

18 August 2017

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

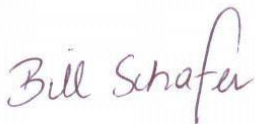
Dear Sir/Madam

**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.*



# 2016-17 RESULTS INVESTOR BRIEFING

August 2017

*Small things.  
Big difference.*

# 2016-17 Financial summary

CONSOLIDATED ENTITY	FY17	FY16	Change
Underlying NPAT	\$15.636m	\$14.041m	⬆ 11.4%
Statutory NPAT	\$15.149m	\$11.699m	⬆ 29.5%
Loan Book	\$2.773b	\$2.666b	⬆ 4.0%
Net Interest Revenue	\$57.509m	\$53.893m	⬆ 6.7%
Net Interest Margin	190 bps	196 bps	⬆ 6bps
Final dividend per share (fully franked)	17.0c	16.0c	⬆ 1.0c
Total dividend per share (fully franked)	31.0c	30.0c	⬆ 1.0c
Earnings per share - underlying	38.5c	37.5c	⬆ 1.0c
Earnings per share - statutory	37.3c	31.2c	⬆ 6.1c
Return on Equity - underlying	7.2%	7.0%	⬆ 0.2%
Return on Equity - statutory	6.9%	5.8%	⬆ 1.1%
Return on Tangible Equity – underlying	9.2%	8.9%	⬆ 0.3%
Return on Tangible Equity – statutory	8.9%	7.4%	⬆ 1.5%
Underlying Cost to Income Ratio	65.6%	69.1%	⬆ 3.5%

END YEAR RESULTS – 2016/17



# Financial summary

**11.4% increase  
in underlying NPAT**

**29.5% increase in  
Statutory NPAT**

## Reconciliation of Consolidated Statutory NPAT to Underlying NPAT

	FY17 \$ million	FY16 \$ million
<b>Statutory NPAT</b>	<b>15.149</b>	<b>11.699</b>
Add back one-off expenses:		
M&A expenses	-	2.836
Branch rationalisation expenses	-	0.770
Other expenses	-	0.182
Professional fees - MoneyPlace controlling interest	0.188	-
Professional fees - YCU acquisition	0.126	-
Stamp Duty - YCU acquisition	0.265	-
Less one-off income items:		
S&P and Lehman dividends	-	(1.284)
Tax adjustments on one-offs	(0.092)	(0.162)
<b>Underlying NPAT</b>	<b>15.636</b>	<b>14.041</b>

# Financial summary

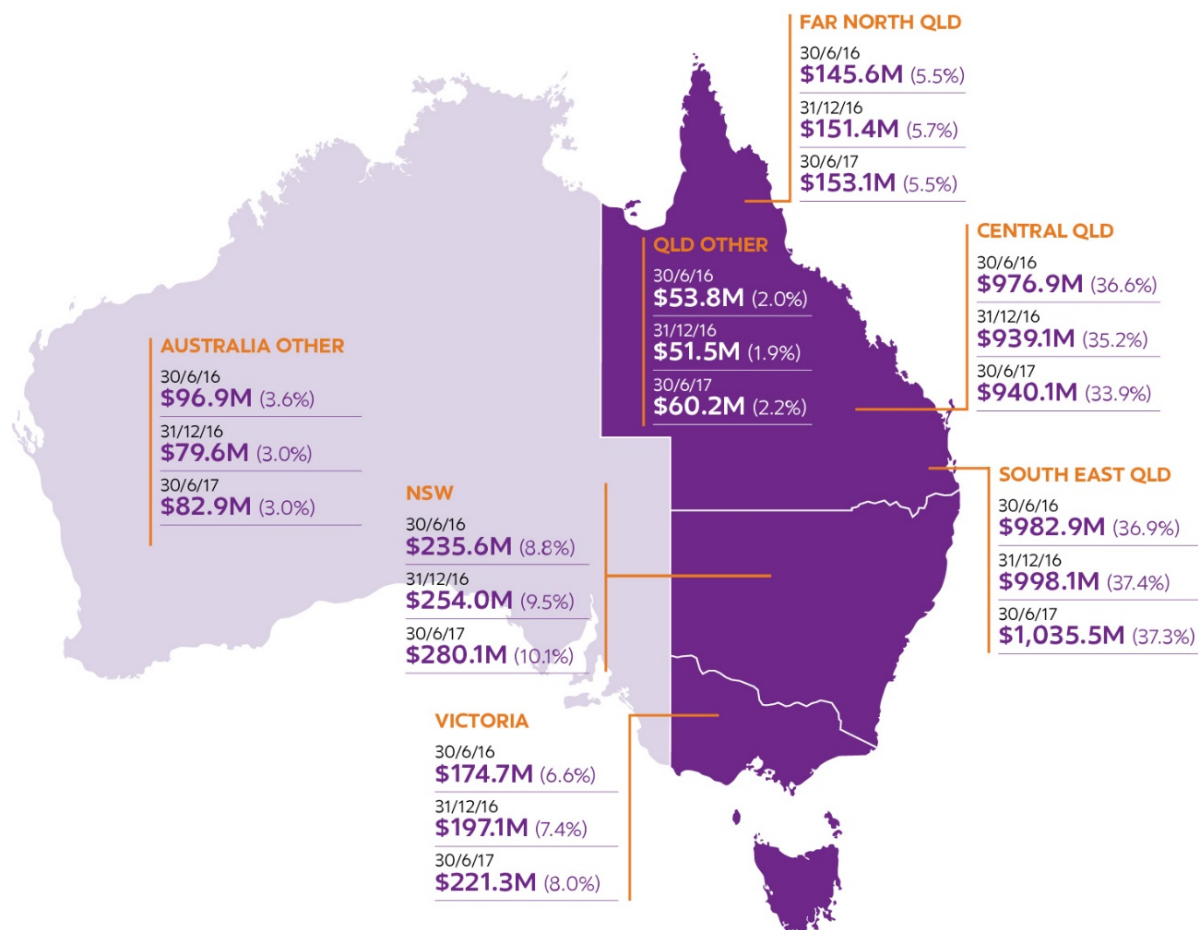
## Commentary

- The YCU merger was a strategic acquisition for Auswide and has resulted in the realisation of financial synergies.
- Loan book growth of 4.0% achieved primarily in H2 (implementation of new LendFast origination system restricted H1 growth).
- Customer numbers increased from 79,508 at 30 June 2016 to 84,101 at 30 June 2017 (increase of 5.8%) under the appointment of Chief Customer Officer.
- Cost to Income Ratio down due to strict expense control and management.
- NIM declined by 6 basis points over the financial year - a good performance in the current environment of intense competition.
- MoneyPlace funding at \$14.042m. Average net margin 7.4%.

END YEAR RESULTS – 2016/17

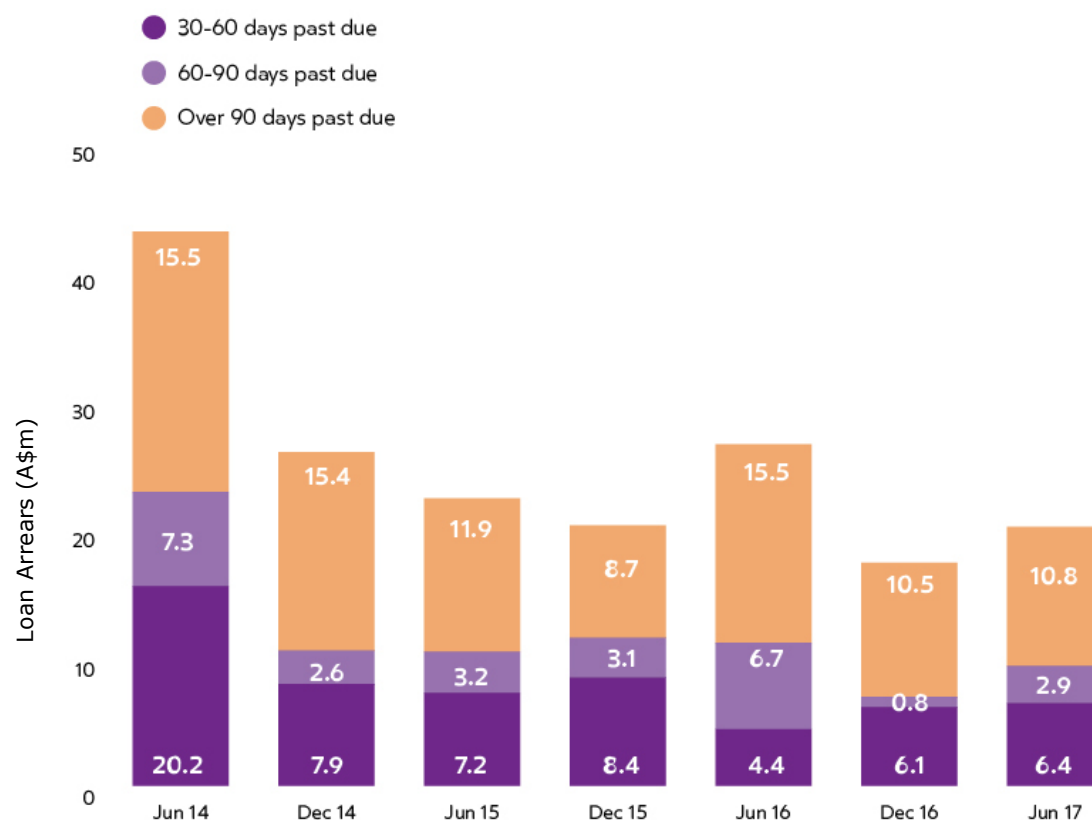


# Loan book distribution



# Loan book arrears

## Loans and Advances Past Due



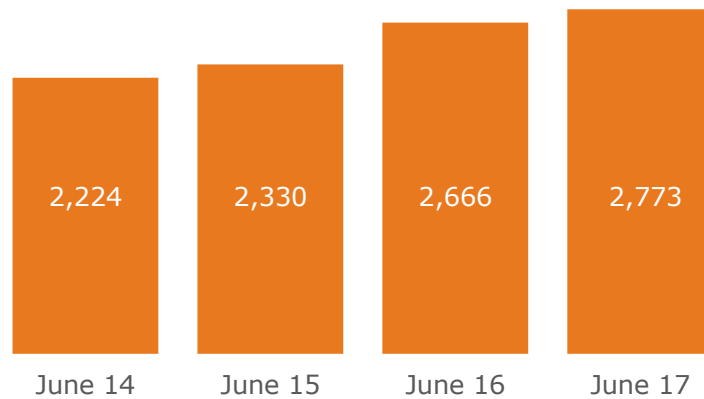
## LOANS PAST DUE v. SPIN (percentage of total loans)

(Auswide figures: as at 30 June 2017, SPINs: as at 31 May 2017 - latest available at time of publication)

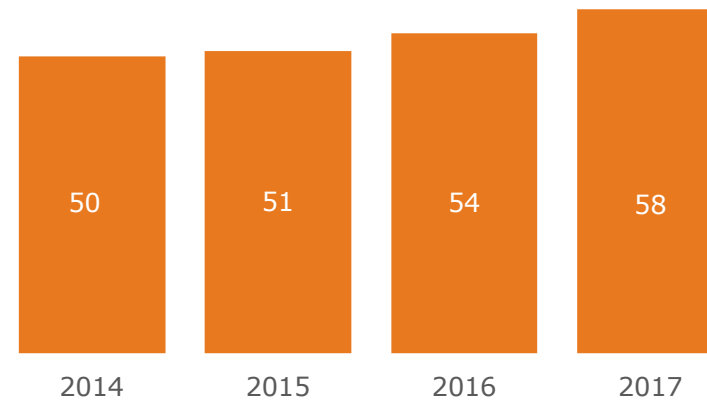
	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
> 30 days past due (includes >90 days past due)	0.73	1.06	1.69
> 90 days past due	0.39	0.50	0.72

# Loan book and Net interest income

**LOANS AND ADVANCES BALANCES (\$M)**



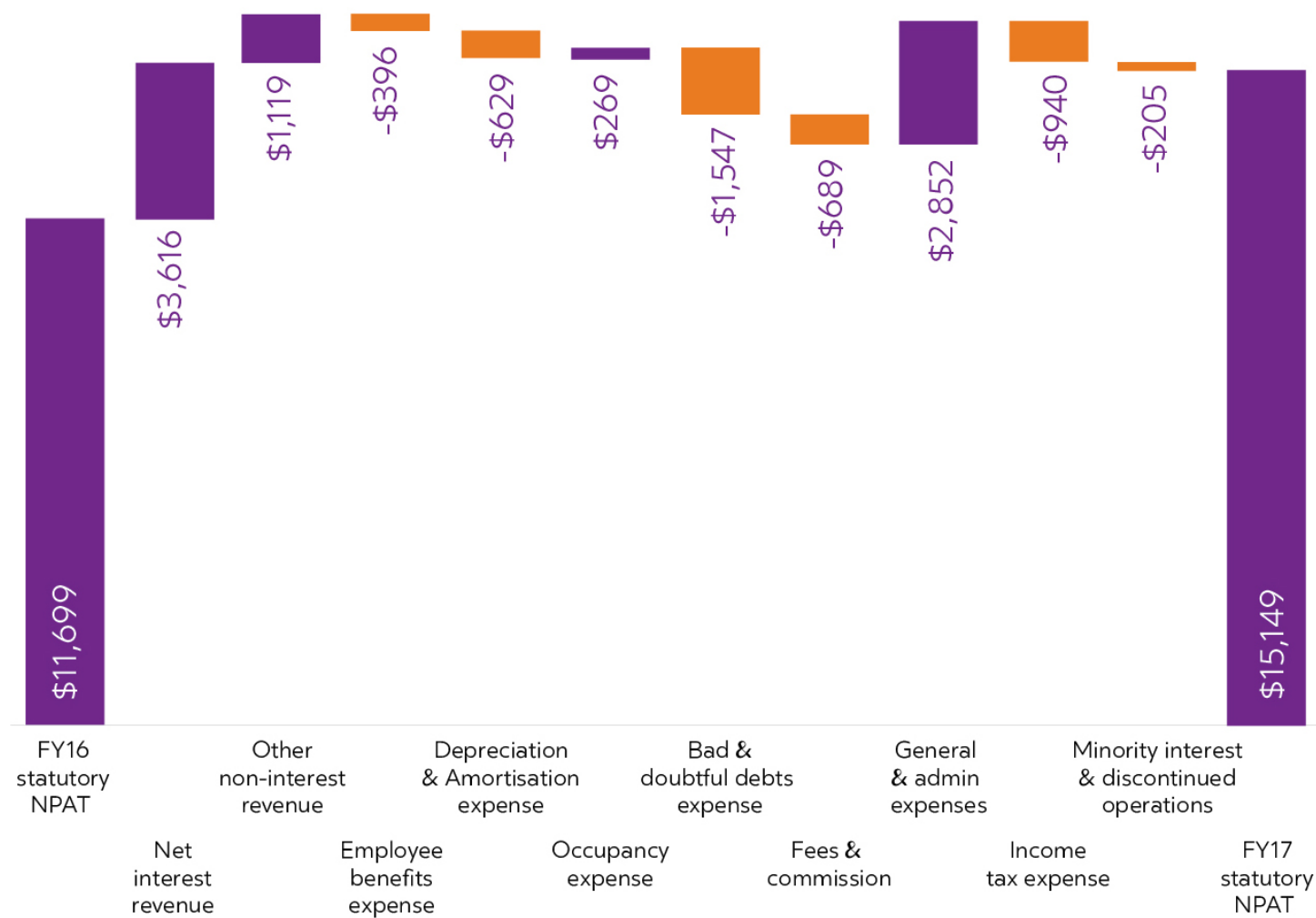
**NET INTEREST INCOME (\$M)**



END YEAR RESULTS – 2016/17



# NPAT reconciliation



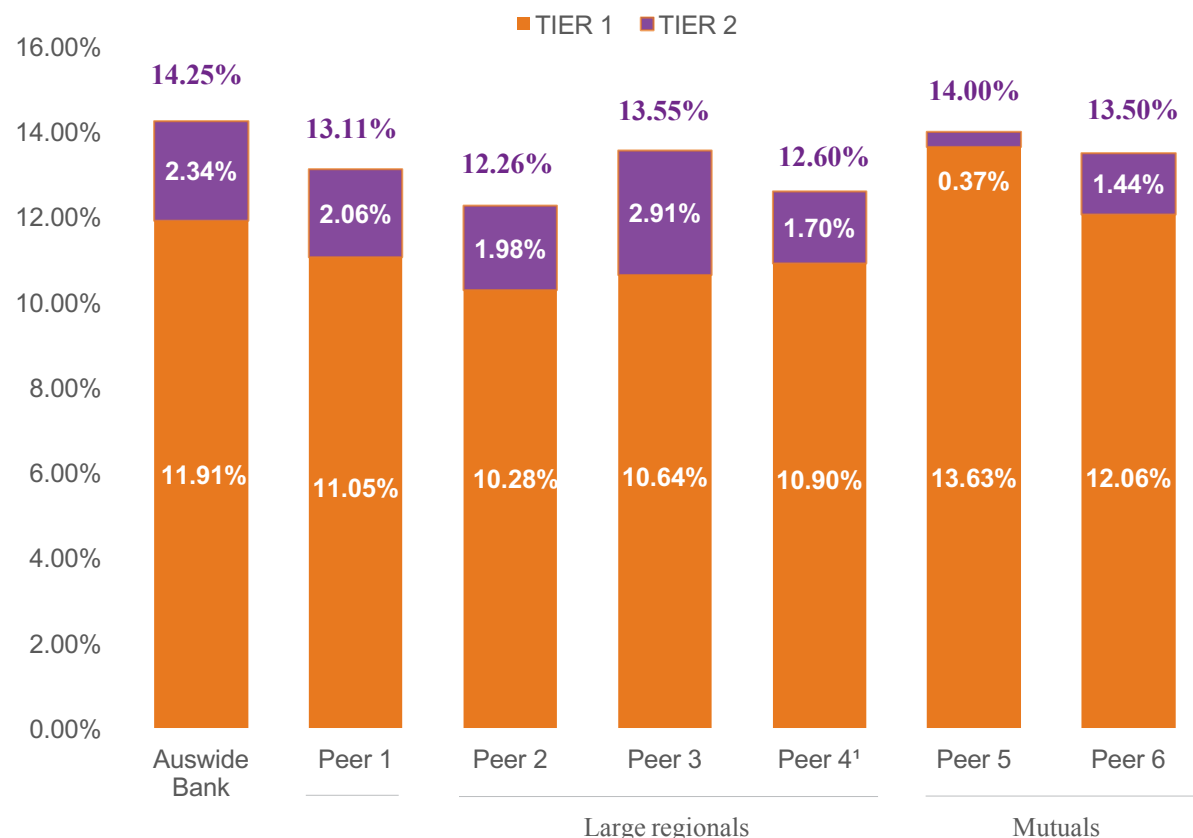
END YEAR RESULTS – 2016/17



# Capital comparison to peers (at March 2017)

**DRP for 2017 final dividend will be fully underwritten at DRP price**

**Auswide capital figures at 30 June 2017: Tier 1 – 12.20%, Total – 14.58%**



<sup>1</sup>At February 2017

END YEAR RESULTS – 2016/17



# MoneyPlace update

## Acquired controlling interest in MoneyPlace

- Auswide now holds a 63% equity stake in MoneyPlace
- MoneyPlace loan fundings continue to increase (\$2.0 - \$2.5m per month)
- Auswide's funding has grown from \$1.412m at 30 June 2016 to \$14.042m at 30 June 2017 (increase of \$12.63m) at an average net margin of 7.4% giving an annualised return of \$0.57m
- Arrears performing better than budget at less than 1% of balance over 90 days in arrears
- Broker affiliations
- MoneyPlace growth complements organic increase in consumer lending
- Forecast funding to \$26.0m at end of FY18

END YEAR RESULTS – 2016/17



# Strategy

## Home Loans

- LendFast upgrade
- Apply Online capability
- Process optimisation
- Third-party service improvement

## Funding Optimisation

- Continue growth in customer deposits
- Maintain efficient management of funding and mix of wholesale liabilities
- Maximising returns on liquid investments

## Personal Loans

- MoneyPlace growth
- Increase in branch based capability
- Margin optimisation

## Expense Management

- Focused management of expenses
- Continue transformation projects
- Reduce Cost to Income ratio

# Market dynamics

## Increasing regulatory pressures

- Introduction of initiatives around Investor, High LVR and Interest Only lending ensured that Auswide was well placed to manage lending portfolio risks well ahead of APRA tightening regulatory controls over residential mortgages.
- APRA's announcement of 'unquestionably strong' capital benchmarks in July 2017 is expected to lead to an increase in Auswide's capital requirement of around 50 basis points, however Auswide is already in a strong capital position.
- APRA's BEAR (Banking Executive Accountability Regime) to enhance the responsibility and accountability of ADIs and their directors and senior executives, includes changes around:
  - Registration of senior executives
  - New APRA powers and penalties
  - Remuneration.

## Reputation pressures on Big Four banks is an opportunity for Auswide Bank

- Significant reputational risks for Big Four playing out in unprecedented political and media attention.
- Public scrutiny reducing consumer trust in major banks, which is an opportunity for customer growth for nimble, smaller institutions like Auswide Bank.
- These macro risks for the big banks do not generally apply to smaller banks like Auswide and present an opportunity for investor consideration of ABA.

# Outlook

- QLD Economic Forecast – improvement is expected to be driven by:
  - Mining and resources investment
  - International tourism
  - State investment
- Slower home loan growth in H1 FY18 followed by strong second half
  - Investor lending caps / Interest only lending
- Strong origination quality to continue to build a quality loan book
- Continued capital strength and ongoing risk culture improvement