

24 August 2018

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.

Strong growth and improving returns



*Small things.
Big difference.*

Investor Presentation FY18 Results



1

Overview



Martin Barrett
Managing Director

Strong Growth and Improving Returns



Continued trend of sustainable, prudent growth improving shareholder returns and value for customers



Royal Commission is an opportunity as we extend digital reach and customer value proposition, backed by sound governance and risk management

Loan portfolios growing and improving in quality across segments

Market leading capital strength allows for strong growth without further capital requirements in FY19



Roll-out of digital and online services improving customer experience

Driving strong customer deposit growth in FY19 to support loan growth and support net interest margin



FY 2018

Improvements in all Key Metrics



Net Interest Revenue

↑ 6.1%



Underlying Return on Equity

7.5%



Underlying NPAT

↑ 9.0%



Underlying Return on Tangible Equity

9.5%



Statutory NPAT

↑ 18.1%



Underlying Cost to Income Ratio

↓ 1.9%



Loan Book

↑ 5.0%
to \$2.911 billion



Total Dividend

34c ↑ 3c

2

Financial performance

Bill Schafer
Chief Financial Officer



FY 2018 Growth in Loan Book, NIM, EPS and Dividend

		FY18	FY17	Change
NPAT	Underlying	\$17.108m	\$15.691m	↑ 9.0%
NPAT	Statutory	\$17.886m	\$15.149m	↑ 18.1%
Loan Book		\$2.911b	\$2.773b	↑ 5.0%
Net Interest Revenue		\$61.020m	\$57.509m	↑ 6.1%
NIM		193bp	190bp	↑ 3bp
Final dividend per share (fully franked)		18.0c	17.0c	↑ 1.0c
Total dividend per share (fully franked)		34.0c	31.0c	↑ 3.0c
EPS	Underlying	41.0c	38.7c	↑ 2.3c
EPS	Statutory	42.8c	37.3c	↑ 5.5c
ROE	Underlying	7.5%	7.2%	↑ 0.3%
ROE	Statutory	7.8%	6.9%	↑ 0.9%
ROTE	Underlying	9.5%	9.2%	↑ 0.3%
ROTE	Statutory	9.9%	8.9%	↑ 1.0%
Underlying Cost to Income Ratio		63.3%	65.2%	↓ 1.9%

Underlying NPAT up 9.0%

Reconciliation of Consolidated Statutory NPAT to Underlying NPAT

	FY18 \$million	FY17 \$million
Statutory NPAT	17.886	15.149
Less gain on sale of investment in MoneyPlace	(1.227)	-
Add back MoneyPlace operating losses	0.616	0.194
Less non-controlling interest portion of MoneyPlace operating losses	(0.231)	(0.140)
NPAT from Continuing Operations	17.044	15.203
Add back expense one-offs (net of tax effects):		
– Professional fees - MoneyPlace	0.064	0.134
– Professional fees & stamp duty - YCU acquisition	-	0.354
Underlying NPAT	17.108	15.691

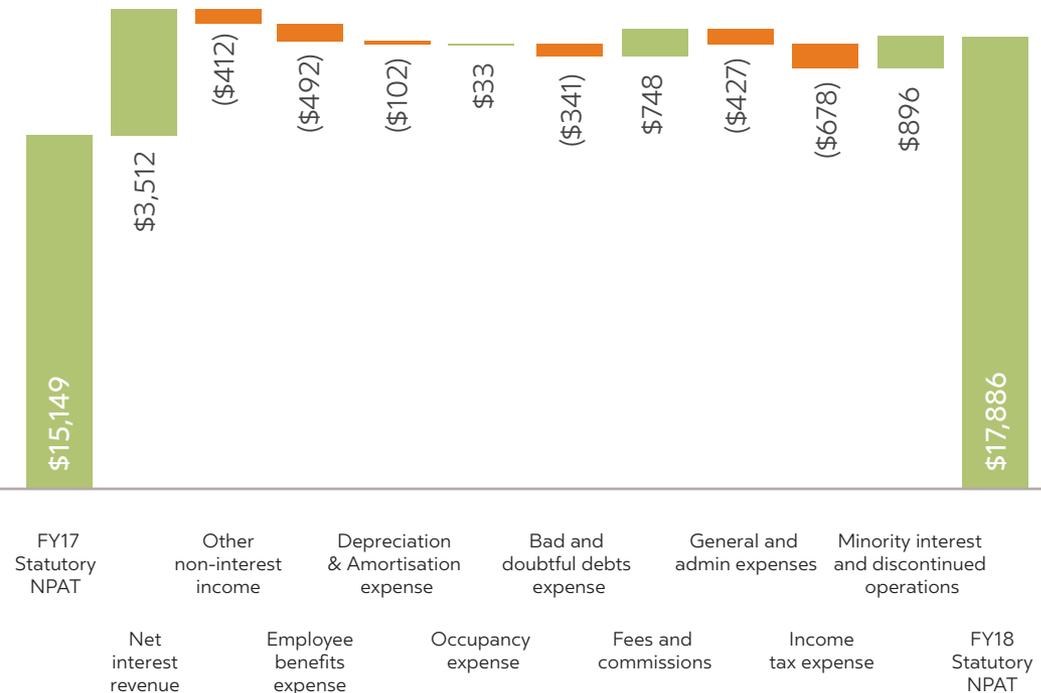
Statutory NPAT was
\$17.886M
 compared \$15.149m
 in prior year
 ↑18.1%

*The Underlying NPAT reported for FY17 was \$15.636m. This figure differs by \$0.055m to the Underlying NPAT reported above of \$15.691. The difference is due to the MoneyPlace losses and non-controlling interest which have been split out as "discontinued operations" in FY18.

Net Interest Revenue up 6.1%

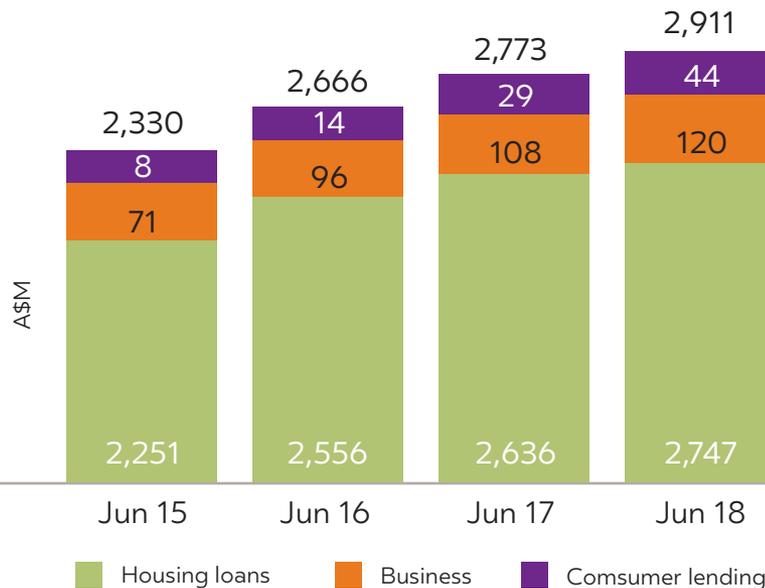
Consolidated Statutory NPAT \$'000s

- Strength in underlying NPAT **up 9.0%**
- Loan Book growth converted to **6.1% increase** in Net Interest Revenue
- **Underlying expense control** resulted in growth below CPI **at 1.3%**
- Further progress with Cost to Income Ratio **down 190 bps**



Total Loan Book up 5.0%

Loans and Advances balances (\$m)

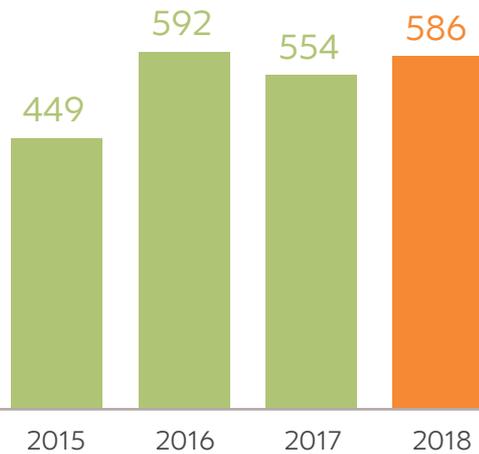


- Uplift in loan originations through MoneyPlace platform. Auswide funding through MoneyPlace has grown from \$14.0m at 30 June 2017 to \$20.8m at 30 June 2018
- Overall consumer Loan Book to continue strong growth to reach \$60-\$70m by 30 June 2019 with blended gross interest rate of 8-9%
- Launched 'on-balance sheet' credit card April 2018. Low Rate Visa card issued directly by Auswide Bank and includes unique features such as RBA 'cash rate' tracker function and competitive interest rate on purchases and cash advances

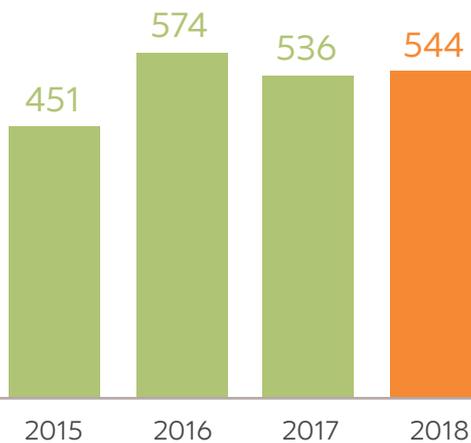
- Total Loan Book **increased 5.0% from \$2.773b to \$2.911b**, including:
 - Consumer lending book **increased \$14.4m (49.6%)** from \$29.1m to \$43.5m
 - Business banking book **increased 11.9%** from \$107.5m to \$120.3m
- **Growth of 6.1%** in Net Interest Revenue

Home Loan Approvals and Settlements

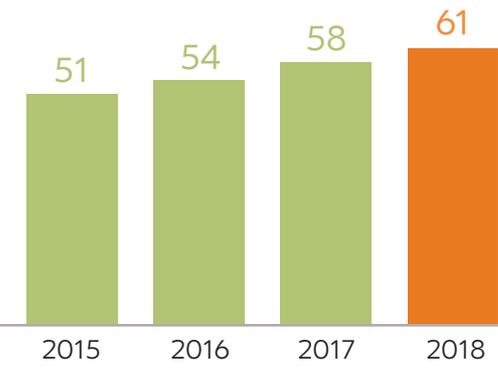
Home loan approvals (\$m)



Home loan settlements (\$m)

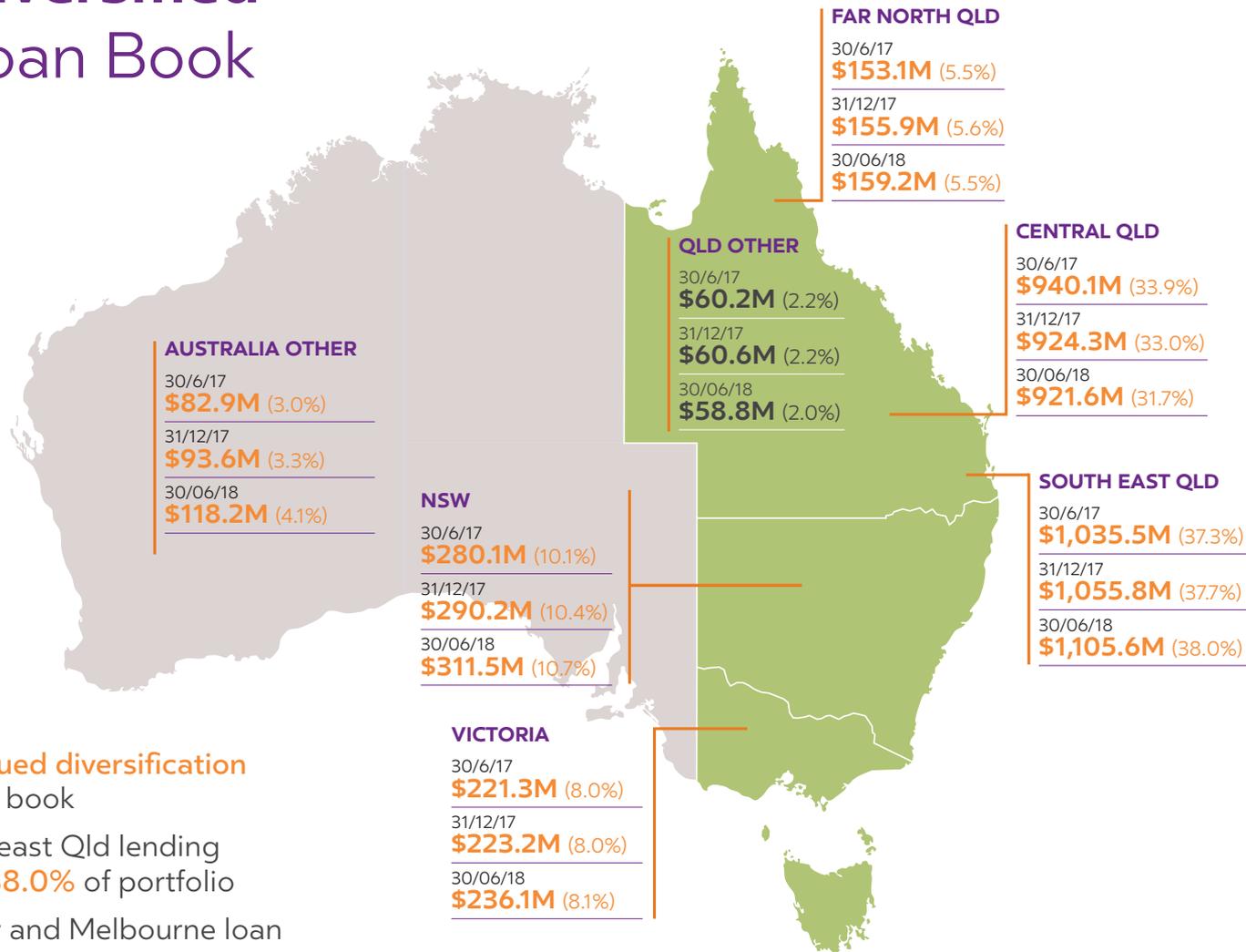


Net Interest Income (\$m)



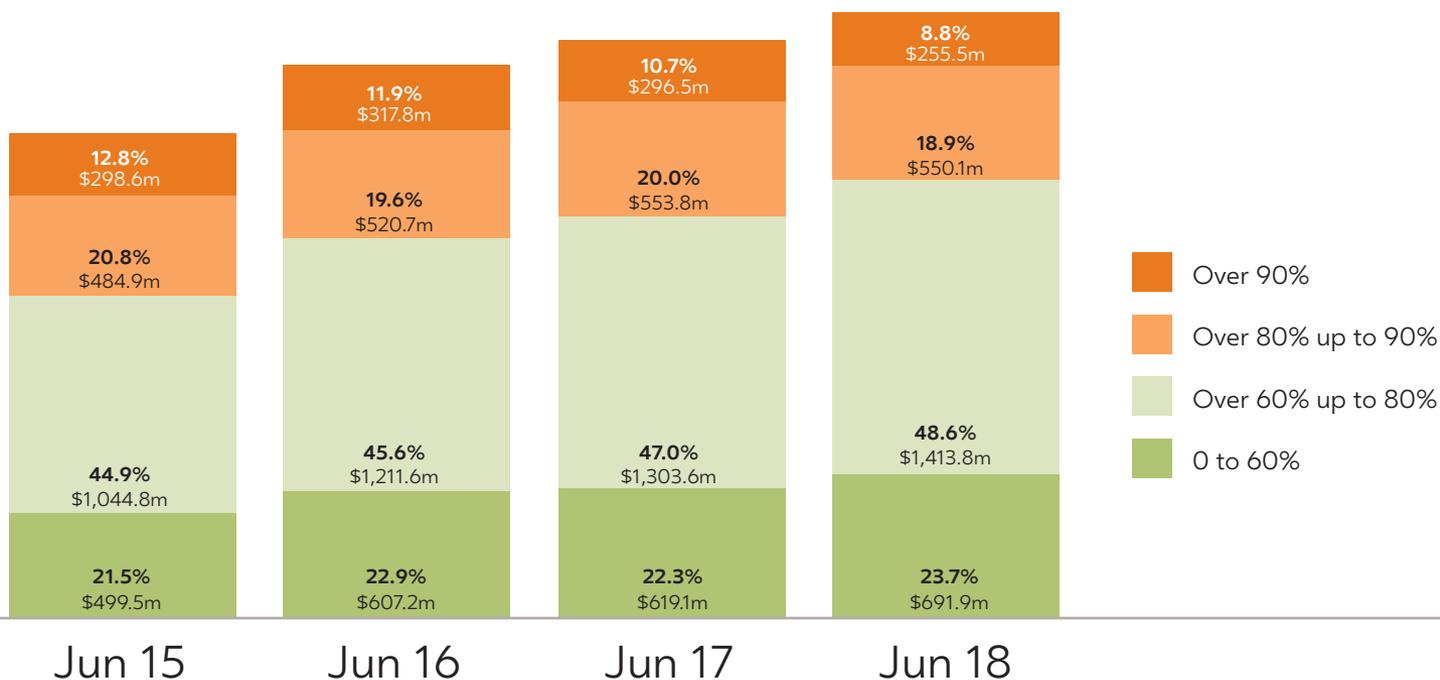
- Auswide’s digital branch strategy **“Branch 25”** aims to create the end-to-end digital banking experience for both new and existing customers
- **Online application capabilities** are being developed as the first step in the digital branch strategy
- Further enhancements to Lendfast system to improve speed to decision on broker loans
- Backoffice capability from the completion of Project Swift achieves substantial improvement in end to end process for mortgages across the business

Diversified Loan Book



- Continued diversification of loan book
- South-east Qld lending up to 38.0% of portfolio
- Sydney and Melbourne loan book trending upwards

Loan Valuation Ratio (LVR)

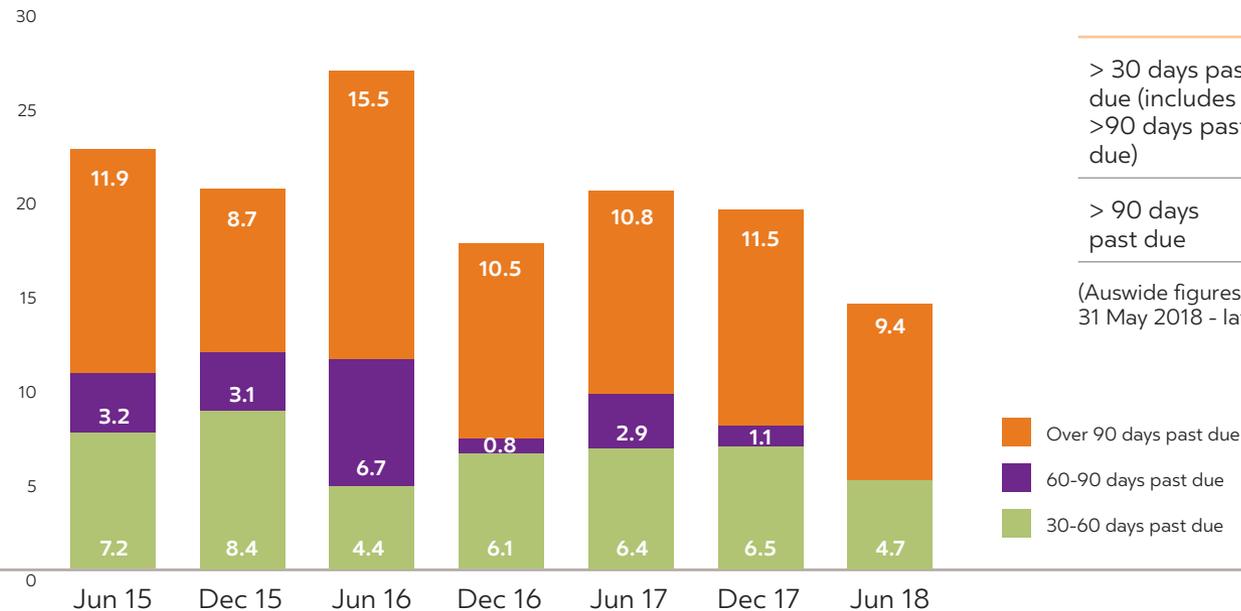


- Regional Qld economies stable or improving

Improving Credit Quality

Auswide's loan credit quality continues to be a success story with the prudence of loan underwriting standards together with sound controls fundamental to how the loan book is performing

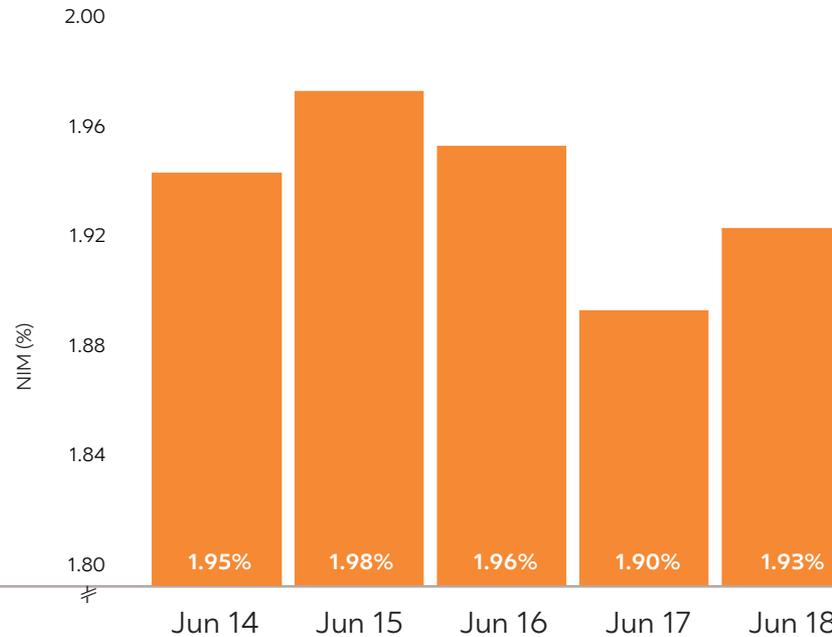
Loans Past Due vs SPIN (percentage of total loans)



	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
> 30 days past due (includes >90 days past due)	0.48	0.95	1.44
> 90 days past due	0.32	0.44	0.69

(Auswide figures: as at 30 June 2018, SPINs: as at 31 May 2018 - latest available at time of publication)

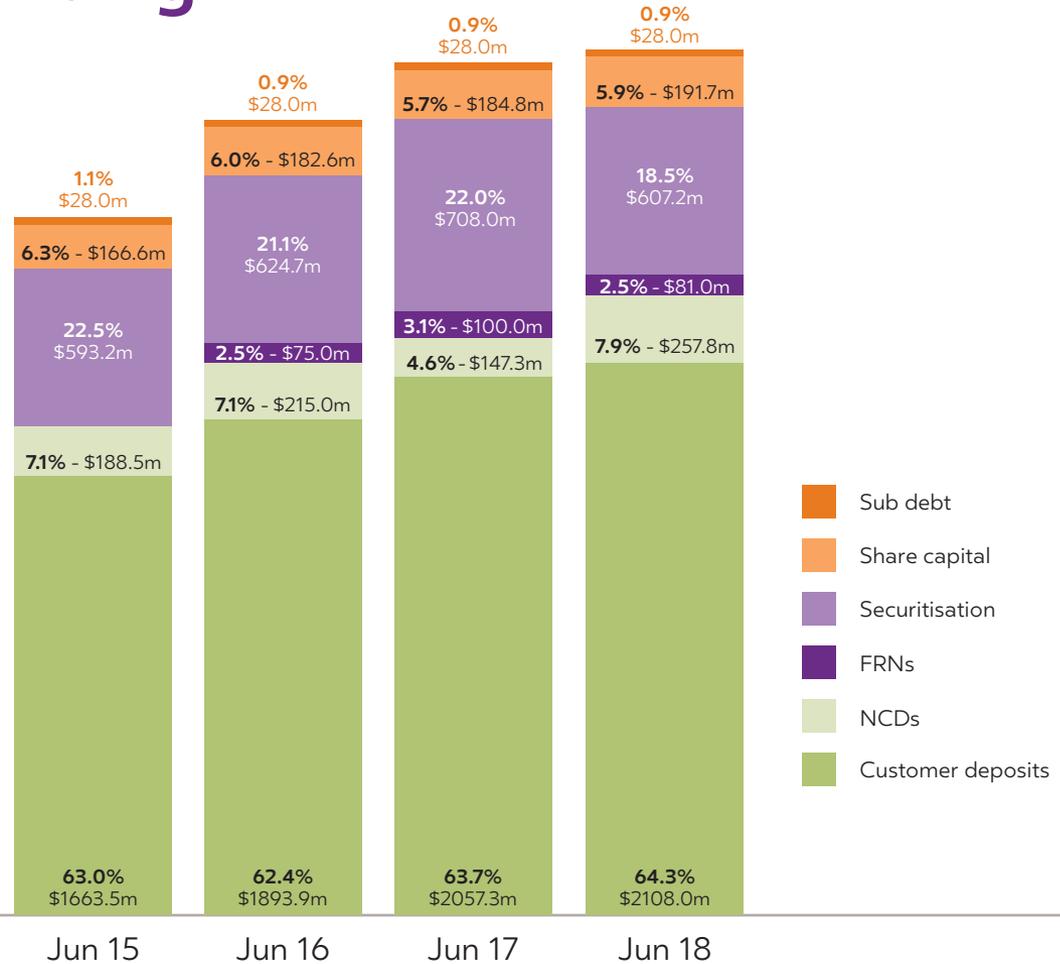
Solid Net Interest Margin



- Elevated BBSWs increased total funding costs by approx. 7 bps between February and June 2018
- Residential owner-occupied and investment lending books repriced to offset funding costs

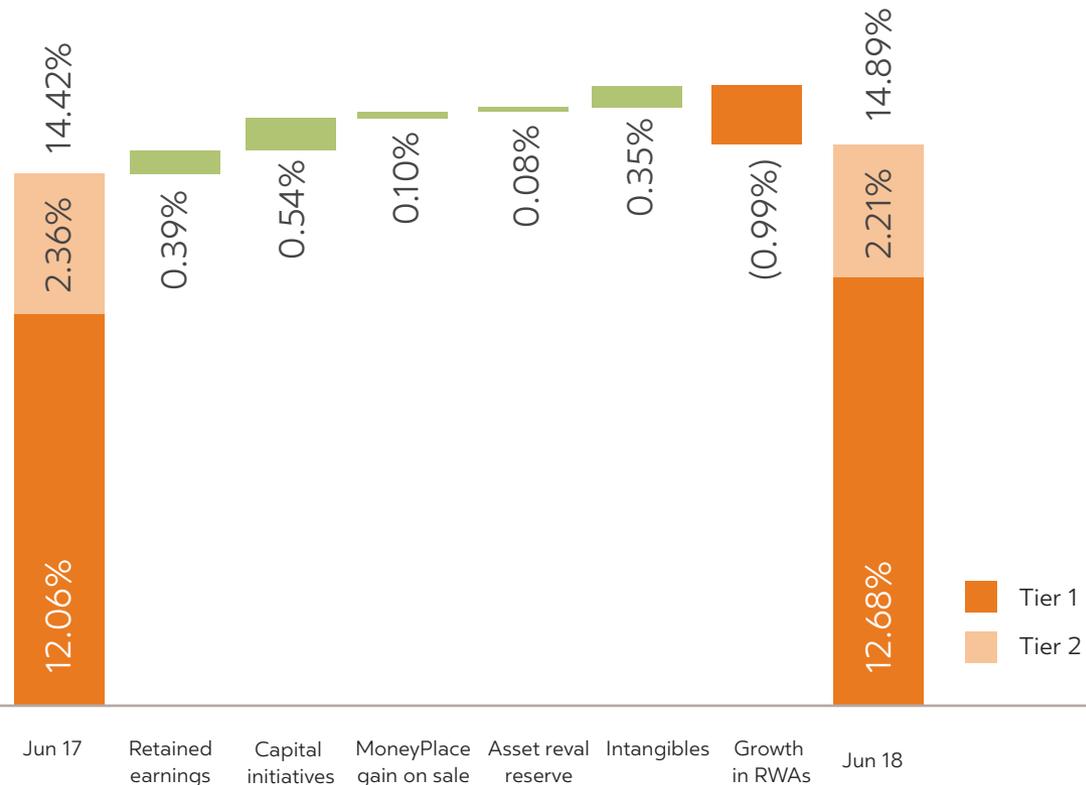
Optimising Funding Mix

- Dual investment grade ratings assigned from Fitch and Moody's of BBB+ and Baa2 (outlook stable) respectively
- Efficient funding mix assisted growth in NIM of 3 bps
- Elevated BBSW rates since February increased wholesale funding costs by approx. 21 bps between February and June 2018
- Decreased reliance on higher cost securitisation funding down to 18.5%
- Extended tenure on Senior FRNs out to 2 years following dual corporate ratings
- Strategic focus remains on building the customer deposit base during 2019



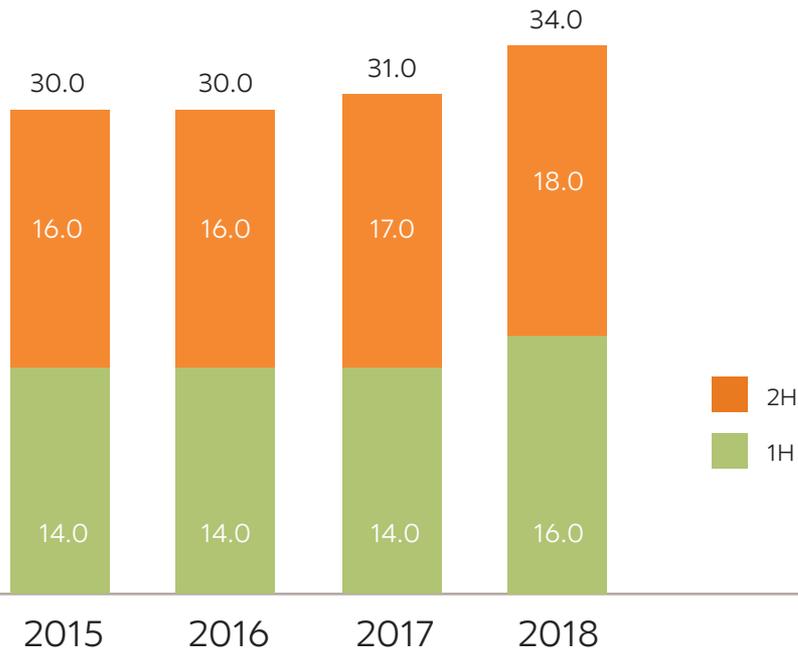
Sustained Strength in Capital to Support Growth

- Capital strength will allow an **additional 15% of home loan growth** before extra capital is required to be raised
- DRP suspended due to **capital strength**
- **"Unquestionably strong"** capital requirements achieved with expectation of significant headroom

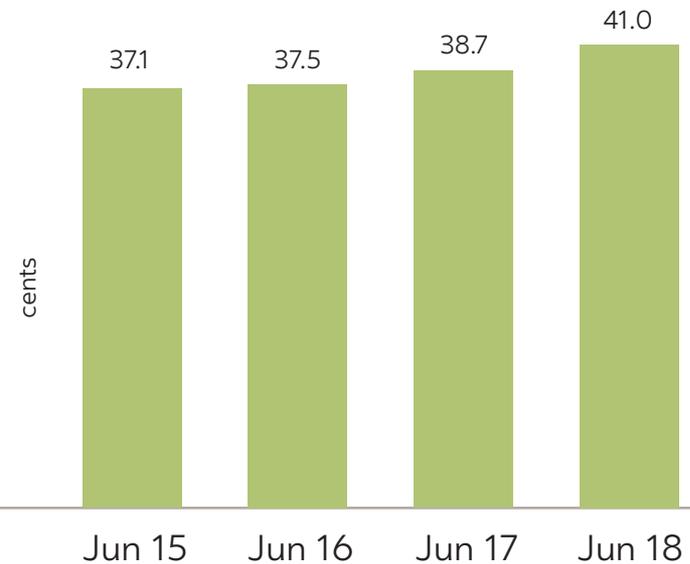


Dividend Increased to 34cps

Dividend (CPS)



EPS Performance (underlying)



- FY18 Dividend payout ratio **80% of Statutory NPAT**
- No DRP due to **strength of capital**
- **Dividend yield** for 30 June 2018 6.04% fully franked

3

Strategy

Martin Barrett
Managing Director



"Anywhere Anytime" Digital Banking



Branch 25 (Digital Branch)

- Strategy to create end-to-end digital banking experience for new and existing customers
- Combine speed, ease of use, and available "anywhere anytime" services with friendly and customised service
- Digital services accessible around Australia outside branch footprint



API Economy and System Interconnectivity

- Continue to support updates to core Ultracs & origination platforms
- Partner services available through APIs, comprehensive credit reporting and Open Banking opportunities



IT Security and Fraud

- Reviewing current postures and implementing new capabilities in FY19
- Focus on customer transactional security improvements, fraud detection and prevention
- Additional layers of protection through multiple platforms and technologies to make transacting online, by card and other channels safer for customers

Simplifying Product Portfolio

Product Simplification Project commenced 1 July 2018 to remove or modify products and services that are insufficiently profitable, unnecessarily increase complexity and lack strong current or likely future demand



Simplify

customer choice, decision making & 'path to purchase' while continuing to meet core needs



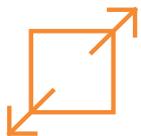
Reduce

number and complexity of management & administration processes



Allow

our people to become subject matter experts on chosen products



Provide

a platform to better deliver on chosen products



Reduce

compliance risks and customer road blocks



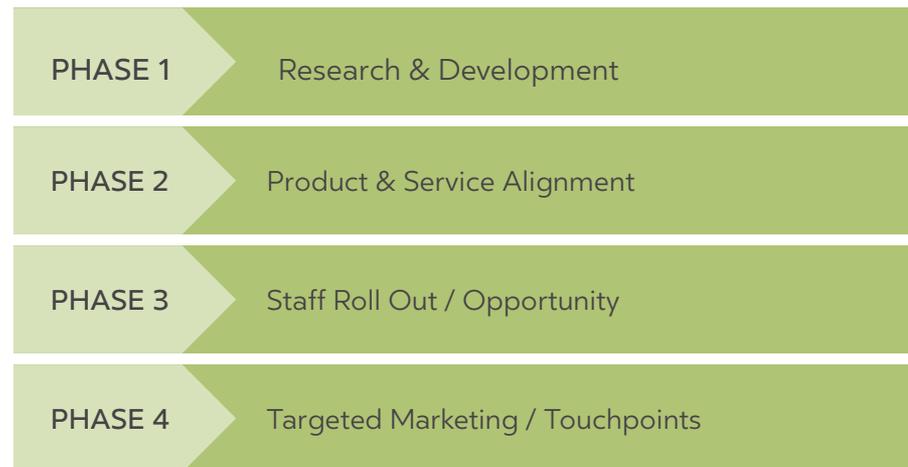
Reduce

costs of compliance, operations and support, with FTE to be refocused to priority areas (e.g. IT and Sales)

Improving Customer Journey



The Customer Journey Strategy has four phases:



Seeking to understand and map Customer Journey to:

- Personalise messaging for audience
- Ensure our services and products meet requirements of intended segments
- Evolve technology to attract and meet customer needs
- Have real conversations in an omni-channel environment

Supporting our Communities

Supported over 40 community events/projects across Queensland regions including:

- Salvation Army Red Shield Appeal
- International Cycling Spectacular
- Mackay Show
- Queensland Young Achievers Awards

Anchor sponsor of restoration of Bert Hinkler's Armstrong Siddeley historical vehicle

Continue to support:

- Central Queensland University student scholarship program
- Central Queensland businesses through Bundaberg Business Excellence Awards

Auswide Bank caravan attends community events throughout Queensland



Environment and Ethical Lending Innovative Customer Marketing



Environment

At Auswide Bank we are very conscious of our impact on the environment. Our efforts to reduce paper and waste benefit not only the environment, but also Auswide’s own efficiency and costs:

- Energy efficient LED lighting at all new and refurbished branches
- Promoting electronic options as an alternative to paper statements
- Recycling paper, printer cartridges etc.
- Introducing an Auswide Bank multi-use enviro bag for customers



Ethical Lending

Auswide does not finance companies engaged principally in the exploration, mining, manufacture or export of thermal coal or coal seam gas. We do not invest directly in companies specialising in these areas

Awarded **Product Review’s Best Bank Award 2017** for annual customer survey

Launched **PayBands** (March 2018)

‘**Best from the Best’ Home Loan campaign** – our most successful customer acquisition result

Auswide Bank multi-use enviro bag for loyal customers



4

Outlook

Martin Barrett
Managing Director



Increasing Regulatory Activity

There continues to be a significant increase in regulatory and political activity in the financial services sector:



Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry



Banking Executive Accountability Regime (BEAR) 2018 for big banks, 2019 for smaller ADIs



APRA review of capital and risk across ADIs



Productivity Commission Review into competition in the Australian Financial System recommends regulatory change to improve ability of small banks to compete with major banks

Positive Outlook and Market Opportunities



Growth in all sectors

- Targeting residential mortgage growth in excess of system
- Consumer loan book to continue strong growth with book to reach \$60-\$70m by 30 June 2019 with a blended gross interest rate of 8-9%
- Business banking pipeline is improving and above system growth to continue



Strong capital position supports growth

- Net Interest Margin targeted to remain stable across the financial year, challenged by volatility in BBSWs and competitive home loan market
- Exceptionally strong capital position provides significant growth capability over the next 12 months without the need for additional capital



Customer growth opportunities

- From bigger bank reputational challenges over the period ahead



Improving cost to income ratio

- Targeting 60% cost to income ratio over a 3 year horizon

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 22 August 2018.

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.