

20 March 2017

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

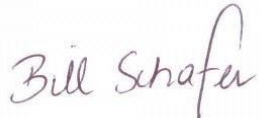
Dear Sir/Madam

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.

March 2017



Four year journey – Strategic achievements

- Material growth in customers
- Branch rationalisation
- Loan book growth
- Effective management of expenses
- NIM maintained
- Strong capital
- Profitability moderated by interest rate environment and need to re-invest into Technology platform

	H1 FY17 Dec 2016	H1 FY13 Dec 2012	Change
Customers	84,320	62,431	⬆️ 21,889
Branches/Agencies	24	42	⬆️ 18
Total Loan Book	\$2.67b	\$2.20b	⬆️ \$0.47b
Personal Loans (excl MoneyPlace)	\$14.33m	\$0.22m	⬆️ \$14.11m
MoneyPlace Personal Loans	\$7.13m	–	⬆️ \$7.13m
Operating Expenses	\$22.30m	\$23.14m	⬆️ \$0.84m
Operating Expenses/Total Assets Ratio	0.72%	0.87%	⬆️ 0.15%
NIM	192 bp	201 bp	⬆️ –9 bp
Capital Adequacy Ratio (Total)	14.60%	13.49%	⬆️ 1.11%

Four year journey – Technology milestones

- Major technological advancement
- Completion of transformational programs

Accessibility	Deployment of our first banking Mobile App
Consolidation	Data centre consolidation and hardware refresh
Capability	Core Ultracs & Lendfast Origination upgrade to latest version, enabling soft solutions for hard process and exposing data for analytics
Customer Insights	Business intelligence and data analytics enabling deeper insights and reporting efficiencies
Process Optimisation	SharePoint (Nintex) workflow automation across many manual organisation processes
Customer Experience	Branch consolidation and refit, bringing technology experiences to customers in branch

Significant achievements

YCU integration

- Auswide merged with YCU in May 2016. Full consolidation of YCU customer data and services with Auswide's core banking system occurred on 30 September 2016
- The data and services consolidation was completed over a 12 hour migration window
- No major post merger issues impacting YCU customers
- Success due to strong relationship with core banking system supplier Ultradata and the dedication of internal merger teams

Lendfast origination platform

Upgrade to LendFast origination platform occurred in H1, which saw increased levels of automation for many mortgage origination functions including:

- Enabling of automated Credit Decisions and Valuation Ordering
- Enabling of automated Customer Screening with Veda ID Matrix
- Electronic storage of documents on the loan application
- Improved oversight and monitoring of Service Level Agreements of business tasks with user work queues
- Enabled straight through processing through broker channels and NextGen apply online connectivity

H1 2017 financial performance highlights



Net Interest Revenue

 **6.64%**



NIM

1.92

1.94 for 6 months
to 30 June 2016



Underlying Cost
to Income Ratio

66.64%

(67.80% for H1 FY16)



Statutory NPAT

 **20.73%**

to \$7.319m



Consumer loan book

 **55.77%**

Including Moneyplace loans



Arrears within SPIN

 **0.65%**

of total loans & advances
(0.99% at 30 June 2016)



EPS

18.10c

(16.36c for H1 FY16)



ROE

6.70%

(6.05% for H1 FY16
based on Statutory NPAT)



14.60%

Strongest Capital
Adequacy Ratio of all
Australian listed banks



14c

Interim
dividend

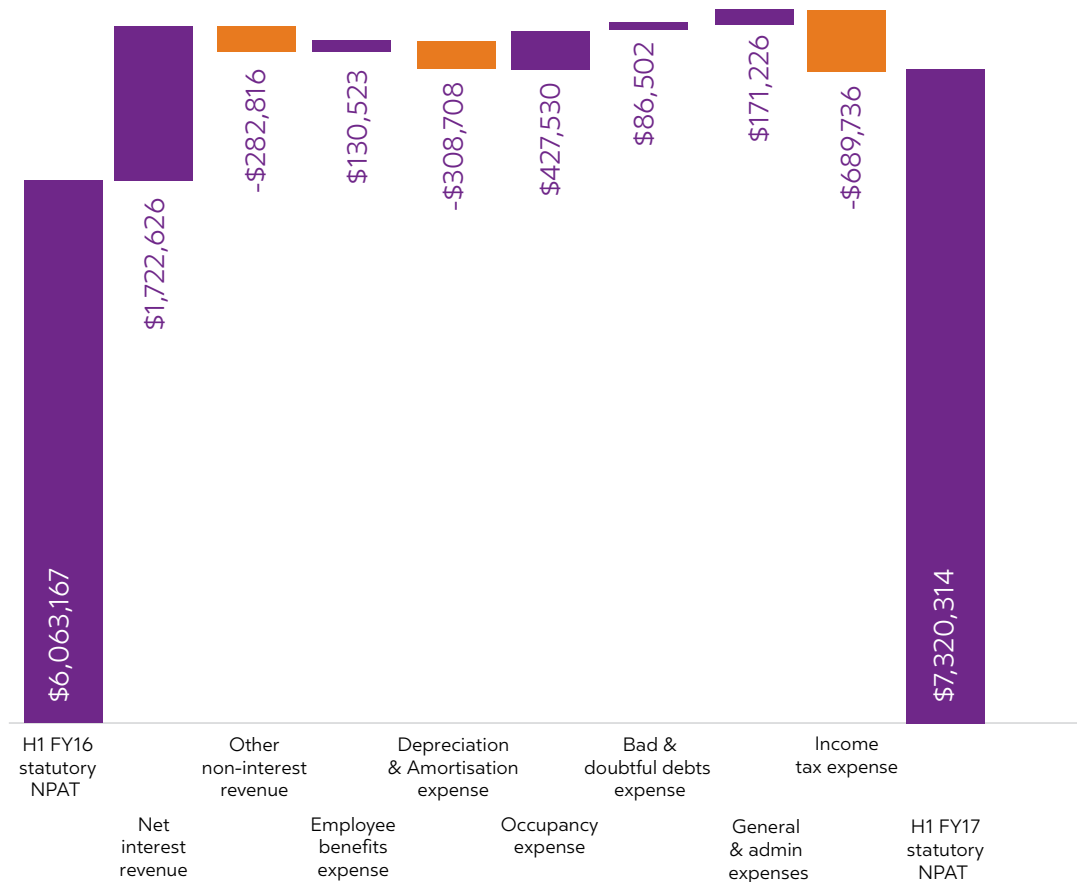
FINANCIAL PERFORMANCE



Statutory NPAT

20.73% increase on the prior corresponding half year.

CONSOLIDATED STATUTORY NPAT



Detail on profit movement

Income

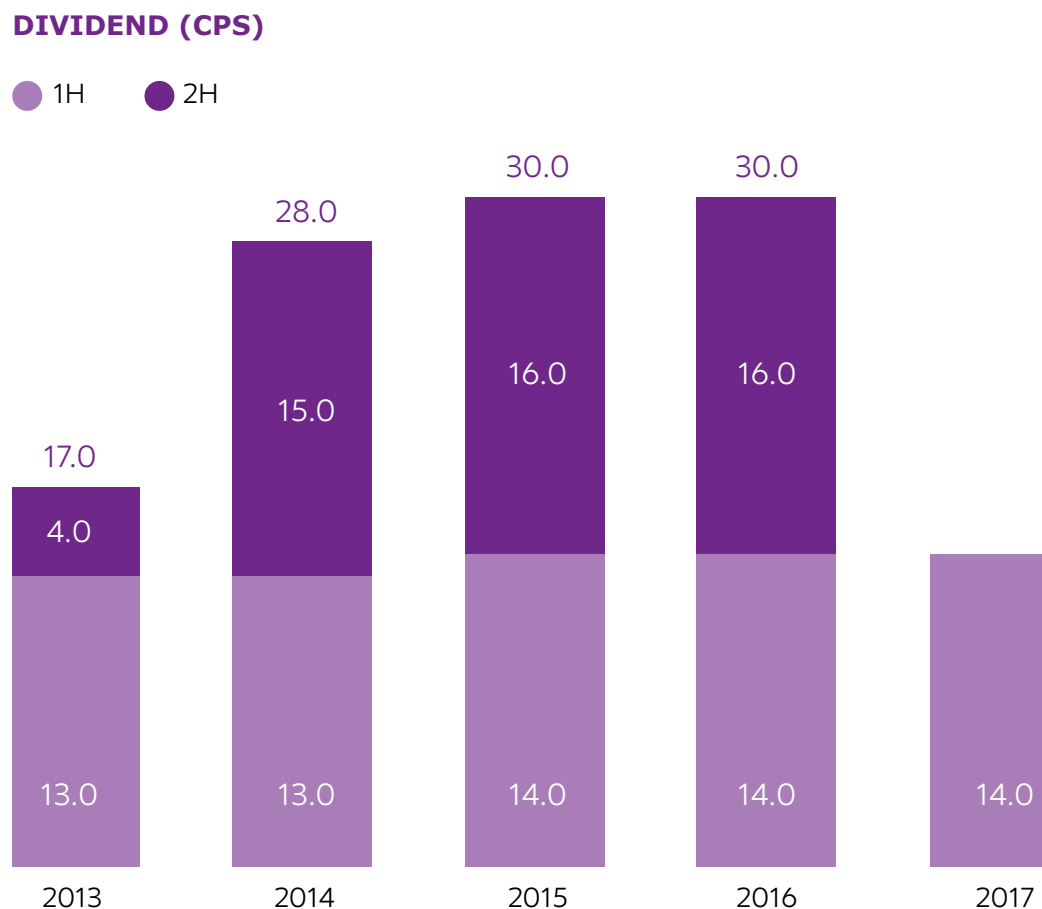
Net Interest Revenue	Impact on Profit	
Loan book growth, NIM stable	+	\$1.7m
Non-Interest Revenue		
Increase in package fees, Visa fees	+	\$0.3m
Decrease in EFTPOS fees, bad debts recovered, and profit on sale	-	\$0.2m

Expenses

	Impact on Profit	
Employee benefits	+	\$0.1m
Occupancy costs	+	\$0.4m
Depreciation on property, branches and IT	-	\$0.3m
Professional fees, audit and marketing	+	\$0.4m
Fees and commissions	-	\$0.2m

Sustainable dividend based on strong operating performance and capital position

Total dividend equates to 77.7% of statutory NPAT

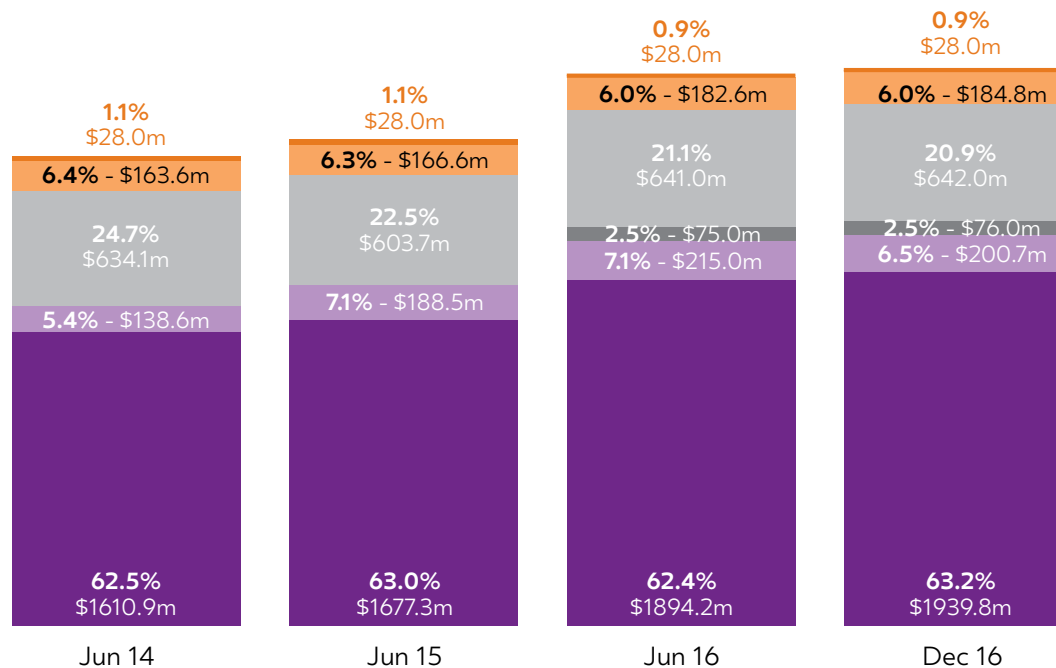


Continuing strength in customer deposits

Strong diversification of funding

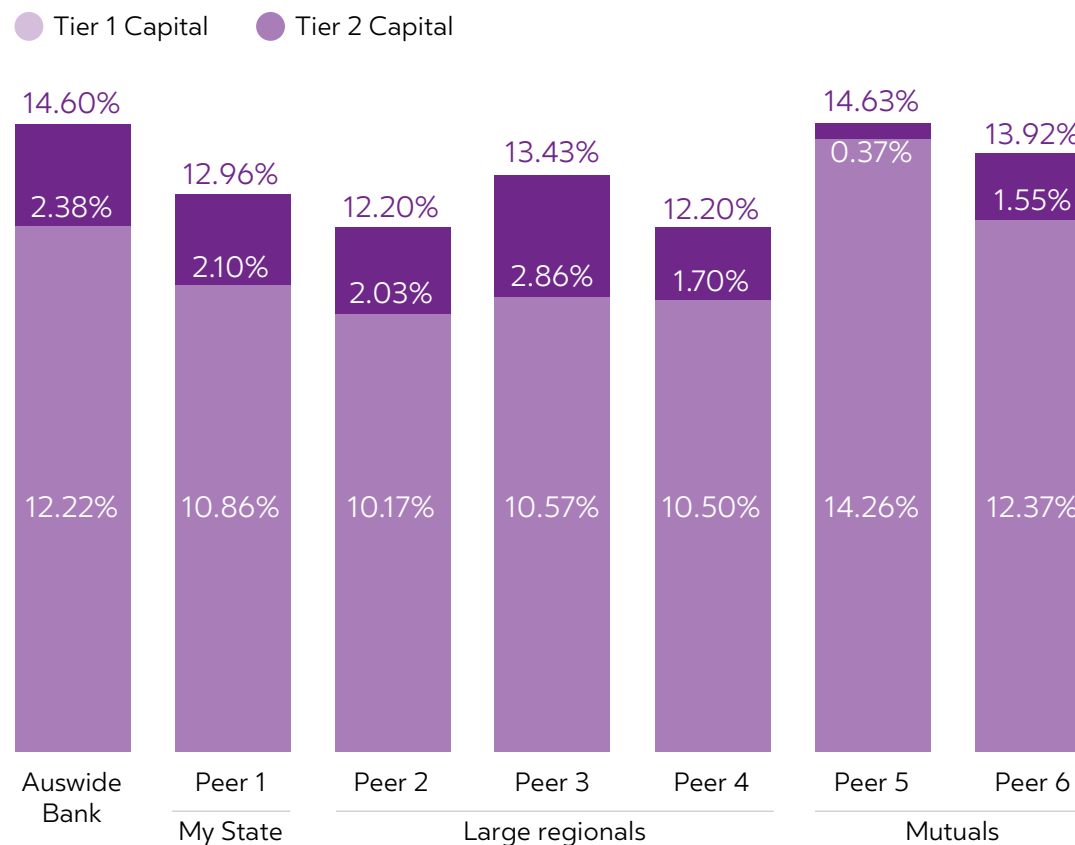
FUNDING MIX

- Customer deposits
- Securitisation
- NCDs
- Share capital
- Senior Unsecured FRNs
- Subordinated debt



Strong capital position to support lending growth and M&A/investment opportunities

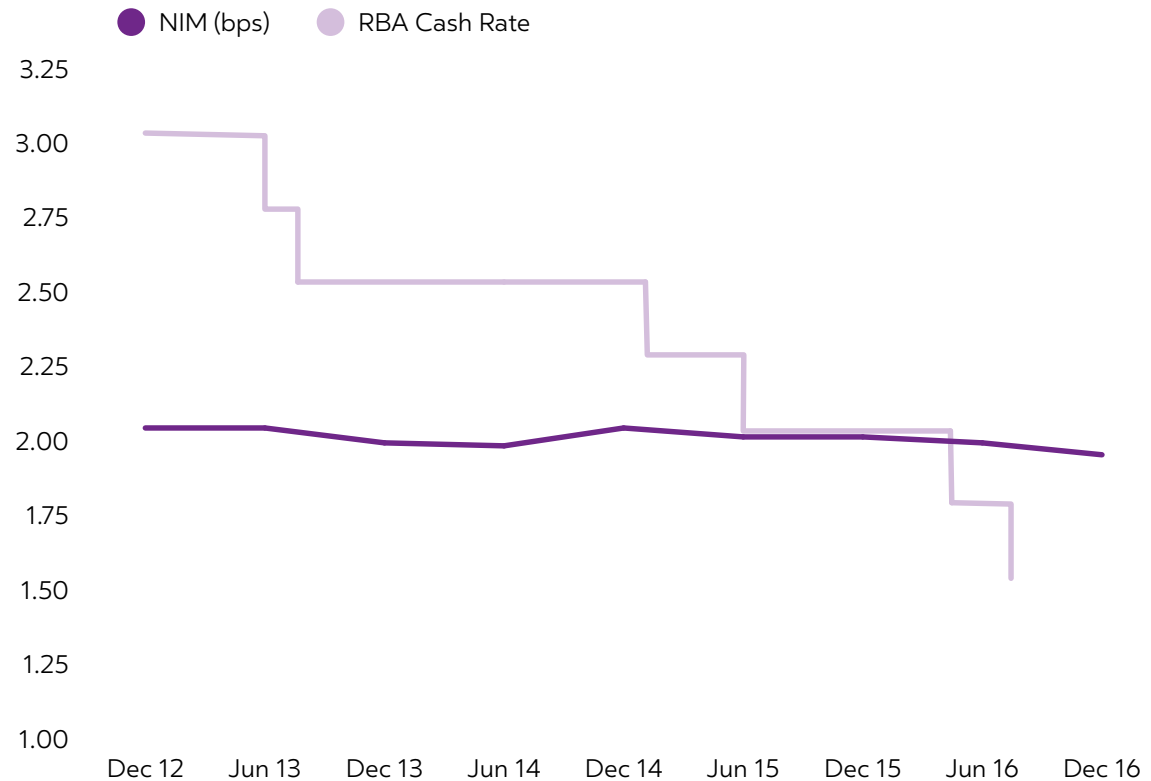
CAPITAL COMPARISON TO PEERS



NIM stable in spite of competitive market conditions

Net Interest Income steadily increasing despite historically low interest rate environment

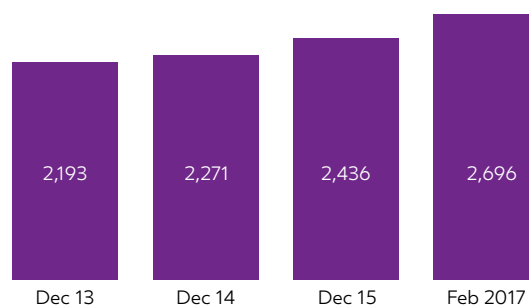
NIM (BPS) AND RBA CASH RATE (%)



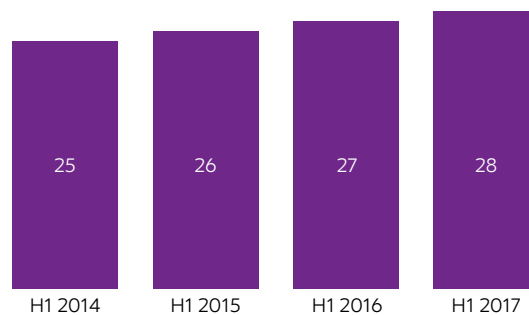
Loan book

Forecast annualised
growth of 6% – 7%
in H2 of FY17

LOANS AND ADVANCES BALANCES (\$M)



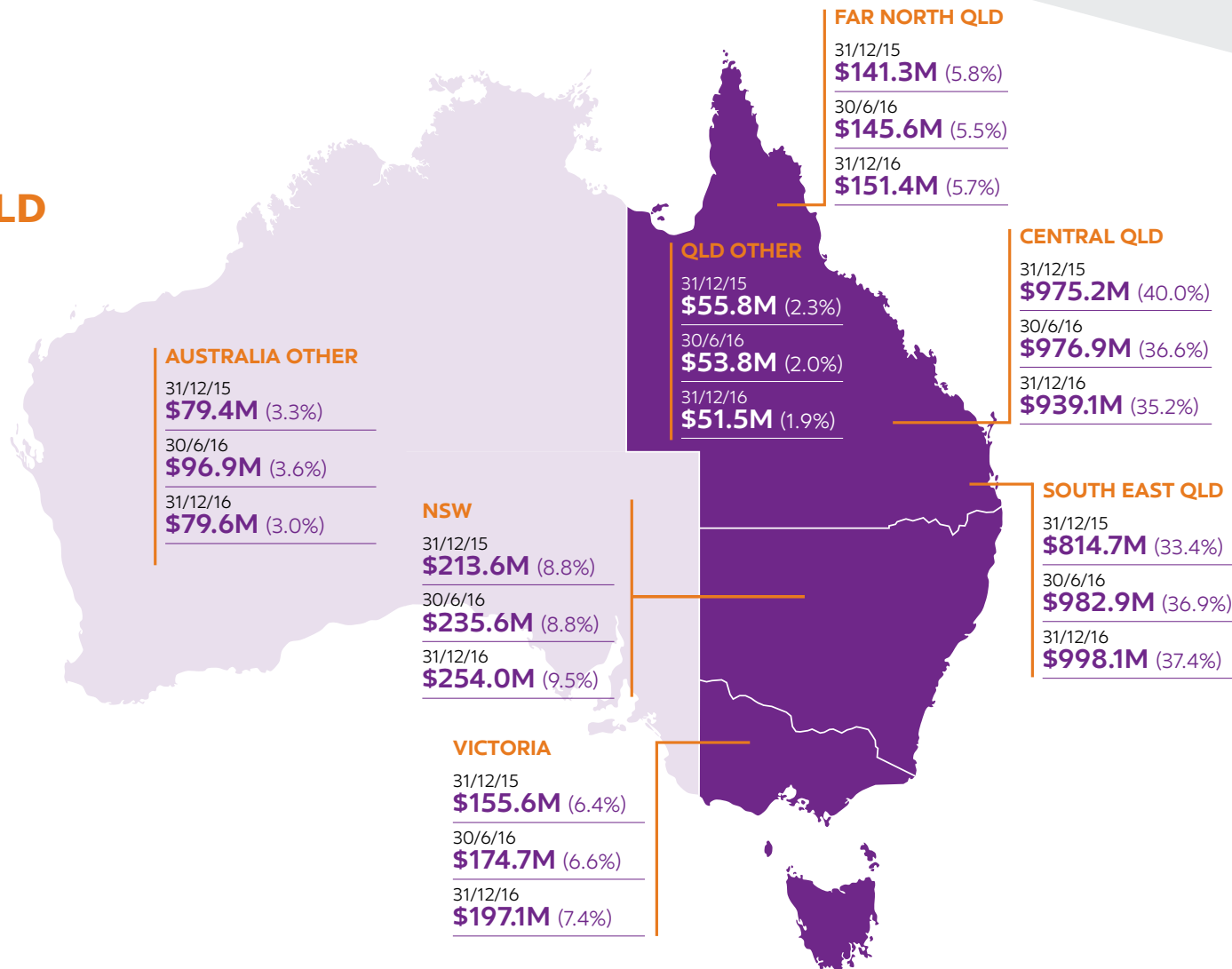
NET INTEREST INCOME (\$M)



Continued growth in SEQ and outside QLD

SEQ became Auswide's largest regional market

Reliance on traditional markets reducing

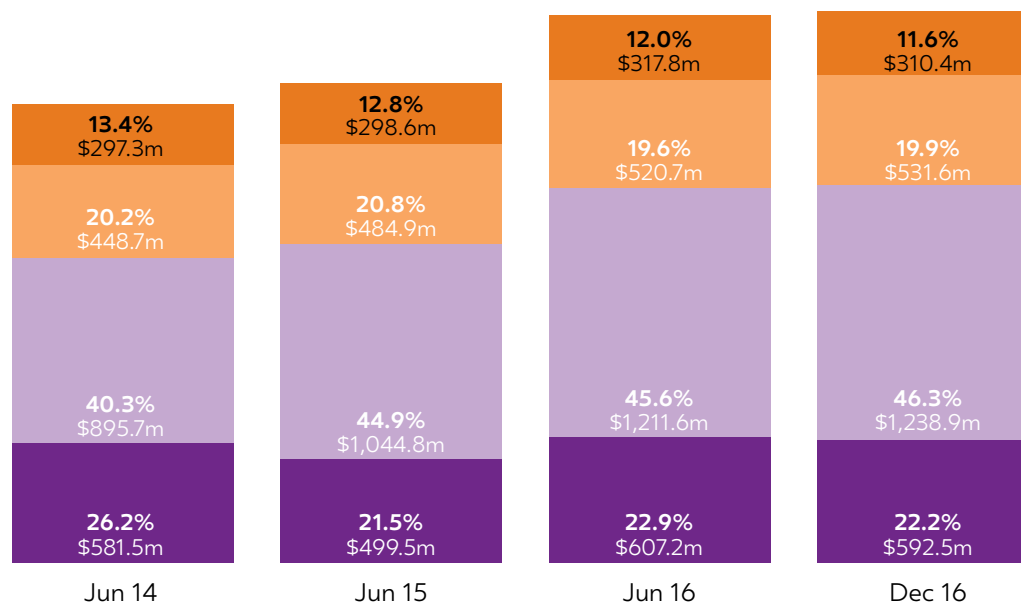


Sustainable lending growth underpinned by improving LVR

68.5% of home loans at <80% LVR

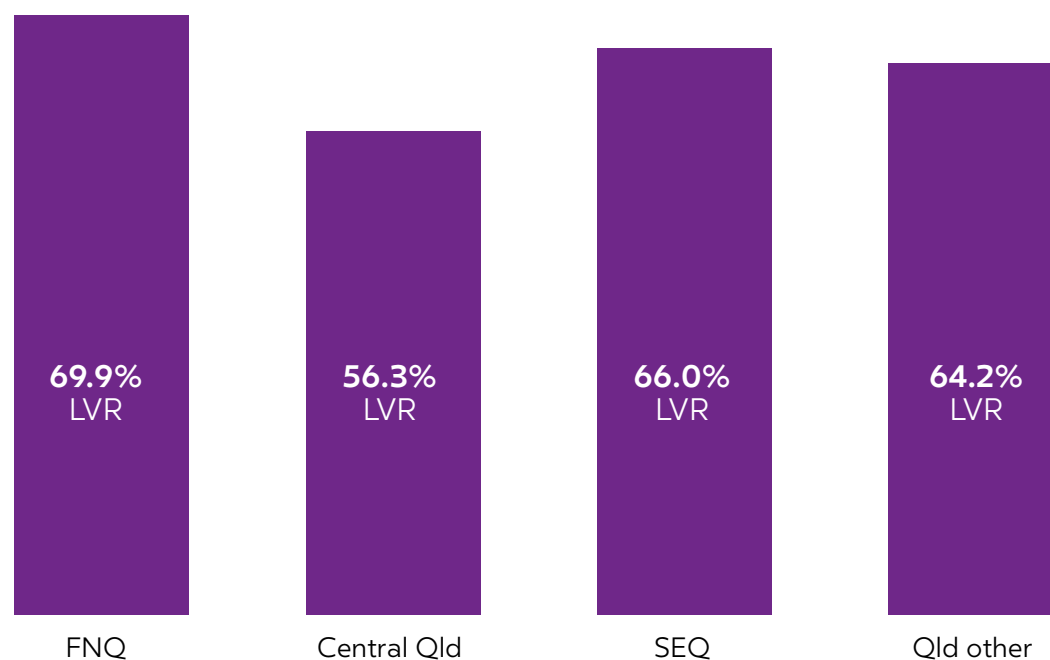
LVR

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



**Lending quality
remains stable
in challenged
regional property
markets**

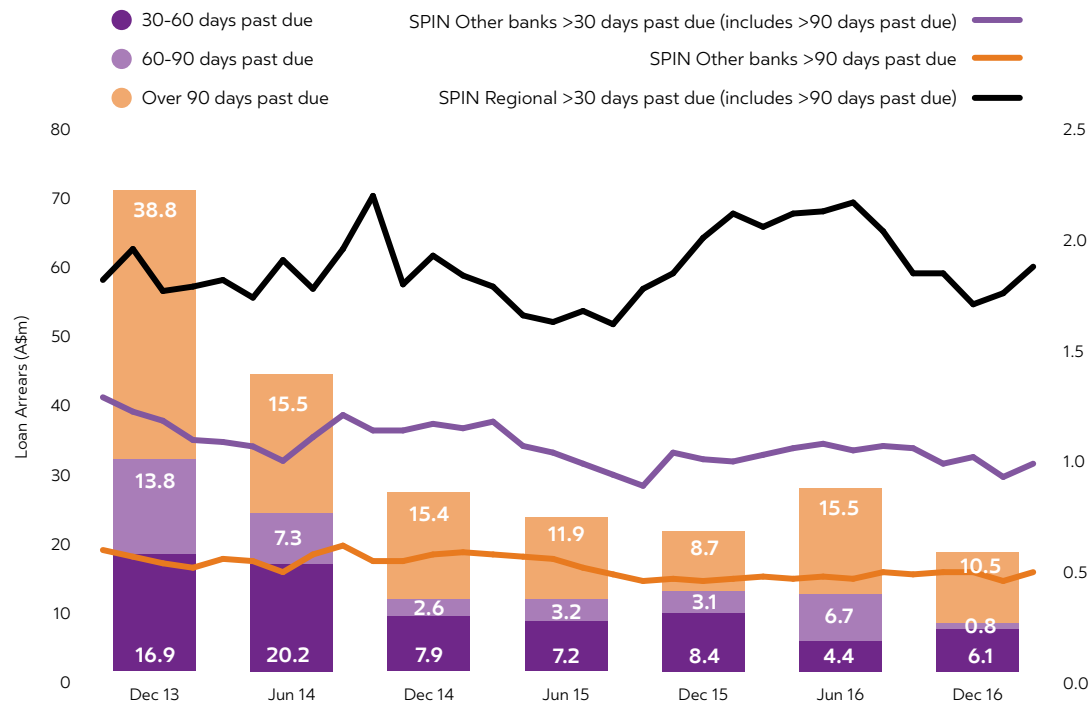
**AVERAGE LVR FOR EXISTING RESIDENTIAL LOANS IN QLD REGIONS
AT 31 DECEMBER 2016**



Arrears continue to be well managed

- Arrears continued to trend downwards, with total arrears past 30 days decreasing from \$26.6m at 30 June 2016 to \$17.3m at 31 December 2016
- Arrears past due 30 days represented 0.65% of total loans and advances at 31 December 2016 compared to 0.99% at 30 June 2016
- Within SPIN (Regional Banks: 1.83% and Other Banks: 0.94% at 31 December 2016) despite difficult economic conditions

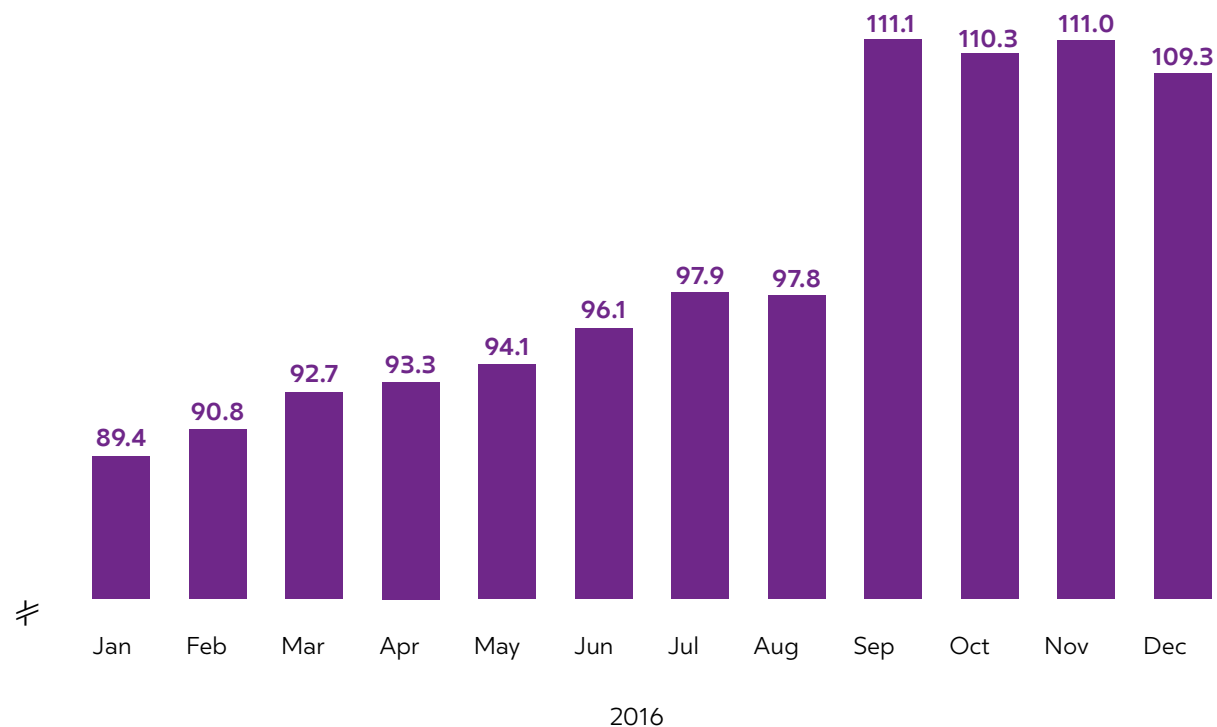
LOANS AND ADVANCES PAST DUE



Business Banking

September 2016 – significant growth related to YCU acquisition

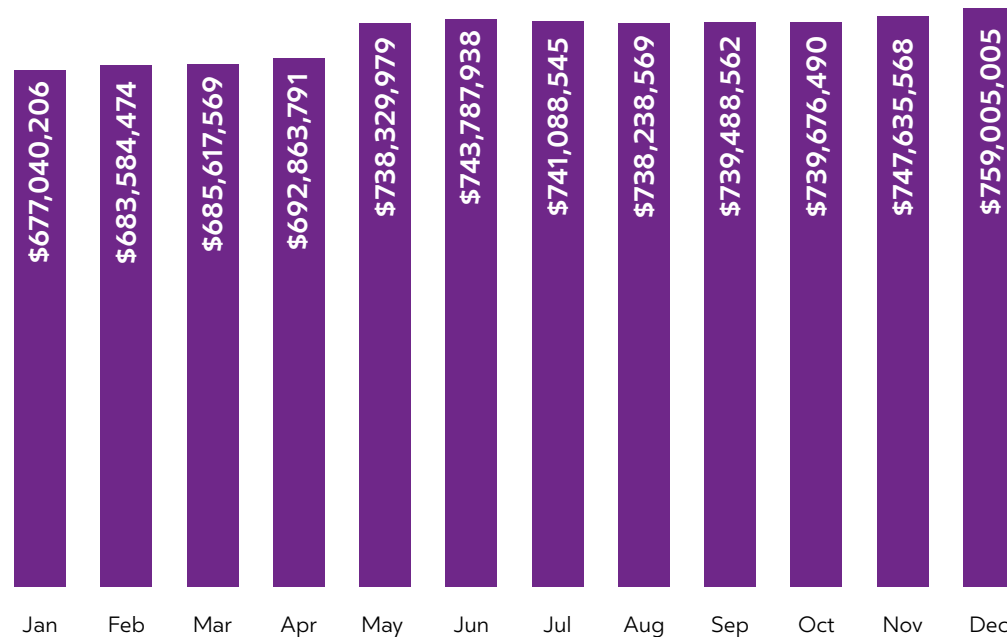
BUSINESS BANKING OVERALL BALANCE SHEET(\$M)



Investor lending

At 31 December 2016 investor lending equates to 30.39% of the housing portfolio

Investor lending has grown 2.05% in the first half to December 2016



OPERATING PERFORMANCE AND OUTLOOK



*Small things.
Big difference.*

Technology deliverables H1 and H2

Major technology deliverables achieved in H1 FY17:

- Upgrade to LendFast origination platform, resulting in increased levels of automation for many mortgage origination functions
- Data Centre refresh program providing the latest hardware technology, maintenance and support to 2021 and faster processing
- YCU merger activation including system consolidation

With major systems upgrades and merger activities being completed in H1, digital enablement will be the focus for H2. Omni-channel capability continues to be the next step in the technology journey, with our focus being on delivering a seamless and consistent brand experience to customers across multiple channels

As customer demographics shift, 'next-generation' online and mobile banking platforms are no longer a competitive advantage, but rather a hygiene factor for all financial institutions

Planned technology deliverables for H2 FY17:

- Deployment of BankFast 5, an internet banking upgrade and Mobile App upgrade
- Online channel origination for transaction accounts and secured personal loans
- Online statement, card management and other functions enabling customers to self-serve via the online channel
- Business intelligence and data analytics enhancements enabling near real time reporting across customers and accounts
- On balance sheet credit card deployment
- Robotics review and organisational roadmap

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 • Customer Segmentation – extensive research in order to better align our products, services and communication with the needs of different demographic groupings 	<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 • In-house credit card • M&A opportunities • Partnerships with innovative solution providers and niche players 	<ul style="list-style-type: none"> • Funding strength and very strong capital position • System security – cyber attack vigilance and protections • Internal Audit – outsourced to PwC • External Audit – Deloitte • ICAAP • Strong credit origination standards and capability • Strong ongoing relationship with regulators

Consumer lending

Positions Auswide Bank to benefit from technology disruption

MoneyPlace strategic relationship

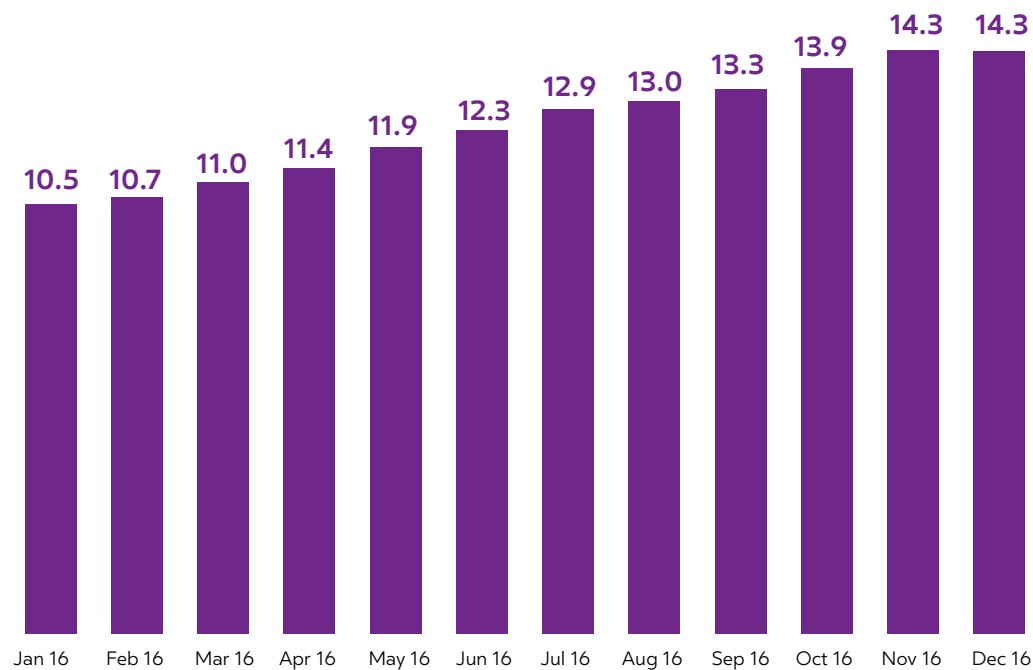
- On 16 February 2017 Auswide announced increase in equity stake in MoneyPlace – fully licenced P2P lender
- Auswide increased its equity stake from 19.3% to a controlling interest of 63.3%
- Over \$9m invested since January 2016 and accelerating
- Loan quality performing above expectations
- Significant future growth opportunities for MoneyPlace and Auswide Bank partnership
- Expecting to incur \$0.5m loss from MoneyPlace in H2 FY17, to be offset by increasing interest revenue on consumer loans and significant medium term value accretion
- Overall consumer finance portfolio expected to be \$30m by 30 June 2017, generating over \$3m in revenue on an annualised basis

Benefits:

- Positions Auswide Bank to benefit from technology disruption
- Accelerates Auswide Bank's consumer lending ambitions
- Provides technically advanced personal loan system solution to a niche consumer finance market and significant opportunities for platform collaboration and value accretion

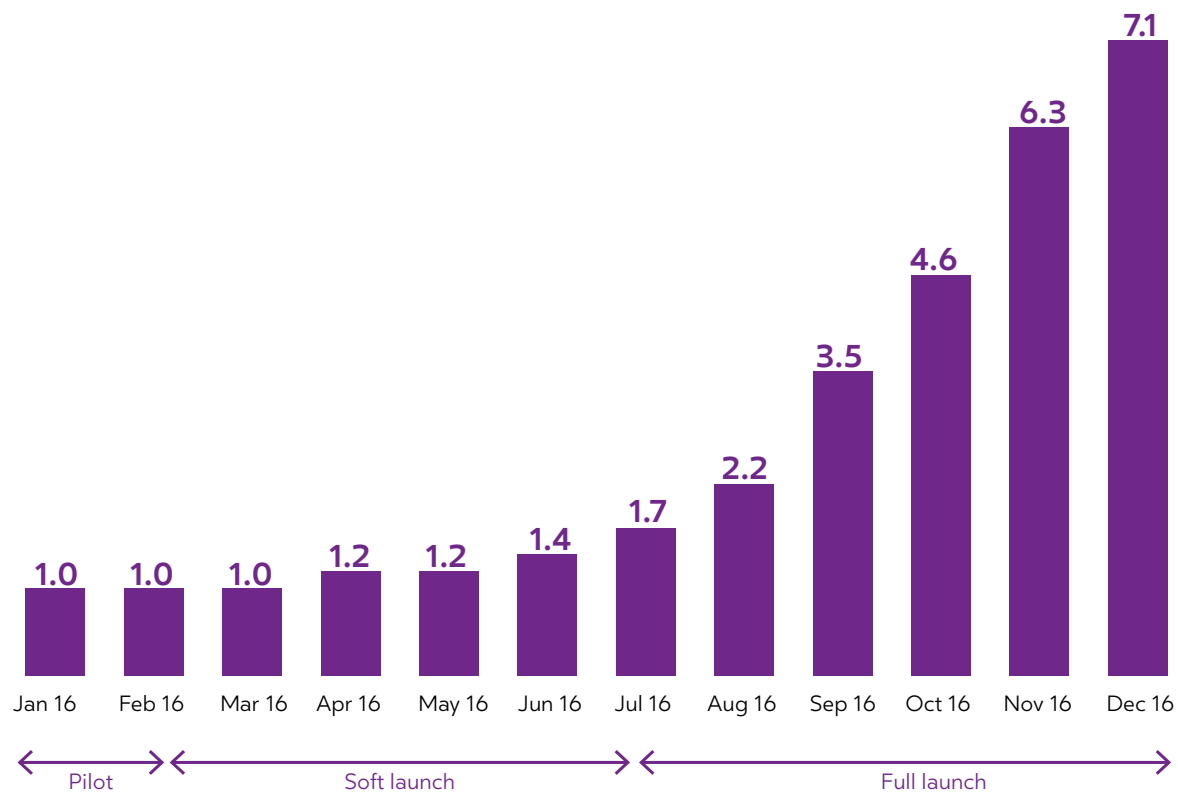
Consumer lending

AUSWIDE CUMULATIVE PERSONAL LOAN VOLUME (\$M)



Consumer lending

MONEYPLACE CUMULATIVE LOAN VOLUME (\$M)



Consumer lending

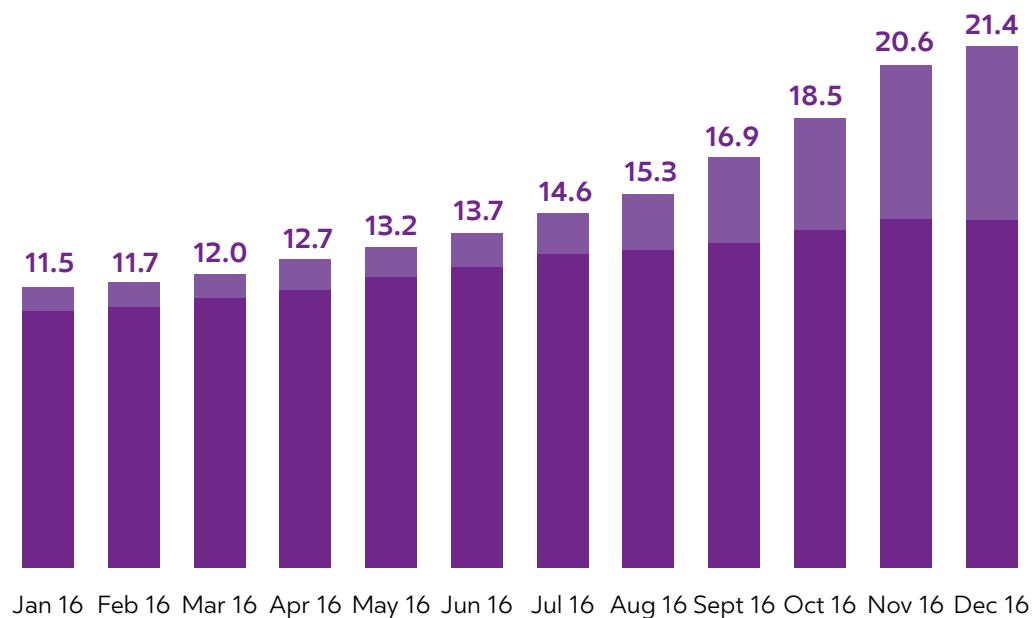
NIM

Personal Loans 742bp

MoneyPlace Loans 618bp

TOTAL CONSUMER LENDING (AUSWIDE + MONEYPLACE) (\$M)

● Personal Loans ● MoneyPlace Loans



Consumer lending

On-balance sheet credit card project

- On-balance sheet credit card products under development
- Currently being tested with customer launch expected prior to June 30
- Complements the bank's strategy to grow consumer lending
- Builds stronger banking relationships with customers
- Supports diversification of income and risk

Mortgage Swift Program

The Purpose	The Solutions	The Objectives	Progress
<ul style="list-style-type: none"> The Mortgage Swift Project was 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 Overarching project to reduce our 'Time to Yes' 	<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 	<ul style="list-style-type: none"> The Lendfast system, a significant piece of the program, was implemented in H1 FY17 Work completed in the areas of Discovery, Policy and Process Changes and Workflow Testing of Apply On-Line (AOL) technology to begin in April 2017, with the communication and training phases scheduled to begin in May 2017

M&A opportunities continue to be assessed

- Ongoing consideration of opportunities to extend SEQ and NSW presence
- Through traditional and non traditional partners
- Ongoing consideration of innovative partnerships and technology
- Strong capital position to fund further M&A
- Experienced and capable management team and board with M&A track record
- Legal and regulatory intellectual property built and held
- Operating system commonality with small ADI sector

Market themes

Regulatory

- Regulatory intervention in market activity has increased across three regulators and is expected to remain elevated
- Capital positioning, investor lending and lending standards remain key areas of focus

Margins

- NIM continues to decline across the sector exacerbated by low interest rates and highly competitive housing finance market
- Back-book repricing to support front-book acquisition is occurring across the ADI sector
- Cost reductions remain an area of focus but are being absorbed by technology and regulatory investment requirements

Digital transformation

- Focus on digital transformation to improve productivity and improve customer experience
- Slower move to innovative partnerships and fintech collaboration in Australia than overseas however this is expected to change

Funding

- Some stabilisation over the first half of the financial year with wholesale funding costs again contracting and deposit pricing modestly competitive

Outlook

- Home loan growth of 6% – 7% (annualised) expected in H2 FY17
- Consumer finance portfolio expected to be \$30 million by 30 June 2017
- MoneyPlace to be consolidated as a controlled entity in H2 FY17
- Regulation and compliance continue to be key challenges, including APRA's restrictions on investor lending, introduction of Basel 4 and revised Securitisation Standard in 2018
- Competitive market with ongoing need for technology and customer investment
- Economic uncertainty with inflationary and interest rate pressures going forward
- Capital strength to support growth
- Auswide Bank will continue to focus on niche opportunities and partnerships for further revenue growth

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 20 March 2017.

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.