

16 November 2016

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

Auswide Bank Ltd (ABA) – Chairman’s Address 2016 AGM

Please find attached the Chairman’s Address which will be presented at today’s Annual General Meeting.

Yours faithfully



Martin Barrett
Managing Director

Small things. Big difference.

Chairman's Report

Auswide Bank continued to improve its customer service skills and capabilities during the year, which supported continued organic growth momentum and a solid financial performance.

I am pleased to report that Auswide Bank's financial performance in 2015/16 represents another year of improvement, with a 2.8 percent increase in underlying cash Net Profit After Tax (NPAT) to \$14.041 million for the consolidated group.

Statutory NPAT for the consolidated group was \$11.699 million, compared to the 2014/15 figure of \$13.262 million. This figure was impacted by one-off expenses totalling \$3.788 million (before tax) including merger and acquisitions costs of \$2.836 million, \$848,000 for branch rationalisation and rebranding expenses, and other professional costs.

Auswide Bank's organic growth continued to gain momentum over the course of the year, and this is one of the most pleasing aspects of the company's performance. We have been able to achieve this because of the improvements that have been made to our organisational capabilities in retail and business banking, third party broker relationships and omni-channel delivery.

We are excited that our customers can now do business with Auswide Bank wherever and whenever they choose – online or by mobile banking application, over the phone, through a broker or in person at one of our branches. Most importantly, our improving organisational capabilities and the positive attitude of our staff means that our customers enjoy outstanding service through all of these channels.

The financial services sector in Australia is one of the most heavily regulated sectors of the Australian economy. We have a good working relationship with APRA and many shareholders will have seen that the proposed introduction of a “tracker” loan not only resulted in a good deal of publicity it also drew public praise from the chairman of ASIC – a rare endorsement indeed.

During 2015/16, we completed a successful merger with Your Credit Union (YCU). We welcomed more than 4,000 new customers and shareholders, many of whom will recently have received their first dividend from Auswide Bank. YCU customers voted overwhelmingly in favour of becoming customers and shareholders of Auswide Bank, reinforcing that they value the products and exceptional customer service we provide. This was the first merger between a listed bank and mutual organisation in more than a decade and favourably positions Auswide Bank as a merger partner for other mutuals. We will continue to look at and evaluate growth opportunities as they present themselves from time to time however Auswide remains focussed on driving organic growth.

As a result of organic growth and our merger, assets of the company now exceed \$3 billion. On the basis of the continued improvement in the company's financial performance and our strong capital position, the board has declared a fully franked final dividend of 16.0 cents per share. This brings the total dividend for 2015/16 to 30.0 cents per share fully franked, which is in line with last

financial year. The dividend reinvestment plan was reinstated for the interim dividend and will continue for the final dividend with a discount of 2.5 per cent.

The improved performance of Auswide Bank is a result of the organisation delivering on the initial three-year Strategic Plan to strengthen and reposition the business. The Board approved a refreshed three-year Plan in March 2016, with a continued focus on improvements that will enhance the experience we provide for our customers, generate sustainable cost efficiencies and support continued organic growth.

The new Strategic Plan also identifies some areas in which we will seek to accelerate performance improvement through streamlining and automating back office systems and processes, as well as leverage our investments in YCU and the peer-to peer lender, MoneyPlace.

As we celebrate our 50th year of operations, it is pleasing to see that our business continues to grow and create value for shareholders because we remain focused on our foundation values to put our community first and support them with exceptional banking service.

The outlook for banking in Australia and the whole financial services sector continues to be challenging. Having said that and barring unforeseen circumstances your Board is optimistic that with the benefit of the changes to its operations in the last financial year Auswide will continue to improve its operating performance in the current year.

The continued positive performance of Auswide Bank and the returns generated for shareholders are the result of the efforts of our employees and management team. The hard work of Martin Barrett and his team to ensure all of our people understand the role they play in delivering our brand promise, has been central to these achievements.

I would like to thank my fellow directors for their dedication and insights in guiding the company throughout the year.

I would also like to take the opportunity to thank all our shareholders, but particularly those who are here today, for your continued support of Auswide Bank.