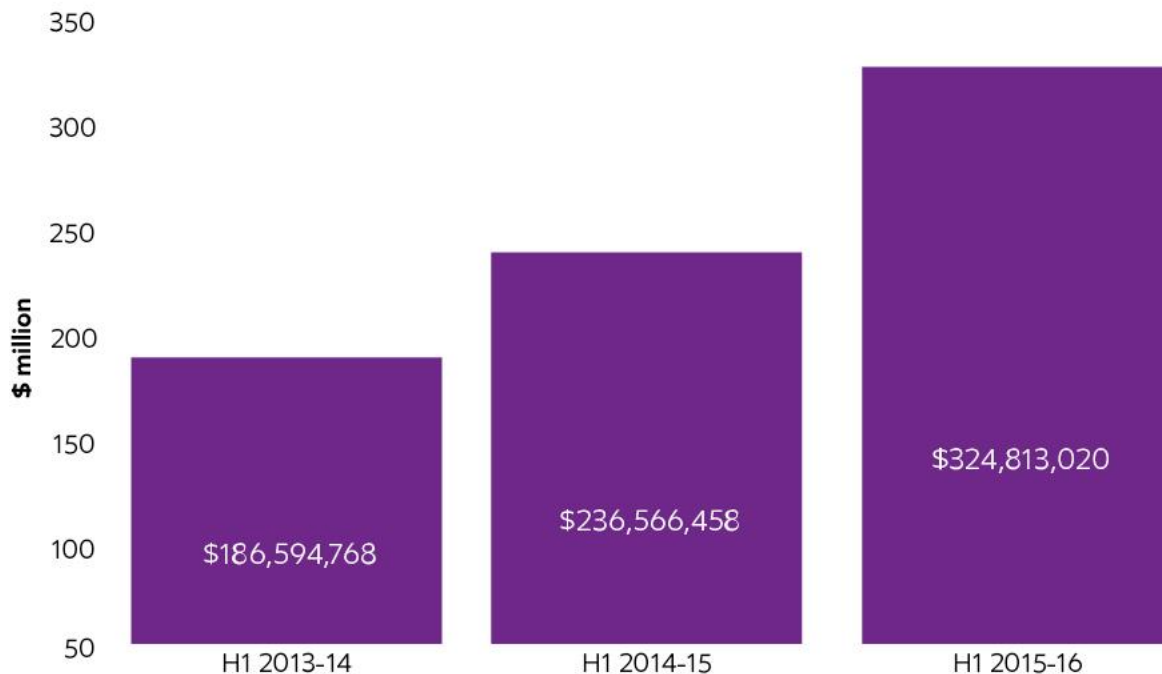
FUNDING MIX



Sales momentum continuing into H2 through branches and third parties

Third party contributed 53% of home loan approvals

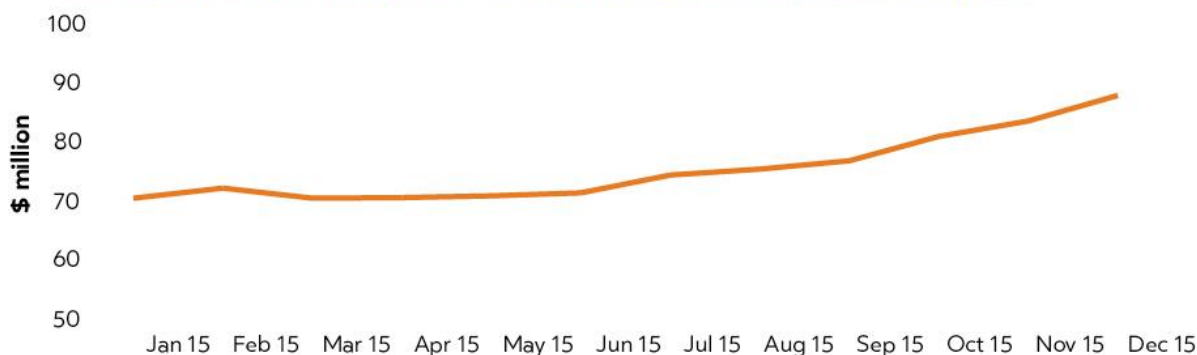
HOME LOAN APPROVALS



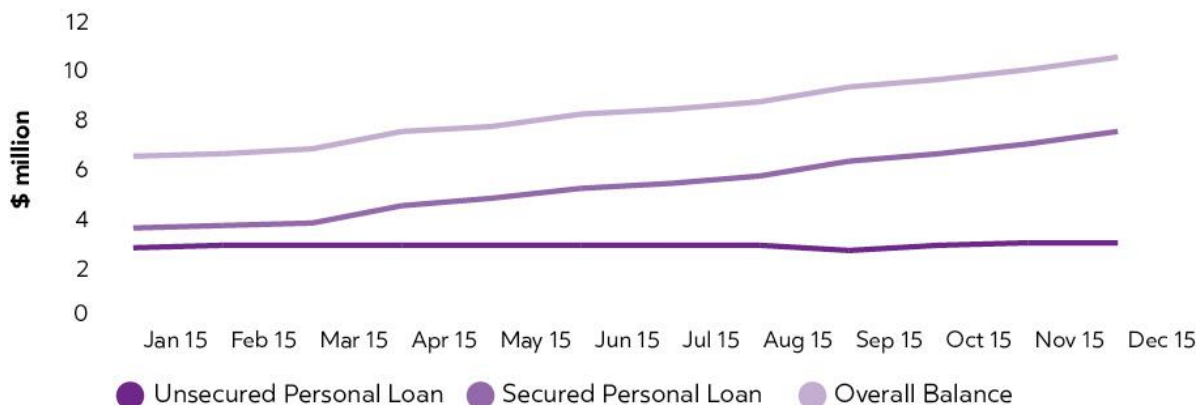
Business Banking & Personal Loans

At Dec 15, average interest rate of 6.08% on Business Banking (Commercial) and 10.28% on Personal Loans

BUSINESS BANKING OVERALL BALANCE SHEET



PERSONAL LOAN BALANCE SHEET



Lending update

Improving credit quality and quantity of home loan business

- Broker business continues to grow with improved flow from Victoria and NSW following new BDM appointments
- SEQ continues to improve and remains an area of opportunity
- Margins well managed in competitive market
- Delay in new lending system – benefits to flow in 2016-17

Business Banking momentum is improving

- \$16m net growth past six months (housing and business)
- Pipeline strengthening as Business Banking capability demonstrated

Personal loans a key growth focus

- Approvals continue to trend upwards
- Strong margins and credit quality; secured loans showing strongest growth

Branch rationalisation completed with \$1m in annual overheads reduction



- Rationalisation has consolidated Auswide network to 23 branches
- Modernisation of existing branches continues with Head Office and Nambour completed late February
- New Townsville branch due for completion April 2016
- New and refurbished branches offer a modern and attractive layout which is designed to maximise sales opportunities and customer experience

Strategy

STRATEGIC DIRECTION

Strengthening competitive position

Building momentum in operational performance and organic growth

Repositioning Auswide Bank

Enhancing processes, efficiency and speed to client

Reinforcing regulatory compliance and risk management

STRATEGIC GOALS

Organic growth – A defined pathway to 10% RoE target by June 2018

- **ENHANCED CUSTOMER** experience and expanded products portfolio
- **OMNI-CHANNEL STRATEGY** to build lending momentum and reduce reliance on traditional markets
- **MEASURED INVESTMENTS** in technology, outsource partners for capability and improved productivity
- **UPGRADING RISK MANAGEMENT** systems and culture
- **DIVERSIFIED FUNDING** sources and rigorous capital management

Strategic investments – Strong financial position creates M&A optionality

- **MONEYPLACE** relationship
 - Exciting new **DISTRIBUTION** and revenue opportunity
 - Platform for further **FINTech** opportunities
- **YOUR CREDIT UNION** merger
 - SEQ **DISTRIBUTION** and 4000+ new customers
 - Potential **CATALYST** for further M&A opportunities



Building on brand's touch points



OMNI-CHANNEL

- Provide customers with channel choice
- Sales digital capability
- Modelling across distribution channels and partners



BRANCH DISTRIBUTION

- Continued focus on branch revitalisation and location
- Future branch format – Micro Branch Concept
- Right location, right people
- Financial metrics



TRADITIONAL OPPORTUNITIES

- Mergers & Acquisitions
- Complementary revenue streams
- Contact Centre expansion
- Consumer Finance



LESS TRADITIONAL OPPORTUNITIES

- Peer to Peer / Fintech
- White Label



YCU Merger

Offer: \$4,055 cash + 696 ABA shares

4000+ new clients

\$128m assets

\$166m deposits

First announced merger between listed ADI and mutual in over 10 years

Enhanced SEQ presence including Brisbane branch:

- Brisbane branch to support YCU and Auswide clients
- Expanded product range for YCU clients and increased cross-selling

Synergy Benefits

- Cost synergies estimated at \$2m
- Integration simplified by similar operating systems
- Expectation is to release the majority of synergy benefits in the short term
- Full integration to be completed within 6 months

Revenue/EPS Benefits

- >\$3m benefit to underlying net profit before tax after synergies (15.8% increase)
- Cash EPS accretive in 2017



MONEYPLACE

MoneyPlace strategic relationship

- Accelerates Auswide Bank's consumer lending ambitions
 - 20% equity investment (19.3% after foundation investors' further commitment)
 - Personal Lending conditional funding up to \$60m over five years
- Positions Auswide Bank to benefit from technology disruption across banking sector

MoneyPlace

- Australian peer-to-peer lending platform connecting borrowers directly with investors
- Simple streamlined personal loan product and compelling, low cost investor proposition
- Launched in estimated \$50b Australian P2P market Q3 2015
- Internationally proven business model capitalising on global sector disruption
- Credible Advisory Board and management to establish Australian market presence and drive growth

MONEYPLACE

BORROWER PRODUCT FEATURES

Loan amount: \$5,000-\$35,000
Security: Unsecured
Loan Term: 3 or 5 years
Fixed or variable rate: Fixed
Interest rate range: 9-30%

KEY FEATURES:

- **Risk-based pricing** provides **fairer** and **transparent** interest rates
- Tiered borrowing rates, **tailored to borrower risk profile**
- **Quick and simple online application** – loan approval within 10 minutes
- **Quicker funding** with loans funded next business day
- **No penalty for early repayments**
- **No monthly service fees or exit fees**

INVESTOR PRODUCT FEATURES

Investment amount: Minimum \$2,500
Investor types: Retail, sophisticated & wholesale
Investment term: 3 or 5 years
Investment class: Fixed income
Return range: 8-16%
Auswide's expected return range (A&B class loans): 8-10.5%

KEY FEATURES:

- A **fixed income investment** that offers **superior returns** over similar asset classes
- **Diversification** achieved via loan **fractionalisation**, mimicking banks' investment strategies
- Ability to **tailor portfolios according to investor risk appetite**, or select a **model portfolio**
- One **simple and transparent management fee**
- **Comprehensive investment reports** available in real time
- Attractive asset class for **capital preservation**

Outlook

Challenging conditions across banking sector

- Lending market competition remains intense
- Interest rates at historic lows
- Conditions remain subdued in Auswide Bank's traditional markets

Auswide achieving lending momentum with strong credit quality

- Broadening distribution capabilities driving lending growth outside traditional markets
- Arrears expected to remain low

Operating costs tightly controlled, supporting measured investments in technology, distribution and capability

- Branch rationalisation to reduce overheads by \$525,000 in H2

Funding market volatility will pressure H2 costs but impacts modest compared to revenue growth

Regulatory focus on investment lending and capital strength is well managed

Outlook

Strategic investments contributing to growth

- Immediate focus on maximising cost and revenue synergies
- Board will consider other suitable opportunities
- Expected growth in Personal Loans via own channels, improving capability and MoneyPlace
- Further M&A/partnership activity to be explored
- Integration of YCU expected to be EPS accretive in 2016-17

The journey to 10% RoE by June 2018

- Maintain annual loan book growth above 7%
- Maximise income and expense synergies from YCU merger
- Return on investment in MoneyPlace
- Manage annual cost growth below 4%
- Finalise write-off of capitalised LMI premium - \$1.2m annual expense reduction

FY16 NPAT outlook \$14m - \$15m profit (excluding non-recurring and M&A expenses)

- Growth in loan book maintained at H1 level
- NIM maintained at current level
- Reduction in HR and property costs of \$1.4m H2 vs H1

DISCLAIMER

This Presentation has been prepared for 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 14 March 2016.

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.