



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

Auswide Bank Ltd (ABA) – Chairman’s Address 2018 AGM

Please find attached the Chairman’s Address which will be presented at today’s Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to be 'M Barrett', enclosed within a large, loopy oval shape.

Martin Barrett
Managing Director

Small things. Big difference.

CHAIRMAN'S REPORT (AUSWIDE BANK LTD - AGM 20 November 2018)

I am pleased to inform shareholders that Auswide Bank reported an underlying net profit after tax of \$17.108 million for the 2017/18 financial year, an improvement on the previous year of 9.0%.

Statutory NPAT for the consolidated group was \$17.886 million. Compared with the previous year's figure of \$15.149 million, this was an increase of 18.1%. Net Interest Revenue increased by 6.1% to \$61.020 million, compared with \$57.509 million in the previous financial year.

The Bank's underlying cost to income ratio improved by a pleasing 1.9%, from 65.2% in 2016/17 to 63.3% for 2017/18. This result can be attributed to strict cost management disciplines as a key element of our Strategic Plan.

Our loan book grew by 5.0% to \$2.911 billion at 30 June 2018, from \$2.773 billion at the end of the previous financial year. It is a creditable performance to expand our loan book in line with system growth while closely managing the net interest margin during a period of significant competition and volatility in Bank Bill Swap Rates.

RISK CULTURE

We continue to focus on our culture of risk management, prudent loan underwriting standards and sound controls across the business which allows loan book growth while maintaining a solid arrears position.

Total arrears greater than 30 days past due decreased from \$20.1million to \$14.1million. Arrears have decreased as a percentage of the Group's total loan book from 0.72% at 30 June 2017 to 0.48% at 30 June 2018.

The Board is satisfied that the provisions set aside cover the risks arising from current and future doubtful debts.

MONEYPLACE

In January 2018 Auswide Bank announced the divestment of its controlling equity stake in MoneyPlace. The sale had a one-off positive impact on the Groups full year results with a contribution on \$1.227 million, and further strengthened the Bank's strong capital position.

REGULATORY ENVIRONMENT

Regulatory activity has been a prominent feature of the financial services market during the reporting period, and we anticipate that industry changes will continue.

Auswide Bank will be presented with growth opportunities from the reputational challenges faced by the bigger banks over the period ahead. As a smaller bank with our roots in serving customers and the community, Auswide Bank has conducted operations in a way which has meant we have not had to confront similar issues. The

damage to customer and community trust for the major players in the sector is an opportunity as we continue our ongoing focus on customers, growth and creating value for shareholders.

DIVIDEND

On the basis of the Bank's strong financial performance and capital position, the Auswide Bank Board declared a fully franked final dividend of 18.0 cents per share. This brings the total dividend for 2017/18 to 34.0 cents per share, compared with last year's figure of 31.0 cents per share, and represents a dividend yield of 6.04%, fully franked.

OUTLOOK

In the year ahead, we will maintain our focus on enhancing the experience we provide for our customers as we extend our digital reach and customer value proposition.

We will maintain an ongoing focus on cost controls and will continue to place a high priority on sound governance and risk management.

Auswide Bank's capital is well above the 'unquestionably strong' benchmarks determined by the prudential regulator and will provide significant growth capability over the next twelve months without the need for additional capital.

We will continue to invest in the business for future growth as we maximise current and emerging opportunities presented by uncertain economic conditions, increasingly regulatory activity and significant competition.

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

I also thank the Board for their support and guidance throughout the year.

Most of all, I would like to thank our two most important stakeholders, our customers and shareholders, for their continued support and advocacy of Auswide Bank.