



Auswide Bank Ltd
ABN 40 087 652 060
Australian Financial Services &
Australian Credit Licence 239686

PO Box 1063
16-20 Barolin St,
Bundaberg QLD 4670

P 1300 138 831
F (07) 4152 3499
E auswide@auswidebank.com.au

22 November 2017

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

Auswide Bank Ltd (ABA) – Chairman’s Address 2017 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 – AGM 22nd November 2017)

I am pleased to inform shareholders that Auswide Bank reported an underlying net profit after tax of \$15.636 million for the 2016-17 financial year, an improvement on the previous year of 11.4%.

Statutory NPAT for the consolidated group was \$15.149 million. Compared with the previous year's figure of \$11.699 million, this was an increase of 29.5%. Net Interest Revenue increased by 6.7% to \$57.509 million, compared with \$53.893 million in the previous financial year.

Strict management disciplines around cost controls are an important element of our Strategic Plan and delivered a pleasing 3.5% improvement in the Bank's cost to income ratio, from 69.1% in 2015-16 to 65.6% for 2016-17.

Our loan book grew by 4.0% to \$2.773 billion at 30 June 2017, from \$2.666 billion at the end of the previous financial year. The growth was achieved mainly in the second half of the financial year, with performance in the first half restricted with the focus on implementing the new LendFast origination system.

The bank continues to focus on diversifying income and improving medium term returns through growth in consumer lending and business banking.

RISK CULTURE

Our continued focus on risk management culture and systems across the business allowed us to grow with higher quality loan origination while maintaining a very healthy arrears position. Total statutory arrears greater than 30 days past due decreased from \$26.6 million to \$20.2 million, which represents 0.72 per cent of the total loan book (2015-16: 0.99 per cent). The Board is satisfied that the provisions set aside cover the risks arising from current and future doubtful debts.

INVESTMENTS

The Australian banking market remains intensely competitive. Our investments in improving customer experience by enhancing capabilities and technology platforms support our competitive position and underpin the solid performance for shareholders.

After the merger with Your Credit Union (YCU) in May 2016, the integration of the systems, products and customer data of that business into a single platform was finalised within five months, on 30 September 2016. The merger is delivering benefits for our customers and synergies for our business. Customer retention has been quite exceptional with overwhelmingly positive feedback.

REGULATORY ENVIRONMENT

Regulatory changes have been significant in the past few years. The Australian Prudential Regulation Authority (APRA) announced new "unquestionably strong" capital benchmarks in July 2017 which are expected to increase the minimum capital requirement by around 50 basis points. Our capital position is among the strongest in the sector and we are well positioned to absorb any changes.

APRA introduced new supervisory measures in March 2017 which place increased lending restrictions on investor and interest only loans. While Auswide was an early responder to the new measures, we believe the limits that have been imposed unduly impact smaller banks and restrict our ability to effectively compete with the four large banks.

DIVIDEND

On the basis of our strong capital position and improved financial performance and total assets, the Auswide Board declared a fully franked final dividend of 17.0 cents per share. This brings the total dividend for 2016-17 to 31.0 cents per share, compared with last year's figure of 30.0 cents per share.

OUTLOOK

The three-year Strategic Plan endorsed by the Board in March 2016 has guided our actions through the 2016-17 financial year and underpinned an improved financial performance.

In the year ahead, we will maintain our focus on enhancing the experience we provide for our customers, growing our business, as well as strengthening the Bank through management capabilities, risk processes, and cost controls.

We will also continue to place a high priority on ongoing improvements to our risk management culture and maintain a strong capital position.

I would like to thank the staff and management who bring our competitive advantage to life in everything they do for our customers.

I also thank the Directors for your guidance throughout the year and most importantly, I thank our two most important stakeholders, our shareholders and our customers, for your support for and advocacy of Auswide Bank.