

26 September 2016

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.



INVESTOR UPDATE

FY 2015/16

September 2016

*Small things.
Big difference.*



FY 2016 financial performance highlights



Net Interest Revenue



6.1%



Capital at

14.31%



Underlying cash NPAT



2.8%



Total Assets now over

\$3 billion



Loan Book



14.4%
to \$2.666b



30c

Dividend
maintained



NIM maintained at a
steady level



Arrears
within
SPIN

Continued organic growth momentum

		Results		
		FY16	FY15	% Change
NPAT	underlying cash	\$14.041m	\$13.655m	⬆️ 2.8%
	statutory	\$11.699m	\$13.262m	⬇️ 11.8%
Loan Book (including YCU)		\$2.666b	\$2.330b	⬆️ 14.4%
Net Interest Revenue		\$53.892m	\$50.806m	⬆️ 6.1%
NIM		196bp	198bp	⬇️ 2bp
Dividend per share	final (fully franked)	16.0c	16.0c	–
	total (fully franked)	30.0c	30.0c	–
EPS	underlying	37.5c	37.1c	⬆️ 0.4c
	statutory	31.2c	36.1c	⬇️ 4.9c
Return on Equity	underlying NPAT	7.0%	6.9%	⬆️ 0.1%
	statutory NPAT	5.8%	6.7%	⬇️ 0.9%
Underlying Cost to Income Ratio		69.1%	67.6%	⬆️ 1.5%

FINANCIAL PERFORMANCE



Underlying cash NPAT growth of 2.8%

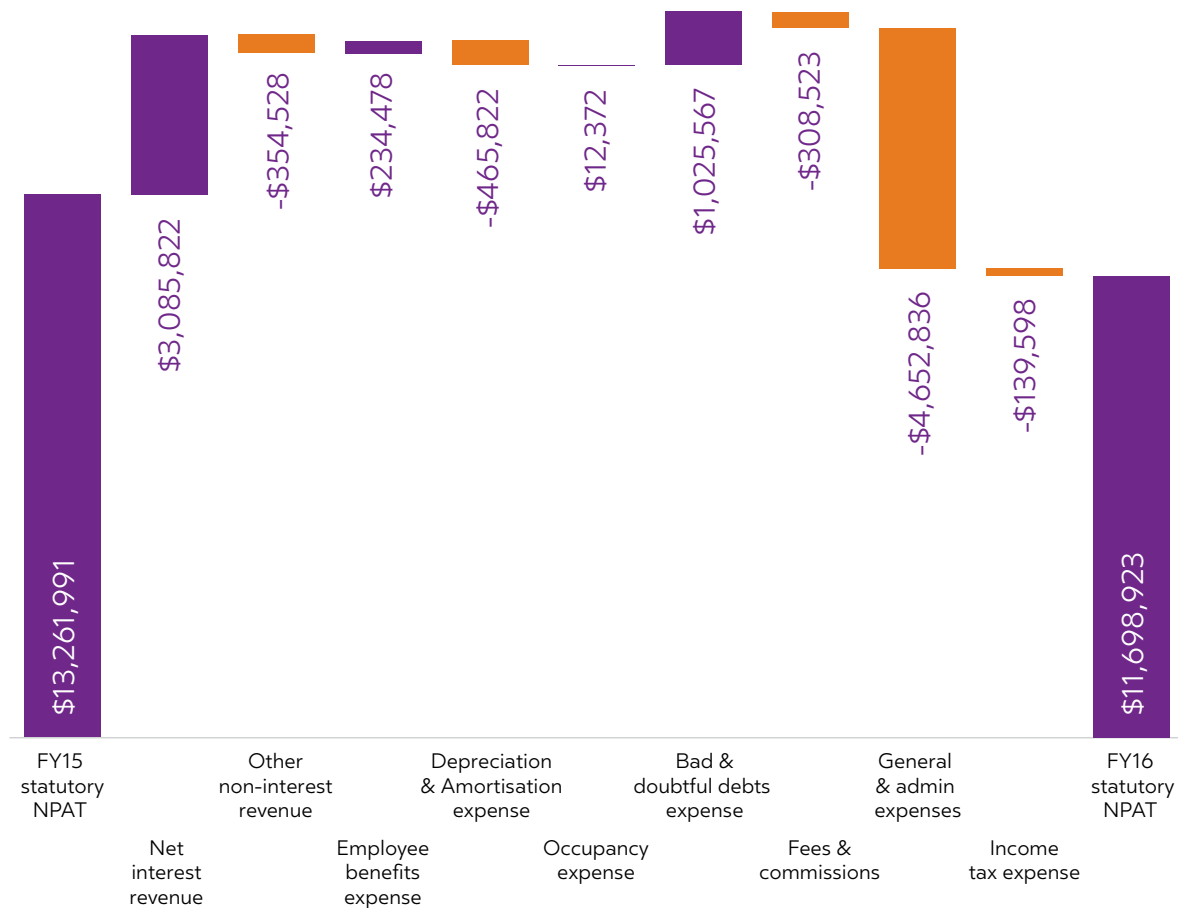
Reconciliation of Consolidated Statutory NPAT to Underlying Cash NPAT	FY16 \$ million	FY15 \$ million
Statutory NPAT	11.699	13.262
Add back one-off expenses:		
M&A expenses	2.836	–
Branch rationalisation expenses	0.770	–
ATM outsourcing and rebranding	0.078	0.562
Other expenses	0.104	–
Less one-off income items:		
Legal settlements and dividends – MRM Pty Ltd	(1.284)	–
Tax adjustment on one-offs	(0.162)	(0.169)
Underlying cash NPAT	14.041	13.655

One-off expenses impacted statutory NPAT

M&A projects \$2.836m

Branch rationalisation and re-branding \$848,000

CONSOLIDATED STATUTORY NPAT



Detail on profit movement

Income

Net Interest Revenue	Impact on Profit
Loan book growth, NIM stability	+ \$3.1m
Non-Interest Revenue	
Increase in package fees, Visa & Bpay fees and Profit on sale	+ \$0.9m
Decrease in insurance commissions, transaction fees and rent income	- \$1.1m

Expenses

Transformation Project	Impact on Profit
Cost reductions from branch closures and outsourcing	+ \$0.2m
Amortisation expenses due to investment in IT, branch and head office refurbishments	- \$0.5m
Increased IT expenditure (incl. ATM outsourcing)	- \$0.9m
M&A Costs	- \$3.0m
Marketing Spend	- \$0.5m
Fees & Commissions	
Cash handling expenses down	+ \$0.4m
Bank and funding fees/LMI premiums	- \$0.3m
Brokers fees up	- \$0.5m

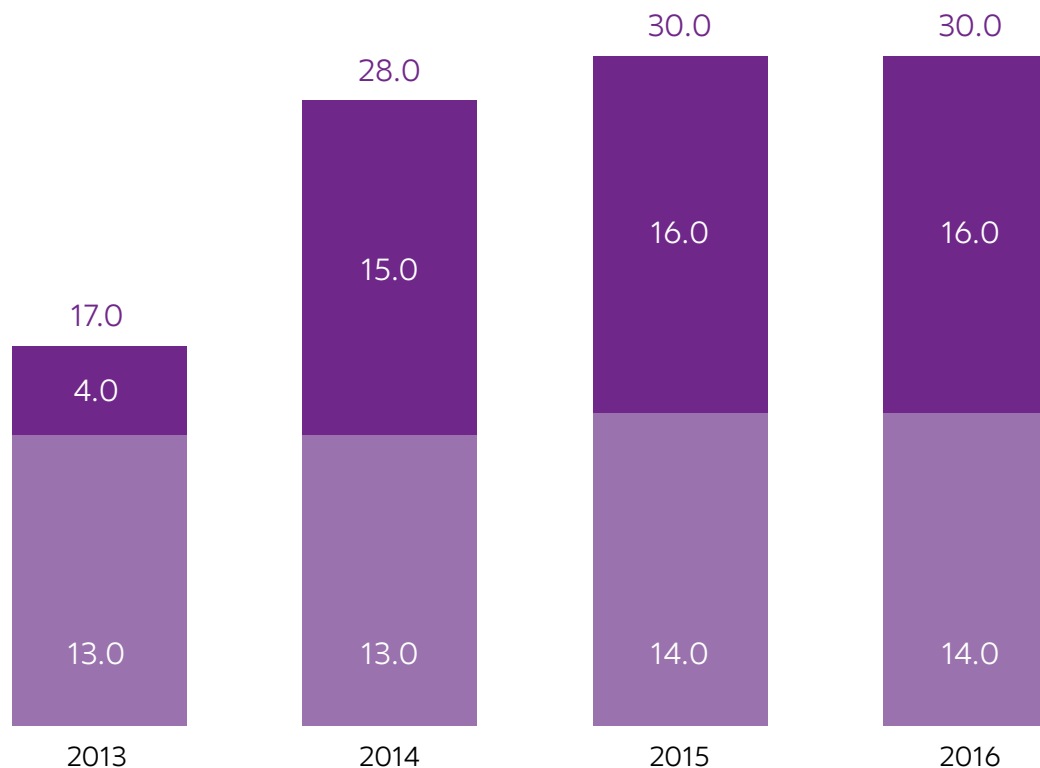
Sustainable dividend based on strong operating performance and capital position

Dividend policy aims to provide consistent improvement in returns and maintain strong capital position

Total dividend equates to 82.9% of underlying cash NPAT.

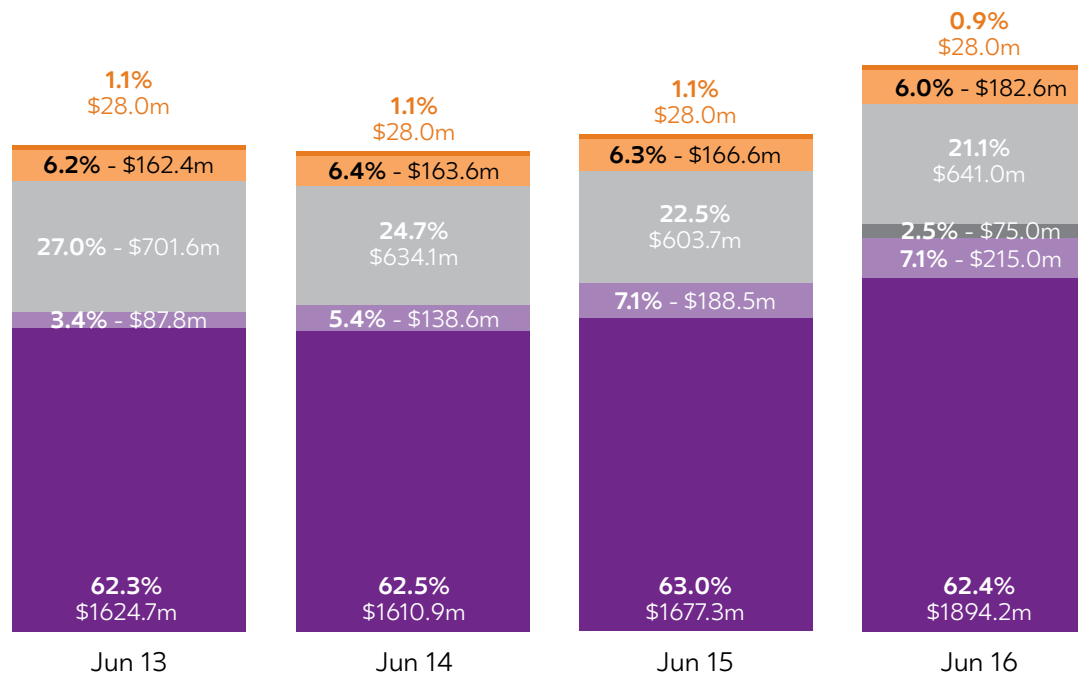
DIVIDEND (CPS)

1H 2H



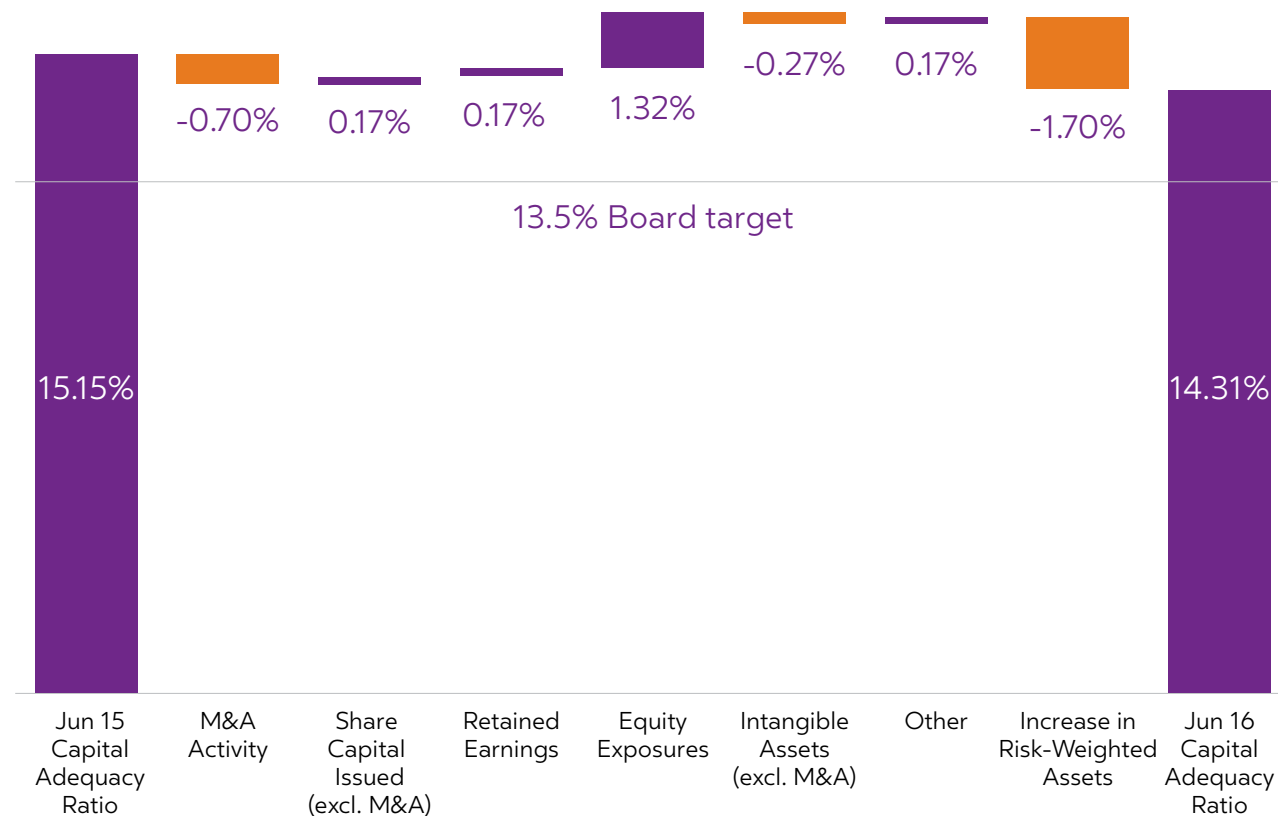
FRN issuance increases funding diversification

FUNDING MIX



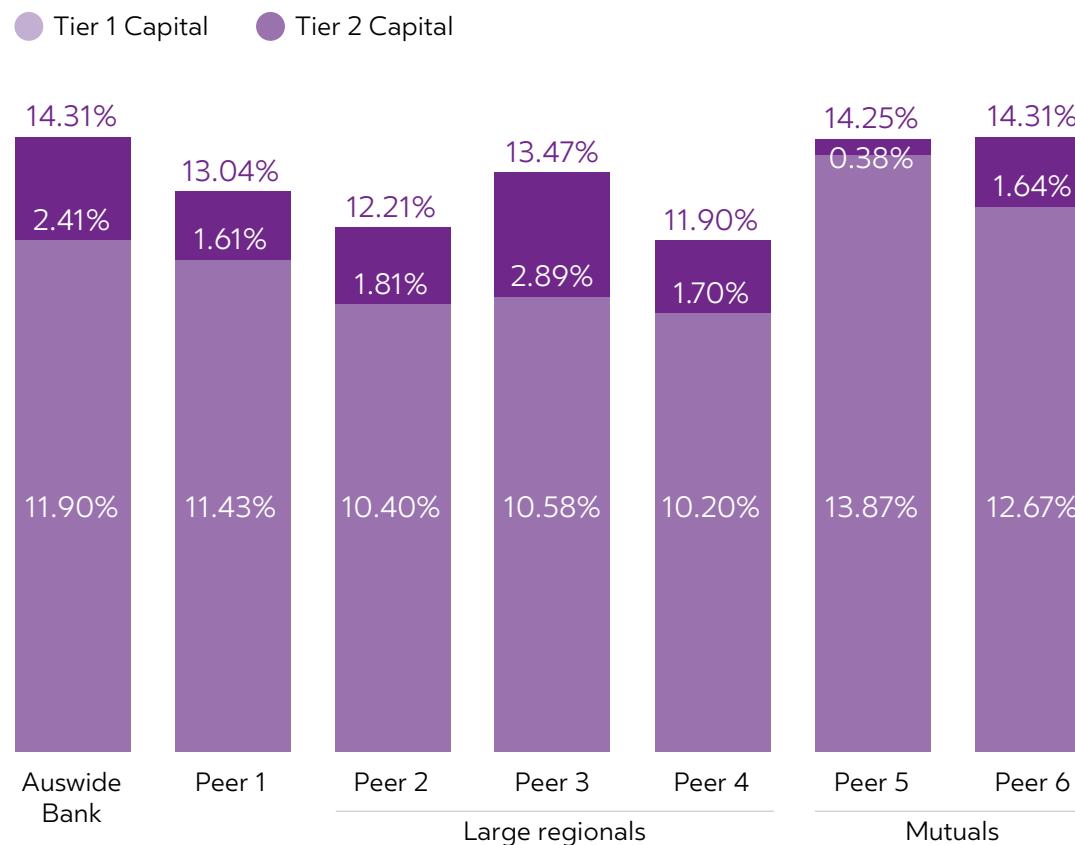
Strong capital position maintained despite reduction due to loan growth and value-adding M&A.

CAPITAL



Strong capital position to support lending growth and M&A options

CAPITAL COMPARISON TO PEERS

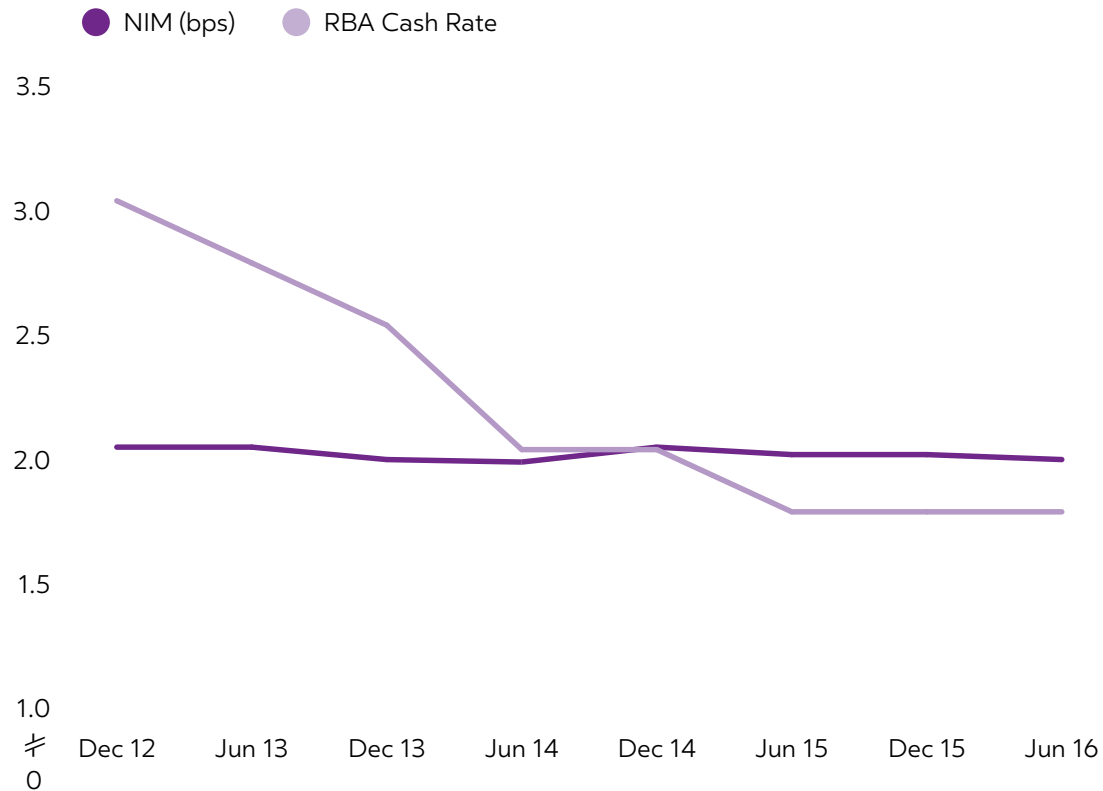


NIM stable in spite of competitive market conditions

Continue to target stable NIM despite potential impact of further rate cuts

Net Interest Income steadily increasing despite historically low interest rate environment

NIM (BPS) AND RBA CASH RATE (%)



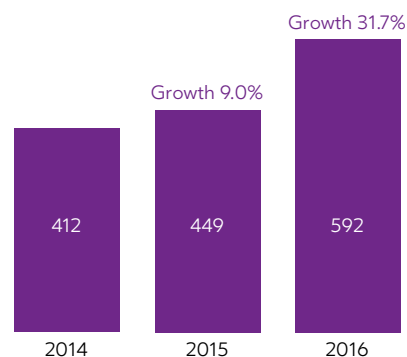
Strong increase in home loan approvals – up 31.7%

Growth balanced between
first and third party channels

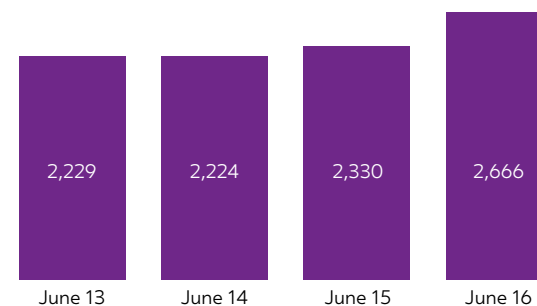
Approximately 60% of home
loan origination from broker
and mortgage alliances

Investor lending is within
APRA guidelines

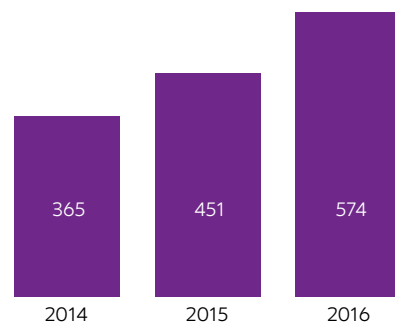
HOME LOAN APPROVALS (\$M)



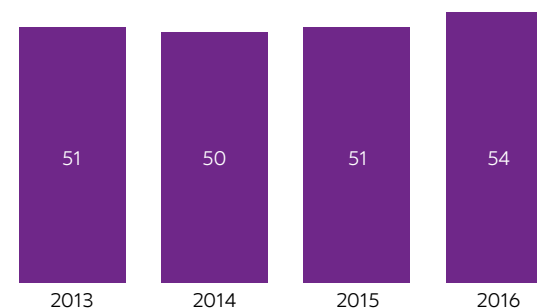
LOANS AND ADVANCES BALANCES (\$M)



LOAN SETTLEMENTS (\$M)



NET INTEREST INCOME (\$M)

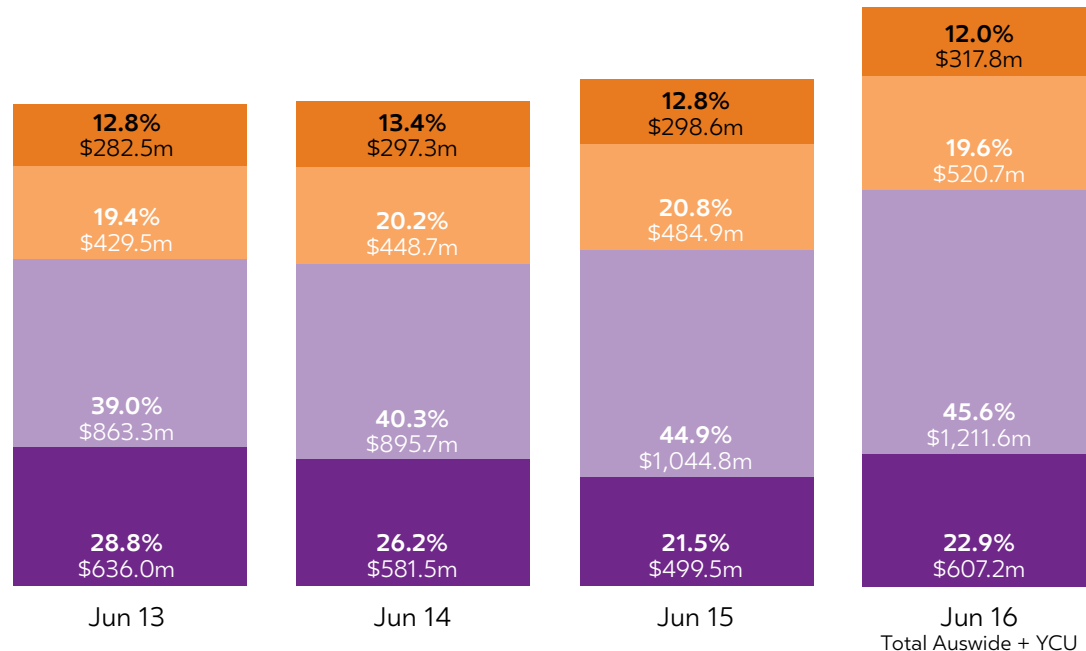


Sustainable lending growth underpinned by improving LVR

68.5% of home loans at <80% LVR

LVR

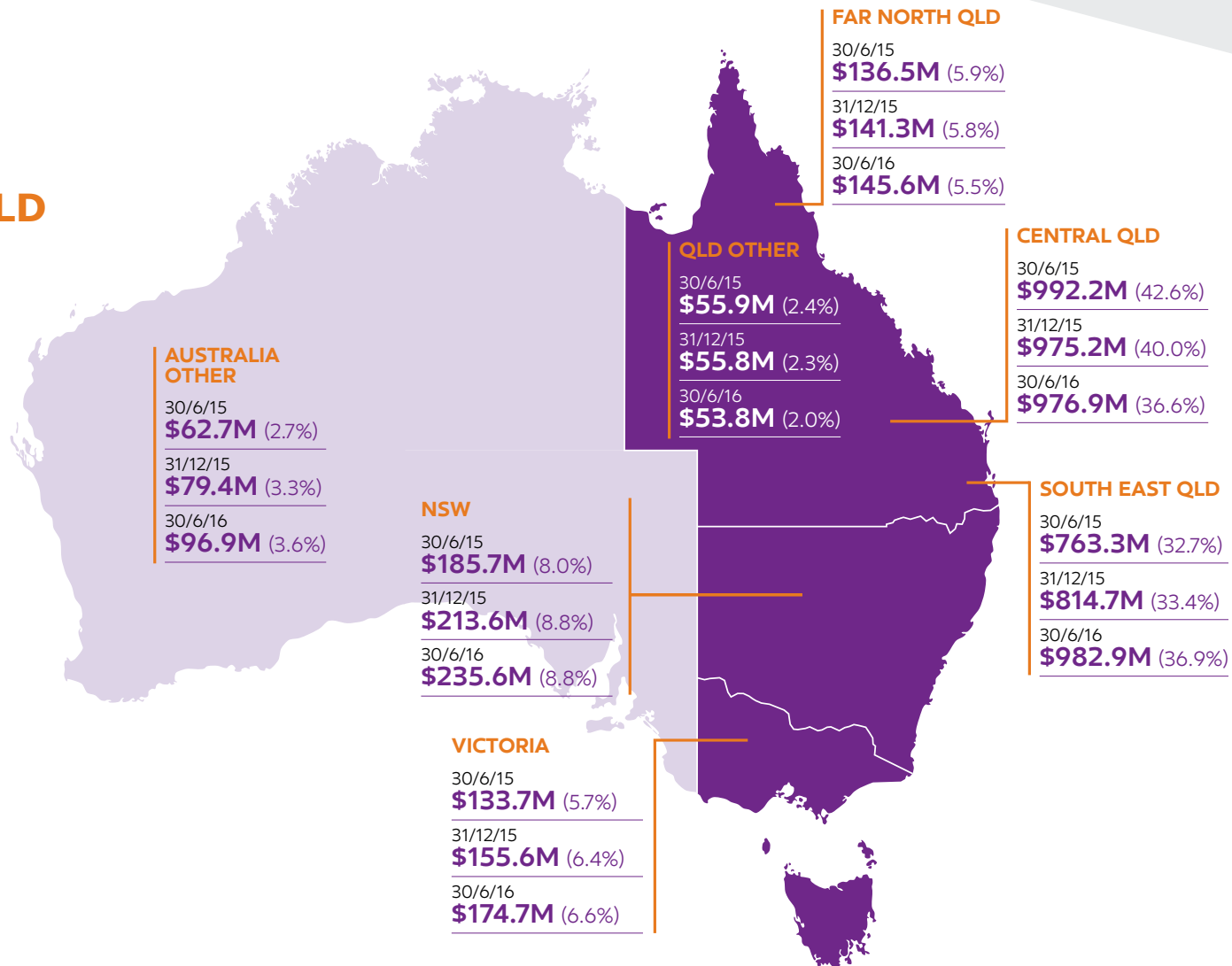
● 0 to 60% ● Over 60% up to 80% ● Over 80% up to 90% ● Over 90%



Continued growth in SEQ and outside QLD

SEQ became Auswide's largest regional market

Reliance on traditional markets reducing

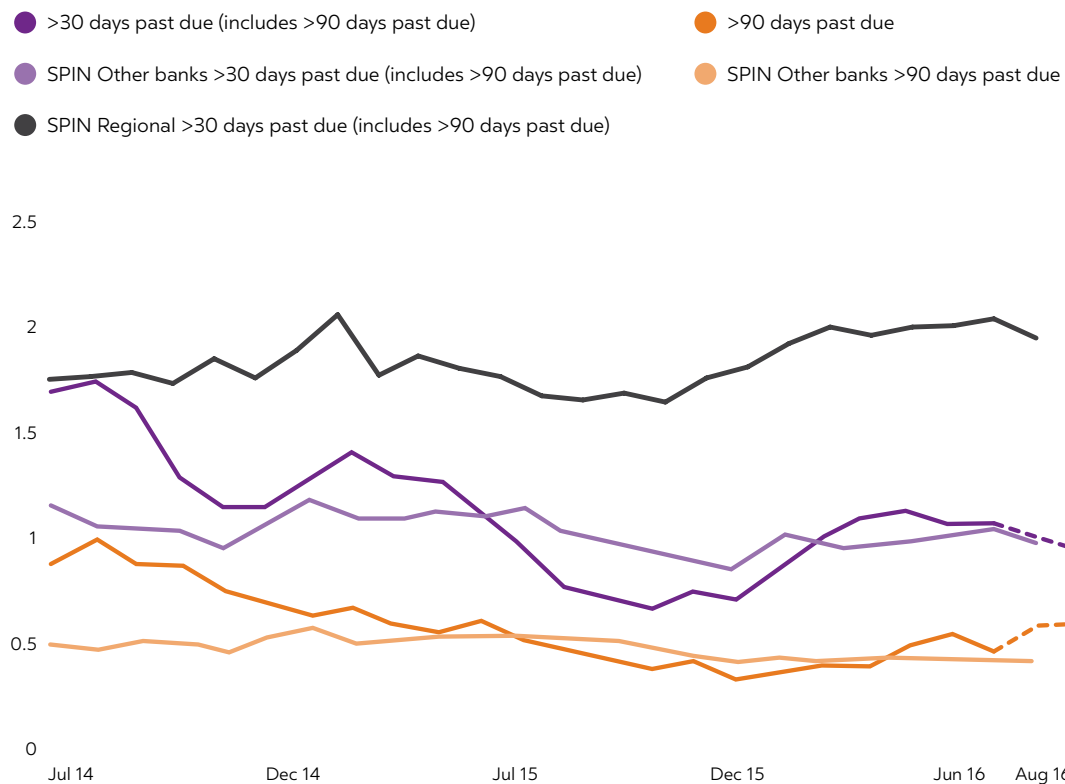


Arrears continue to be well managed

0.99% of total loan book
(2015: 0.96%)

Within SPIN (Regional Banks:
2.12% and Other Banks:
1.00% at 30 June 2016)
despite difficult economic
conditions

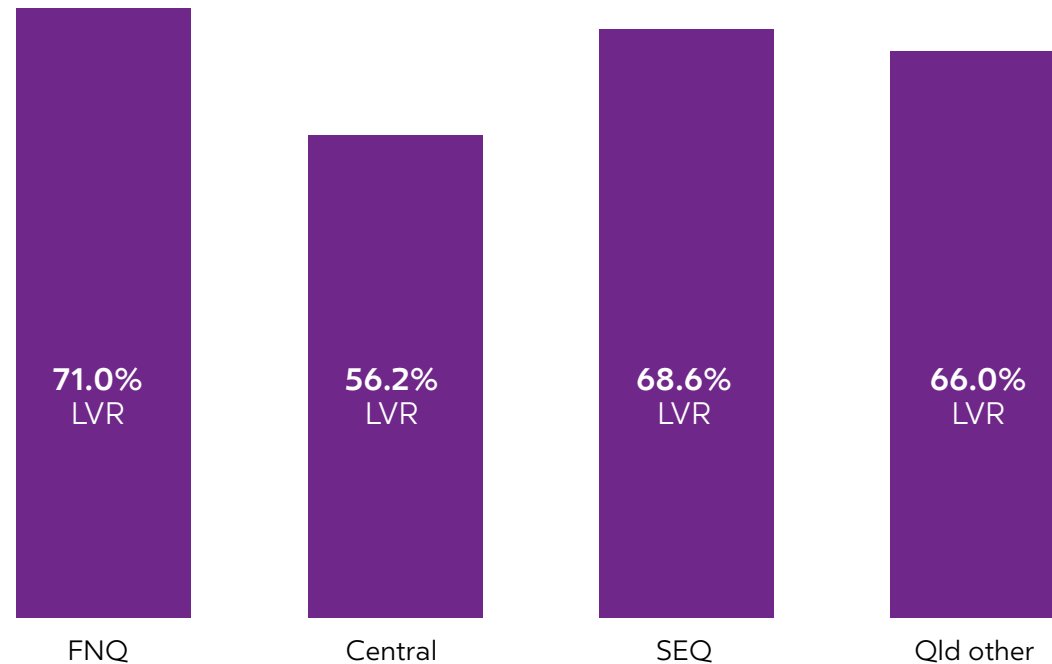
LOANS AND ADVANCES PAST DUE (% OF LOAN PORTFOLIO)



Lending quality remains stable in challenged regional property markets

Property markets in both Mackay and Gladstone continue to be challenged by the impact of the mining resources downturn, however Auswide has conservative LVRs in these regions

AVERAGE LVR FOR EXISTING RESIDENTIAL LOANS IN QLD REGIONS AT 30 JUNE 2016*

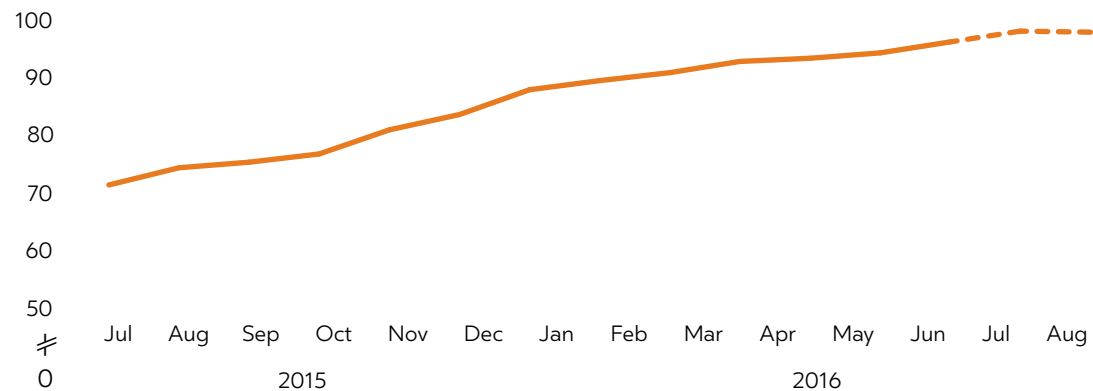


* Does not include YCU loans

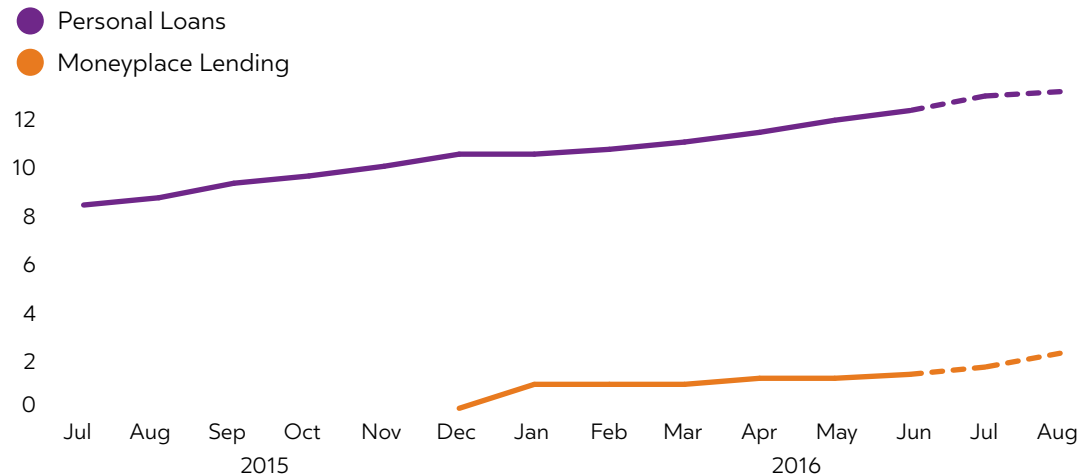
Business Banking & Personal Loans

Interest Received on Personal Loans: \$1,061,250 (2015: \$708,466)

TOTAL BUSINESS BANKING MANAGED ASSETS (\$M)



PERSONAL LOAN BALANCE SHEET (\$M)



OPERATING PERFORMANCE AND OUTLOOK



Mortgage Swift Program

The Problem	The Purpose	The Solutions	The Objectives
<ul style="list-style-type: none"> Efficiently increase capacity to decision, document and settle home lending to support increasing volumes 	<ul style="list-style-type: none"> The Mortgage Swift Project has been commissioned to review our current 'enquiry to approval' consumer mortgage origination process to enable the development and implementation across all sales channels of a single 'best way process' methodology 	<ul style="list-style-type: none"> Maximise Apply Online capabilities Robots (remove human inputs where possible) Leveraging off the strength of LendFast Investment decision engine Breeze Docs – Documentation Separation Liaison and Processing hub MOS Workflow Management System Improved Back Channelling Real Timeline Dashboards Lean Process Change – Documentation and Policy Job redesign Improved Internal and Broker Training Development 	<ul style="list-style-type: none"> Reduce application processing time for 80th percentile of applications to 3 hours Move offering value to reliable delivery of Time to YES Remove significant dead time Reduce direct labour costs Single value added, customer centric process Paperless Improve credit quality Increase cross sales Increase ability to facilitate increased volume (100% increase) Gain market share

Successful YCU merger

Successful merger positions Auswide to lead future sector consolidation

Integration substantially complete

- Brisbane CBD branch and enhanced south-east Queensland presence
- 4,000+ new customers – growth opportunity in FY17 and beyond
- Financial synergies realised and above target

MoneyPlace strategic relationship

Positions Auswide Bank to benefit from technology disruption

Accelerates Auswide Bank's consumer lending ambitions

- 19.3% equity stake in fully licenced P2P lender
- Conditional funding up to \$60m over five years
- Over \$1m invested since January 2016 and accelerating
- Estimated \$50b P2P market

M&A

Auswide positioned to lead sector consolidation

- Successful YCU merger raises Auswide's profile among mutuals as a potential merger partner
- Strong capital position to fund M&A
- Established corporate knowledge and processes to rapidly execute and integrate merger opportunities

Strong impetus for mutuals sector consolidation

- Increasing regulatory requirements
- Low interest rates expected to continue
- Intensifying market competition

Actively pursuing M&A opportunities to extend SEQ and northern NSW presence

Brand and Marketing

Investment in brand promotion to drive growth

- 'Big Hearted Bank' promotional campaign to raise brand recognition particularly in markets of opportunity
- Brand culture development and rollout to teams
- Brand research and analytics
- Branch revitalisation completed including new Brisbane CBD branch





Maximising the 'smaller bank' customer experience as a competitive advantage

- Appointment of a Chief Customer Officer responsible for co-ordination of all customer-facing activities
- Increased focus on customer strategy including analytics and segmentation
- Empowering staff to deliver 'Small things, big difference' brand promise
- Fostering better conversations and experiences

Auswide Television Commercial

- <https://www.youtube.com/watch?v=z5CZXoXVRF4>

Strategy

 Structure	 Transformation	 Growth	 Strength
<ul style="list-style-type: none"> • CCO uniting all Sales Channels and Product Marketing (Sales and Distribution). Allowing for ownership of customer experience and best allocation of resources. • COO responsible for Sales and Distribution lending and administration support (3rd Party lending support team transferring across to COO) • Executive development and talent matrix 	<ul style="list-style-type: none"> • Information – Data analytics, divisional profit and loss, improved S&D dashboards • Lending – 3 hour end to end home loan process (Project Swift) • Online – Home Loans, Personal Loans and Account Opening • Customer Survey and response • Continuation of Nintex conversion (automation) • Product simplification • Business Banking process review and improvement • Account opening review and improvement 	<ul style="list-style-type: none"> • Brand – Manifesto, consistency of messaging (Power of Small), awareness and consideration • Revision of sales KPIs and Reward Programs for lenders, branch staff and call centre • Extended call centre hours to improve customer service and outward bound sales calls, including Broker on boarding • Business Banking distribution – Brisbane BBM Broker introductions • M&A and Fintech opportunities (YCU integration) • Continued investment in customer driven technology • Lending growth via ongoing consumer, business and housing momentum 	<ul style="list-style-type: none"> • Funding strength with goal of S&P rating improvement to BBB+ • System security – cyber attack vigilance and protections • Internal Audit – outsources to PwC • External Audit – Deloitte • ICAAP • Continued improvement in risk management capabilities • Strong ongoing relationship with APRA

Outlook

Banking market continues to face margin pressures

- Interest rates forecast to remain at historic lows
- Intense lending competition across sector
- Challenging economic conditions in Auswide's traditional markets

Optimistic outlook for continued loan book growth

- Refreshed Strategic Plan driving organic growth, cost efficiencies and customer experience
- Growth opportunity with YCU customer base and SEQ presence
- Above system loan growth and stable NIM
- Increasing personal lending supported by new credit card backed by our balance sheet
- Arrears below SPIN
- Pursuing consolidation opportunities

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 26 September 2016.

FINANCIAL AMOUNTS

All dollar values are in Australia 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.