

16 November 2016

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

Auswide Bank Ltd (ABA) – Managing Director & CFO Presentations 2016 AGM

Please find attached presentations which provide a review of the economic environment and strategic progress of the company, together with a review of Auswide Bank's operating activities and performance. These overviews will be presented at today's Annual General Meeting.

Yours faithfully



Martin Barrett
Managing Director

Small things. Big difference.



ANNUAL GENERAL MEETING MD AND CFO REPORT

16TH NOVEMBER 2016

*Small things.
Big difference.*

2016 FINANCIAL HIGHLIGHTS

CFO
BILL SCHAFER



AGENDA

- 1) FINANCIAL HIGHLIGHTS – CFO BILL SCHAFER
- 2) AUSTRALIAN COMPETITIVE LANDSCAPE – MD MARTIN BARRETT
- 3) STRATEGIC UPDATE – MD MARTIN BARRETT

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

5.76%
Fully
Franked



NIM maintained at a
steady level



Arrears
within
SPIN

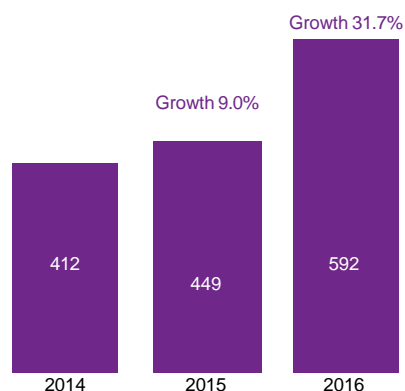
Strong increase in home loan approvals – up 31.7%

Growth balanced between
first and third party channels

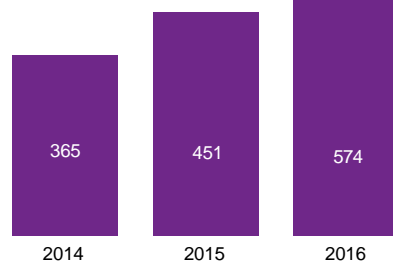
Approximately 60% of home
loan origination from broker
and mortgage alliances

Investor lending is within
APRA guidelines

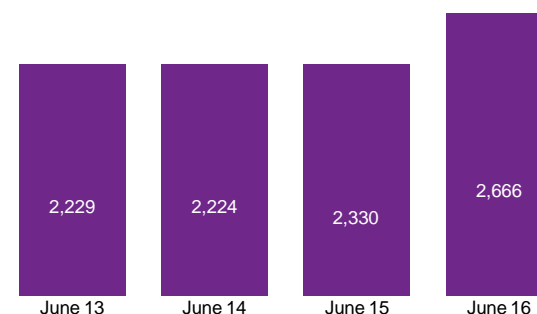
HOME LOAN APPROVALS (\$M)



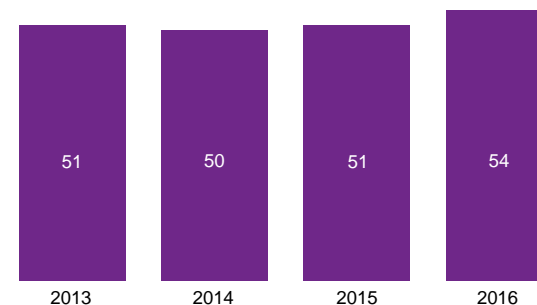
LOAN SETTLEMENTS (\$M)



LOANS AND ADVANCES BALANCES (\$M)



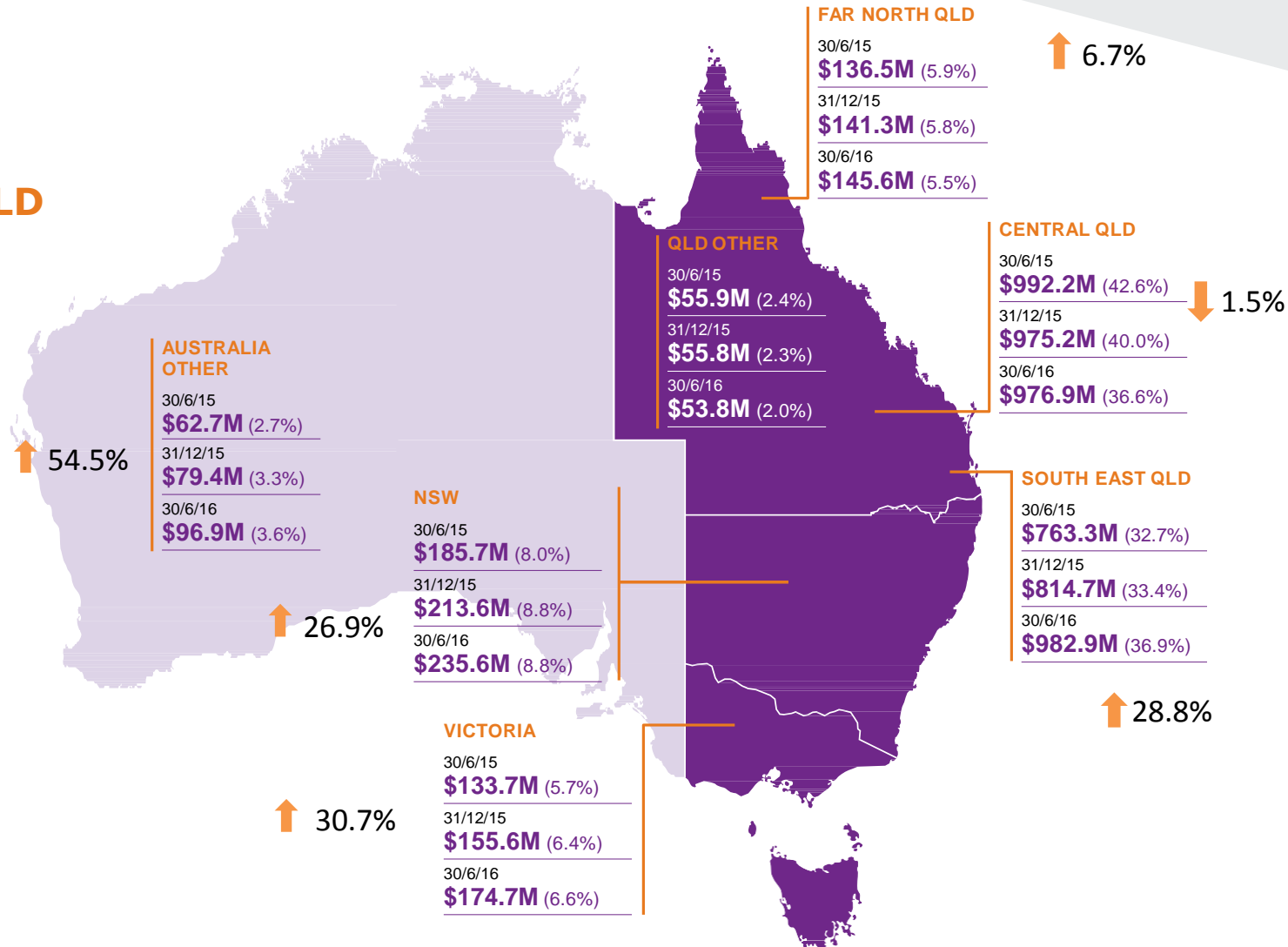
NET INTEREST INCOME (\$M)



Continued growth in SEQ and outside QLD

SEQ became Auswide's largest regional market

Reliance on traditional markets reducing as difficult regional conditions continue

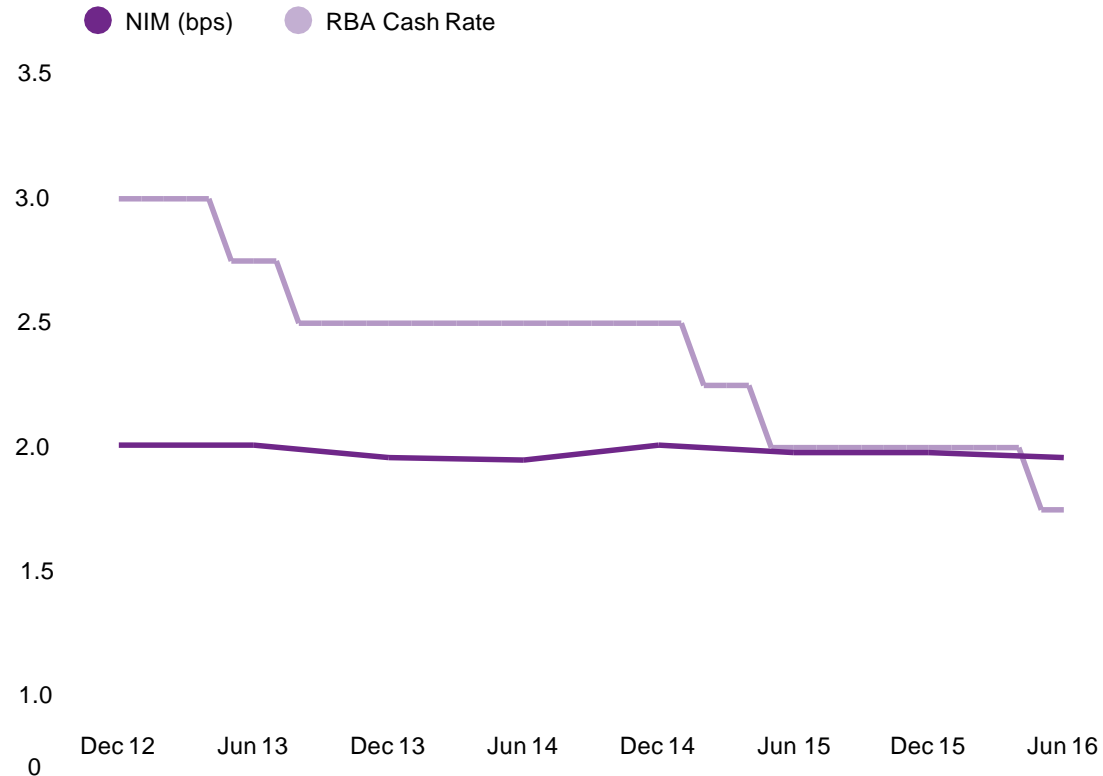


NIM stable in spite of competitive market conditions

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

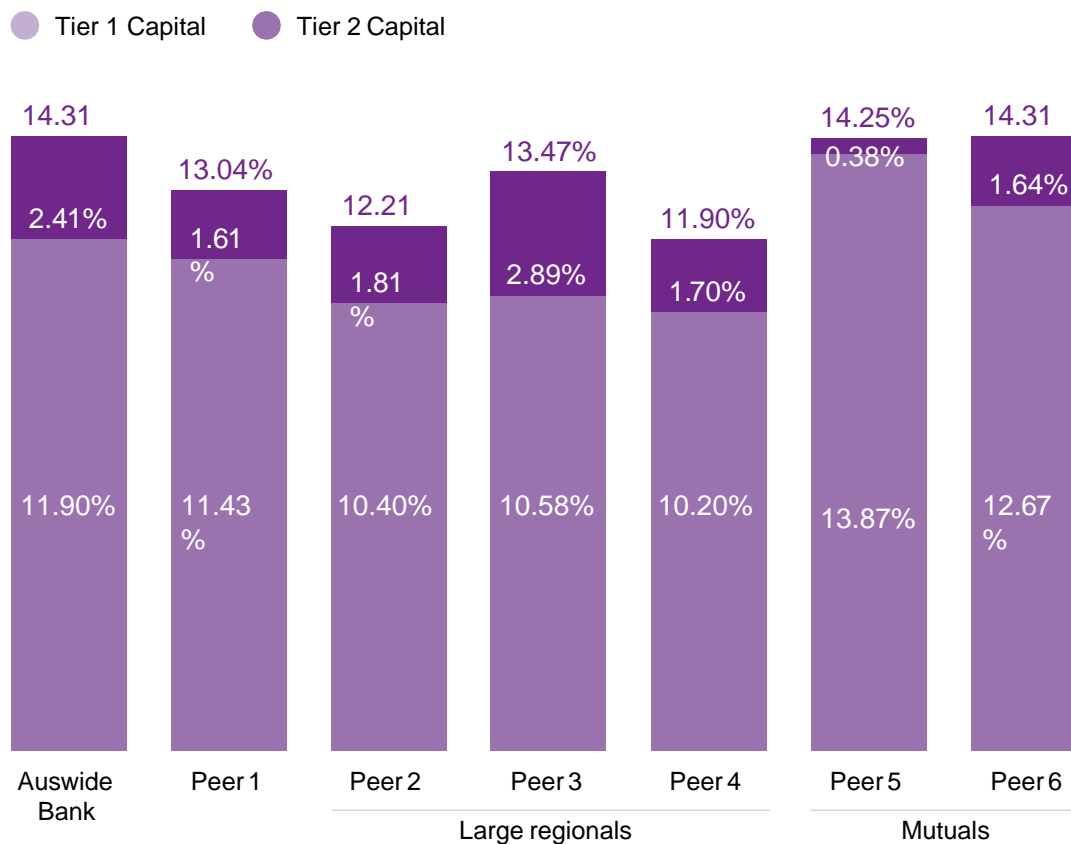
Net Interest Income steadily increasing despite historically low interest rate environment

NIM (BPS) AND RBA CASH RATE (%)



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

CAPITAL COMPARISON TO PEERS

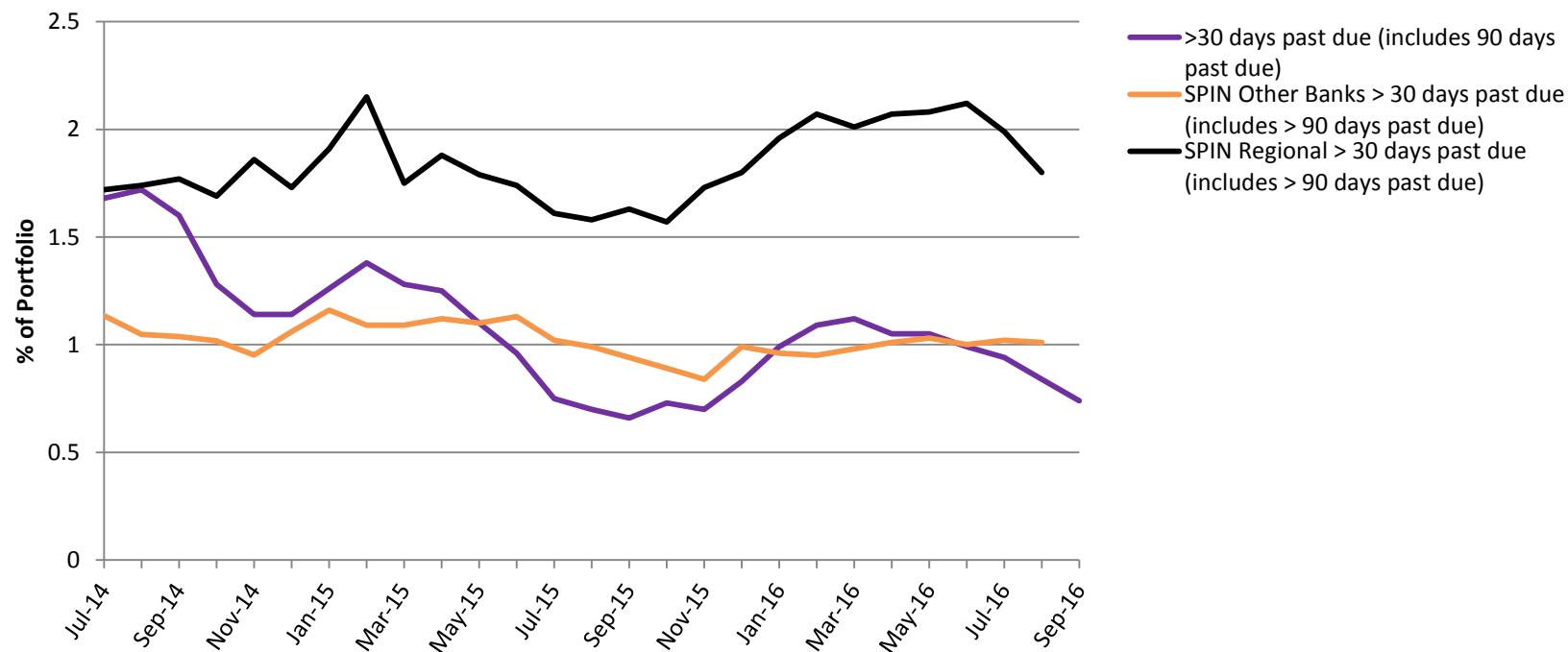


Arrears continue to be well managed

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)



**3 YEARS OF
NECESSARY
INVESTMENT
TO MAKE US
STRONGER**

- \$1.5m Head Office Compliance
- \$4.8m Branch Revitalisation Program
- \$1.7m Operating System Upgrade
- \$1.0m Lending System Upgrade
- \$0.4m Mobile banking, technology for efficiency
- \$0.4m Regulatory & compliance capability

• **\$ 9.8m**

***MAJOR INVESTMENTS HAVE
NOW BEEN MADE***

STRATEGIC & BUSINESS UPDATE

MD
MARTIN BARRETT



YCU & MONEYPLACE

Two strategic investments in 2016

Merger with
Your Credit
Union (YCU)
in May 2016

Equity stake
(19.3%) and
consumer loan
funding through
MoneyPlace

- First merger between a listed ADI and mutual ADI in 11 years
- Merger now materially complete

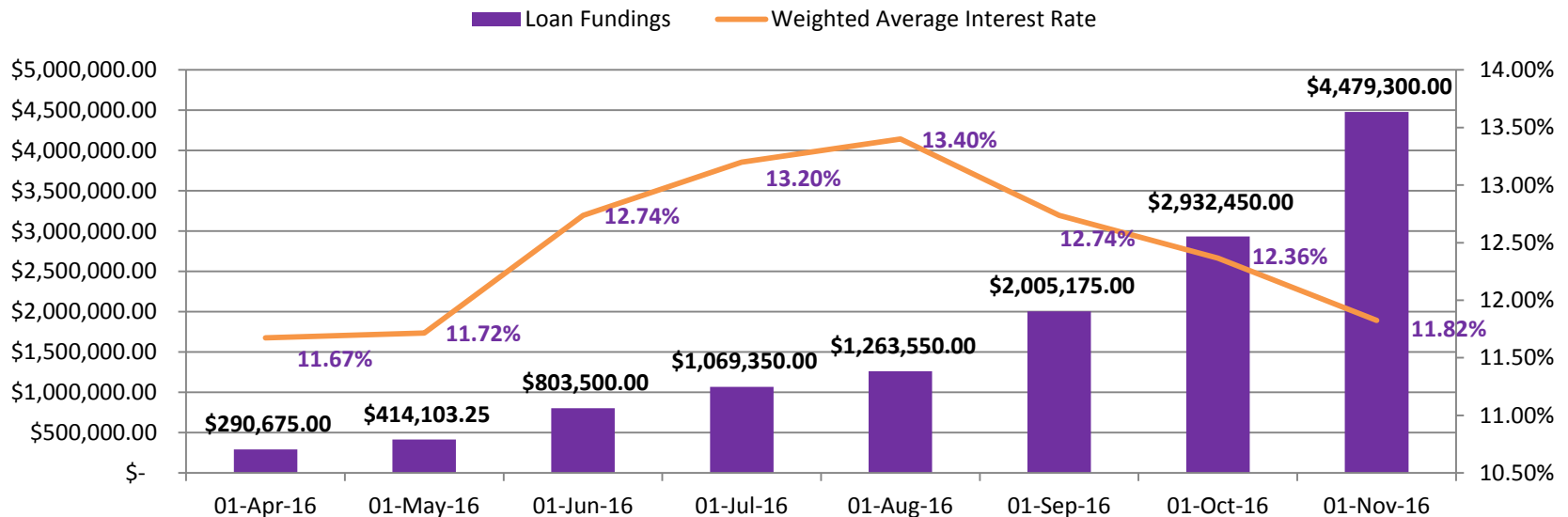
YCU

- 99% customer retention
- Systems merged with full branch access now available
- Full synergies > \$2m realised
- Growth opportunity in 2017 and beyond
- Branding consolidation complete with Auswide branch in Brisbane

MONEYPLACE

- Auswide Bank was the first ADI in Australia to fully partner with a P2P Fintech
- MoneyPlace is now in the first year of online personal loans and is building momentum
- Average gross return currently 11.82%
- Audits completed by Auswide Bank to ensure risk is within appetite
- Asset classes A to C

Auswide Bank Balance Sheet Growth



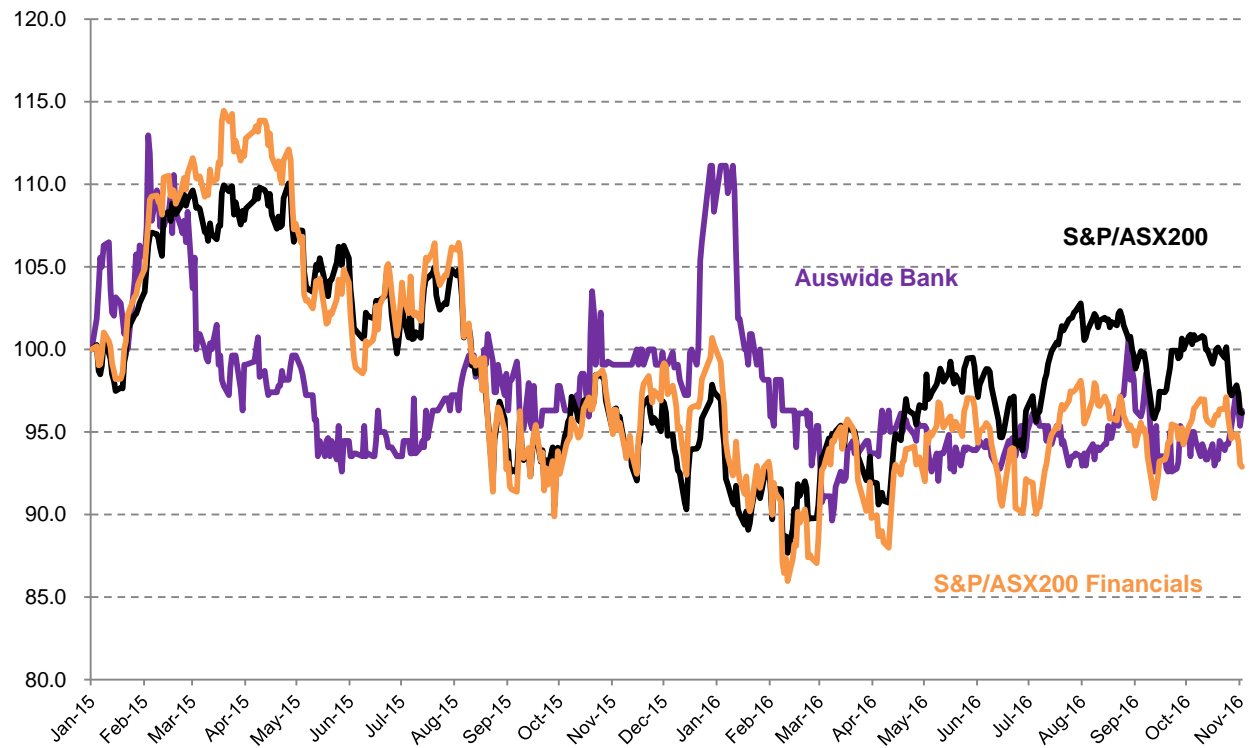
AUSTRALIAN COMPETITIVE LANDSCAPE



- Continuing challenging conditions – reduction in interest rates, Regional Queensland, sectors of the housing market
- Regulatory capital imbalances' favouring the Big 4 have reduced but remain significant:
 - Capital settings reduce competitive capability
 - Shareholder impact - .06c per share dividend
 - Customer impact – 13.5BPS pricing
- S&P revising to negative the outlook for 25 Australian Financial Institutions including ABA on concerns of growth in Australian private debt and Melbourne/Sydney house prices.
- Auswide Banks opportunity to show leadership and actively engage in debate for long term reform
 - Sustainability in our practices
 - Product leadership – Tracker Loans
 - Engagement with policymakers and regulators
- Rapidly changing industry - technology

AUSWIDE BANK SHARE PRICE HISTORY

Auswide Bank relative share price performance



1st Quarter Priorities



- Priority focus on installation and integration of new lending system “Lendfast”
- Project Swift
 - Process improvement and automation of back office lending support to improve capability
 - From April 2017 to April 2018 - goal of home loan capacity increase to \$1B of loans per year – improvement of 69% in capacity to flow 2nd half
- Increasing sales capability
 - Loan Book growth & diversity
 - 3rd Party customer onboarding
 - Accelerating consumer lending growth
 - Additional Business Banking capacity and growth in 2nd half
- Introduction of “Tracker Loan”
 - Ownership rather than regulation
 - Transparency and good corporate citizen
 - Full range of products – customer choice

2017 Priorities



- Focused on improving our lending capability, growth and quality.
- Improving our efficiency and leveraging our investment.
- Targeting improved cost to income and ROE in a low growth market.
- Exploring niche opportunities and product innovation/opportunities.
- In progress to deliver online account opening, improved internet banking, apply on-line loans.
- We expect consolidation to continue in the micro/small ADI space given increasing regulatory and market pressures.

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 16 November 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.