

20 November 2018

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

Auswide Bank Ltd (ABA) – Managing Director & CFO Presentations 2018 AGM

Please find attached presentations which provide a review of the economic environment and strategic progress of the company, together with a review of Auswide Bank's operating activities and performance. These overviews will be presented at today's Annual General Meeting.

Yours faithfully



Martin Barrett
Managing Director

Small things. Big difference.

AUSWIDE BANK LTD

Annual General Meeting

20 November 2018

Strong growth
and improving
returns



*Small things.
Big difference.*



Financial Performance

Bill Schafer
Chief Financial Officer



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

Underlying NPAT up 9.0%

Reconciliation of Consolidated Statutory NPAT to Underlying NPAT

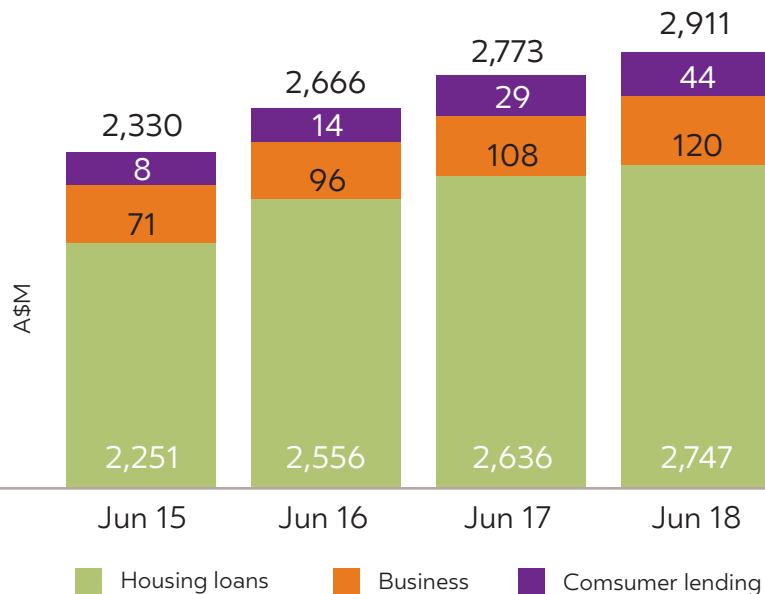
	FY18 \$million	FY17 \$million
Statutory NPAT	17.886	15.149
Less gain on sale of investment in MoneyPlace	(1.227)	-
Add back MoneyPlace operating losses	0.616	0.194
Less non-controlling interest portion of MoneyPlace operating losses	(0.231)	(0.140)
NPAT from Continuing Operations	17.044	15.203
Add back 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.

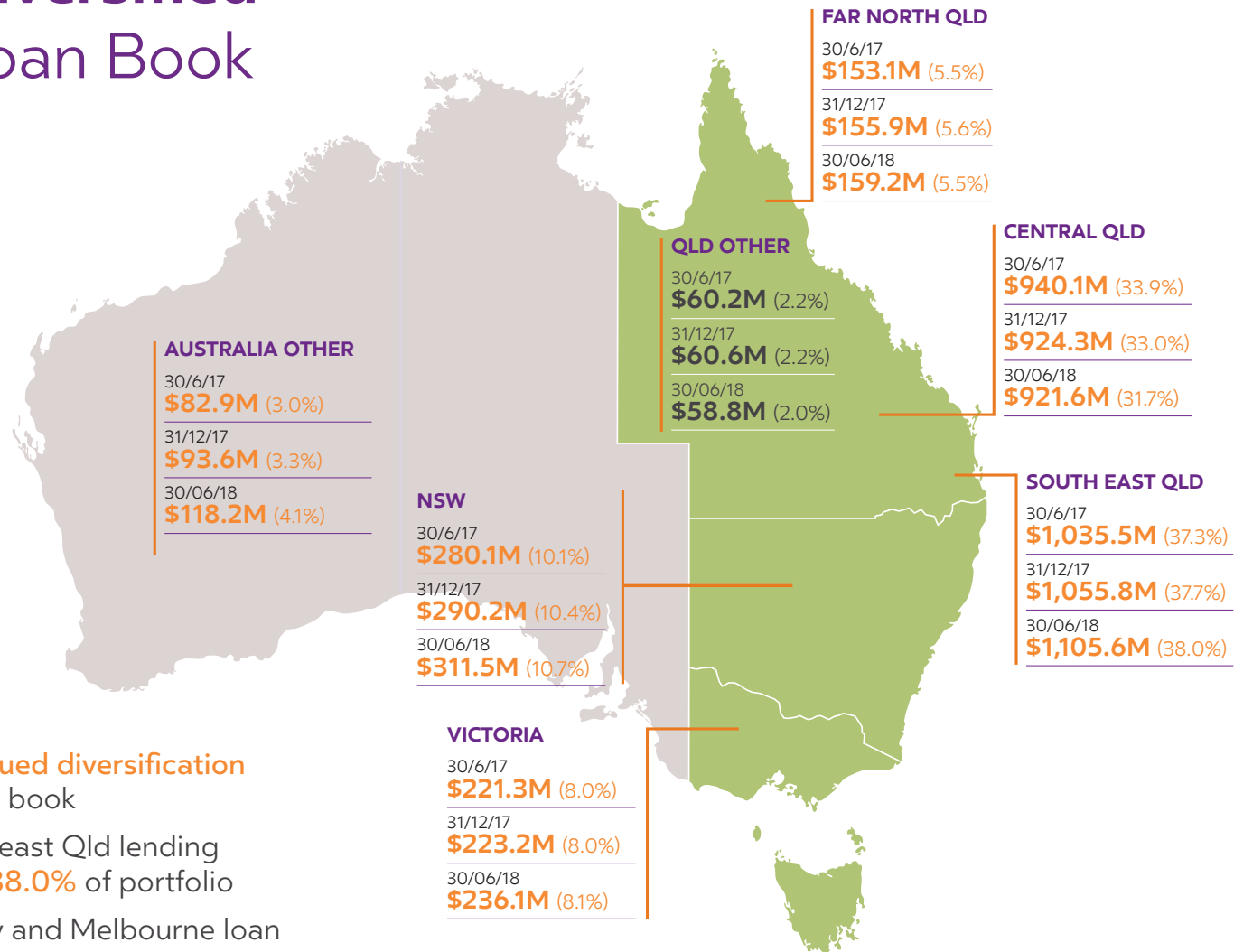
Total Loan Book up 5.0%

Loans and Advances Balances (\$m)



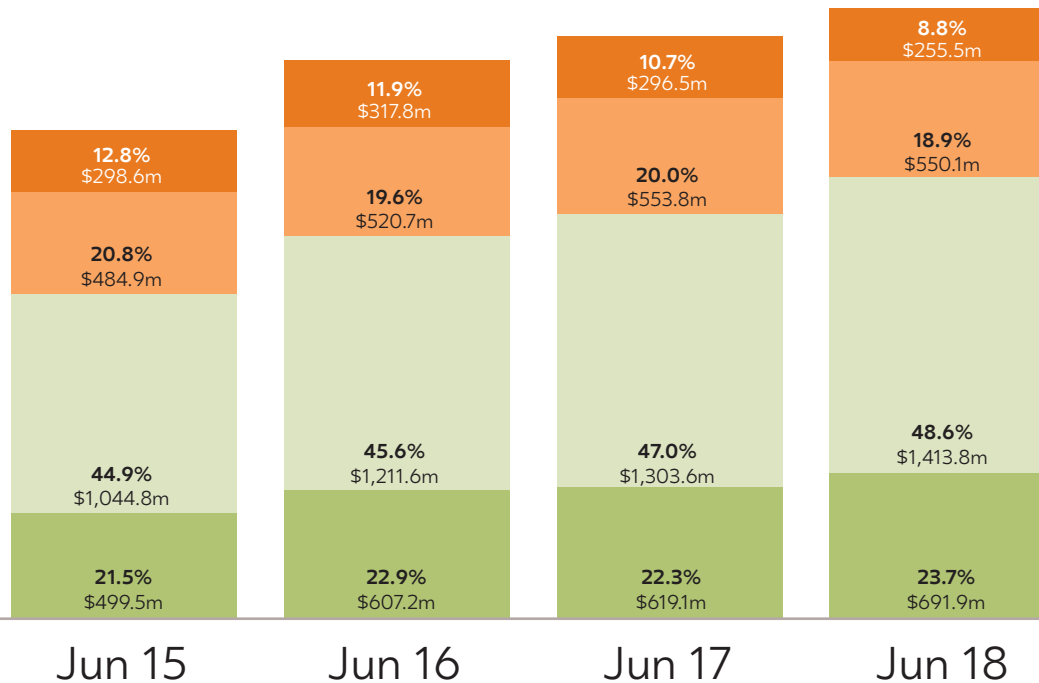
- Total loan book **increased 5.0%** from \$2.773b to \$2.911b, including:
 - Consumer lending book **increased \$14.4m (49.6%)** from \$29.1m to \$43.5m
 - Business banking book **increased 11.9%** from \$107.5m to \$120.3m
- **Growth of 6.1%** in net interest revenue
- Overall consumer loan book to 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 with unique features such as RBA 'cash rate' tracker function and competitive interest rate

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)



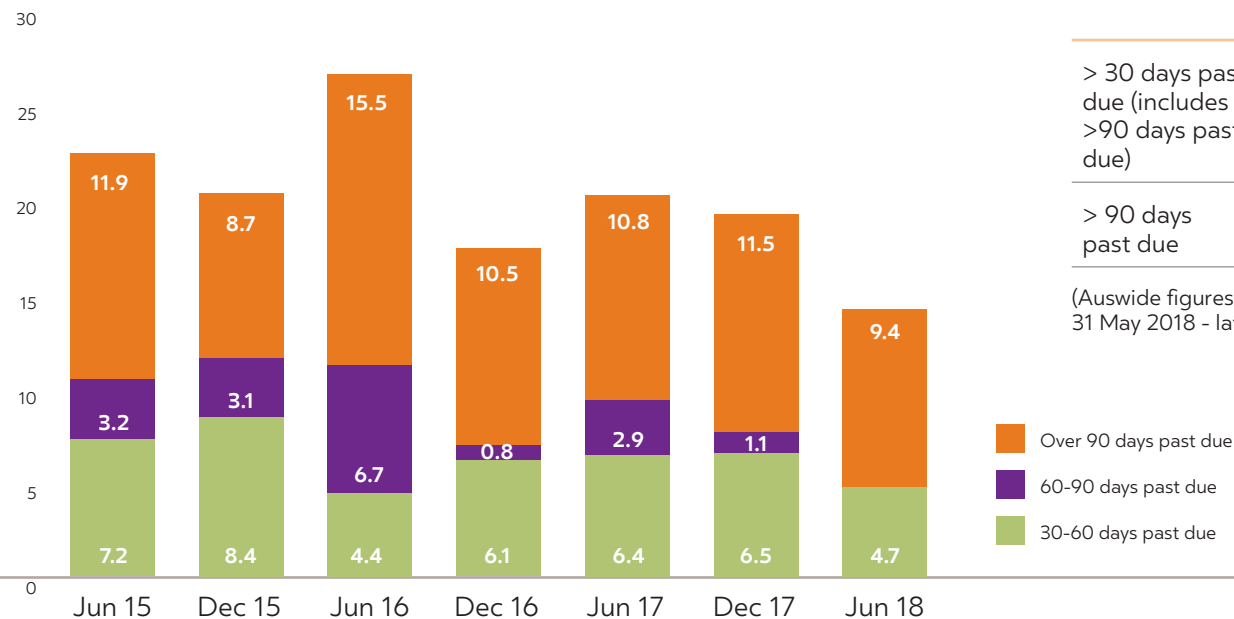
- **Continuing strength** in the loan book with over 90% LVRs at 8.8% down from 12.8% in FY15
- Loans with >80% LVR have **LMI insurance** arranged through QBE
- Regional Qld economies **stable or improving**



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)



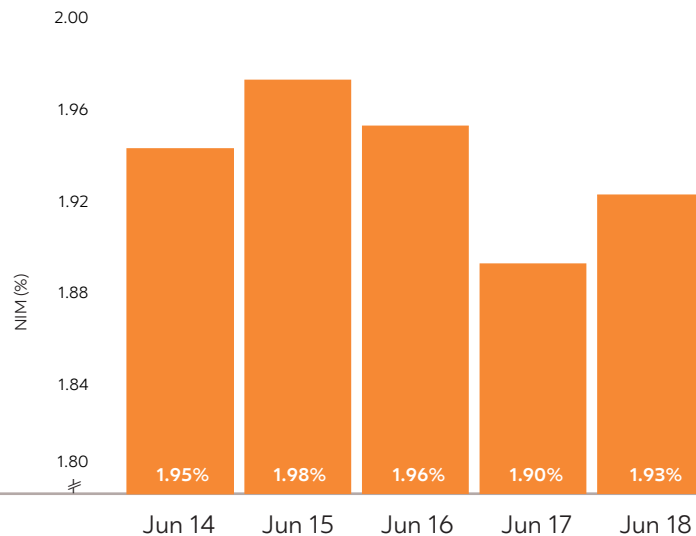
	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
> 30 days past due (includes >90 days past due)	0.48	0.95	1.44
> 90 days past due	0.32	0.44	0.69

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

Solid Net Interest Margin

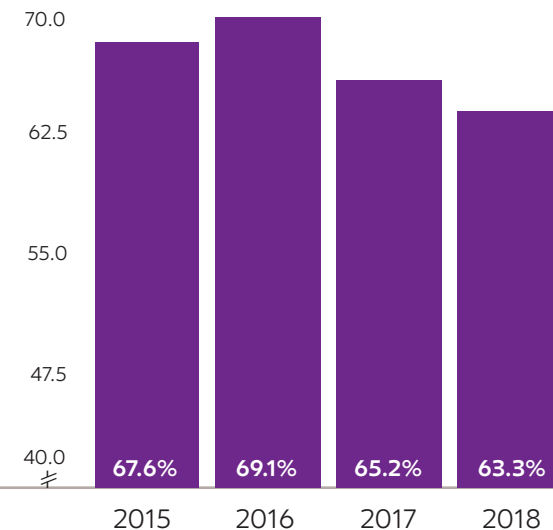
Effective Expense Management

Net Interest Margin



- **Efficient funding mix** assisted growth in NIM of 3 bps
- Elevated BBSW rates since February **increased wholesale funding costs** by approx 21 bps (total funding costs by approx 7 bps) between February and June 2018
- Residential owner-occupied and investment lending books **repriced to offset funding costs**

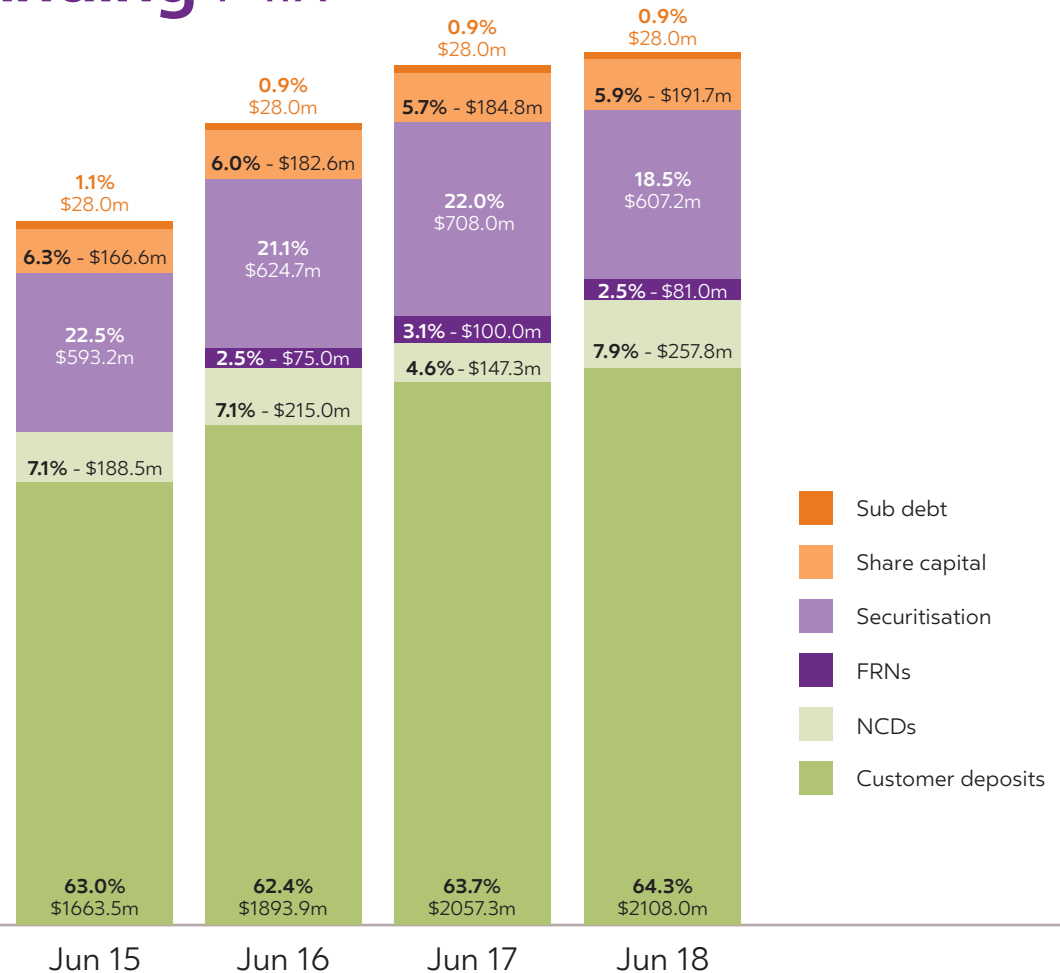
Cost to Income Ratio (Underlying)



- **Underlying expense growth** capped at 1.3% in FY18
- **Underlying cost to income ratio down** 190 bps in FY18
- **Continued investment** in customer services and technology

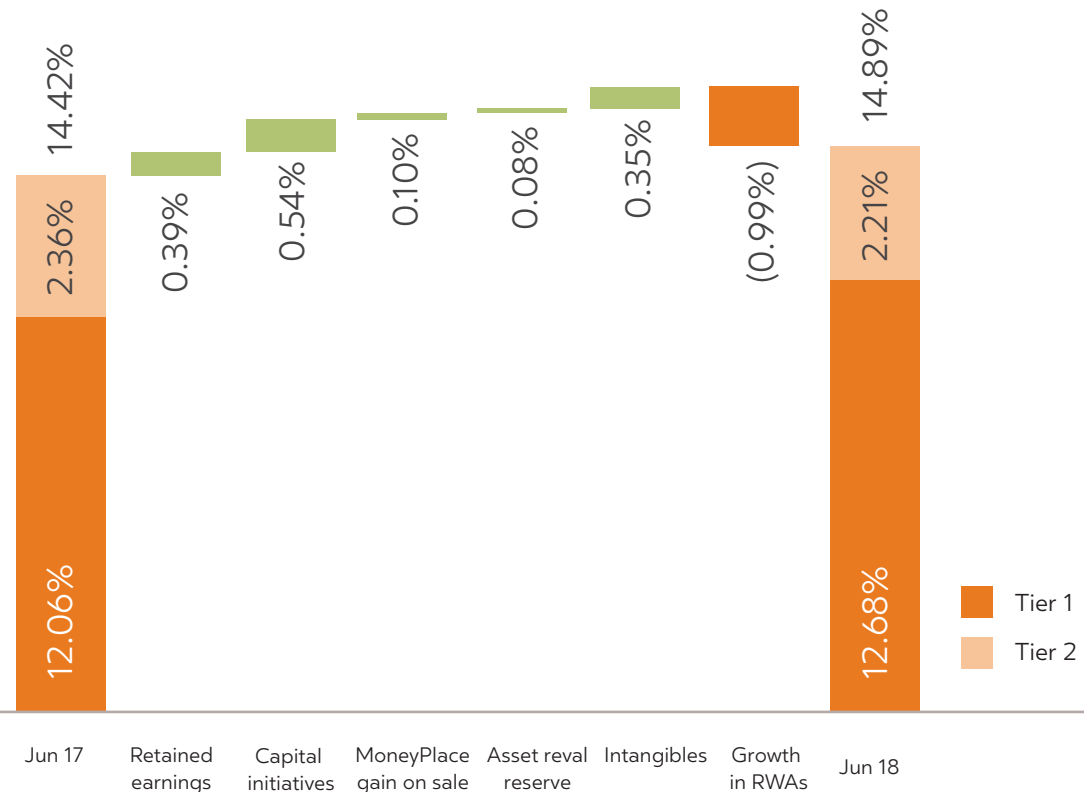
Optimising Funding Mix

- **Dual investment grade ratings** assigned from Fitch and Moody's of BBB+ and Baa2 (outlook stable) respectively
- 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



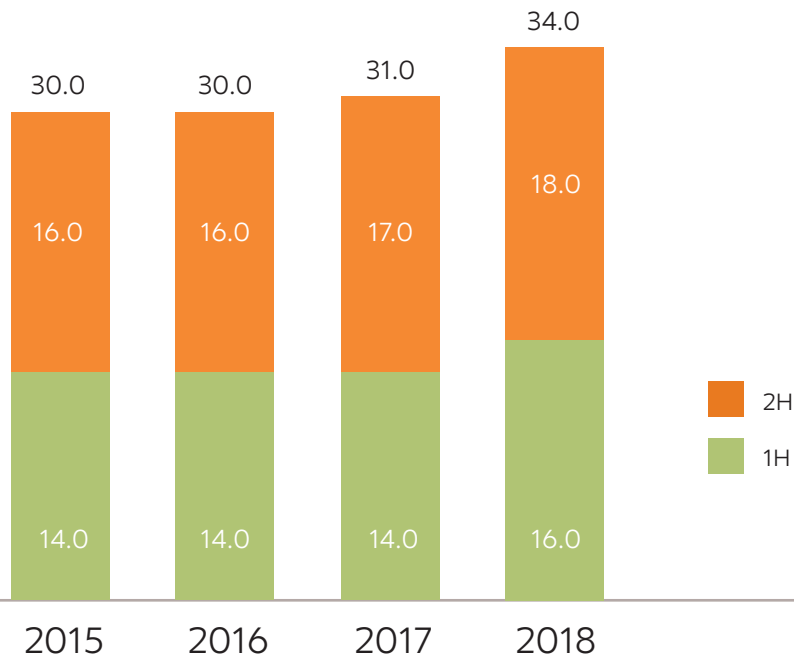
Sustained Strength in Capital to Support Growth

- 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

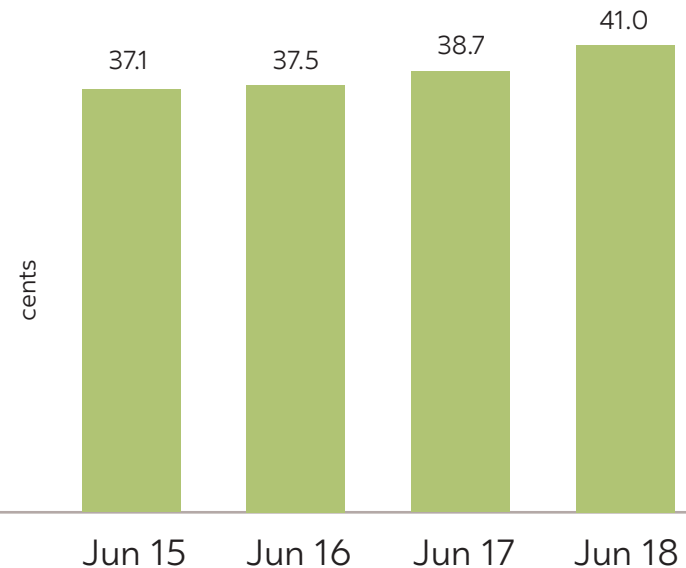


Dividend Increased to 34cps

Dividend (cents per share)



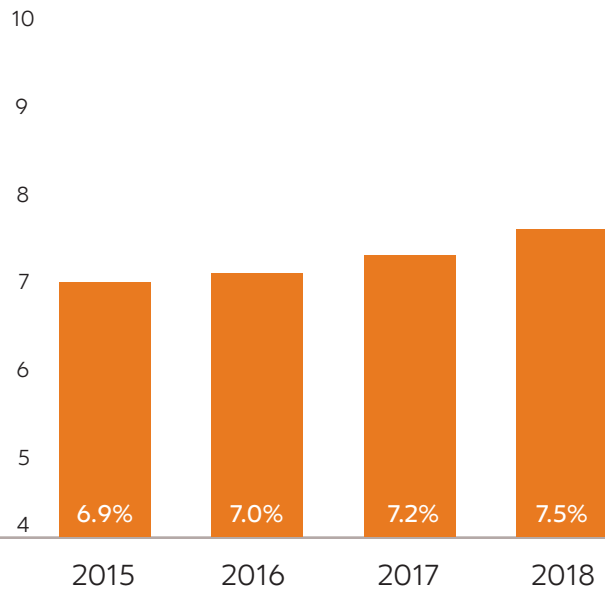
EPS performance (underlying)



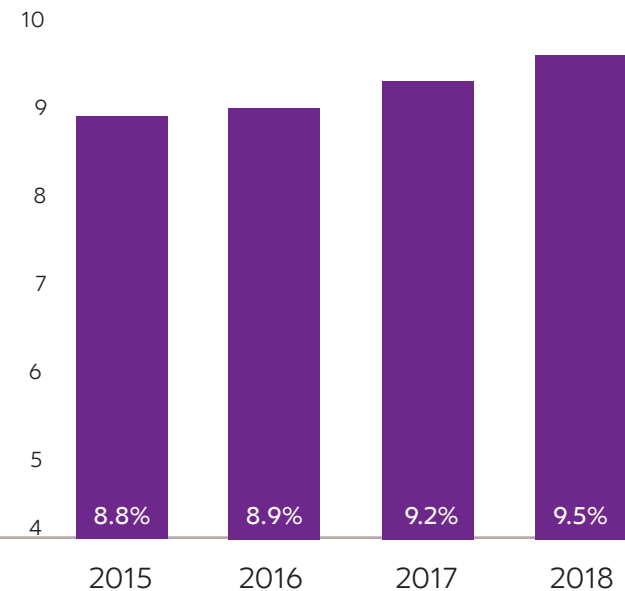
- FY18 Dividend payout ratio **80% of Statutory NPAT**
- No DRP due to **strength of capital**
- **Dividend yield** for 30 June 2018 6.04% fully franked

Increasing Investor Returns

Return on Equity
(Underlying)



Return on Tangible Equity
(Underlying)



- Strategic plan to **reform, re-energise and refocus the company**
- Targeting **sustained growth and profitability**
- **YOY increases in ROE**

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%

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 16 November 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.



AUSWIDE
— B A N K —

Martin Barrett – Managing Director
Annual General Meeting
20 November 2018



Our Reason

- To provide Regional Queensland, Queensland and other customers better value financial services matched with friendly personal service.
- To deliver sound returns for our shareholders whilst ensuring we do not compromise on customer services, staff goodwill and community engagement.
- To support employment, economic growth and community causes in our regional Queensland strongholds and to be valued corporate citizens.

Our Vision: The bank that our customers, staff and partners want their friends, family and colleagues to bank with.

Cross Winds

Slowing Housing Credit Growth

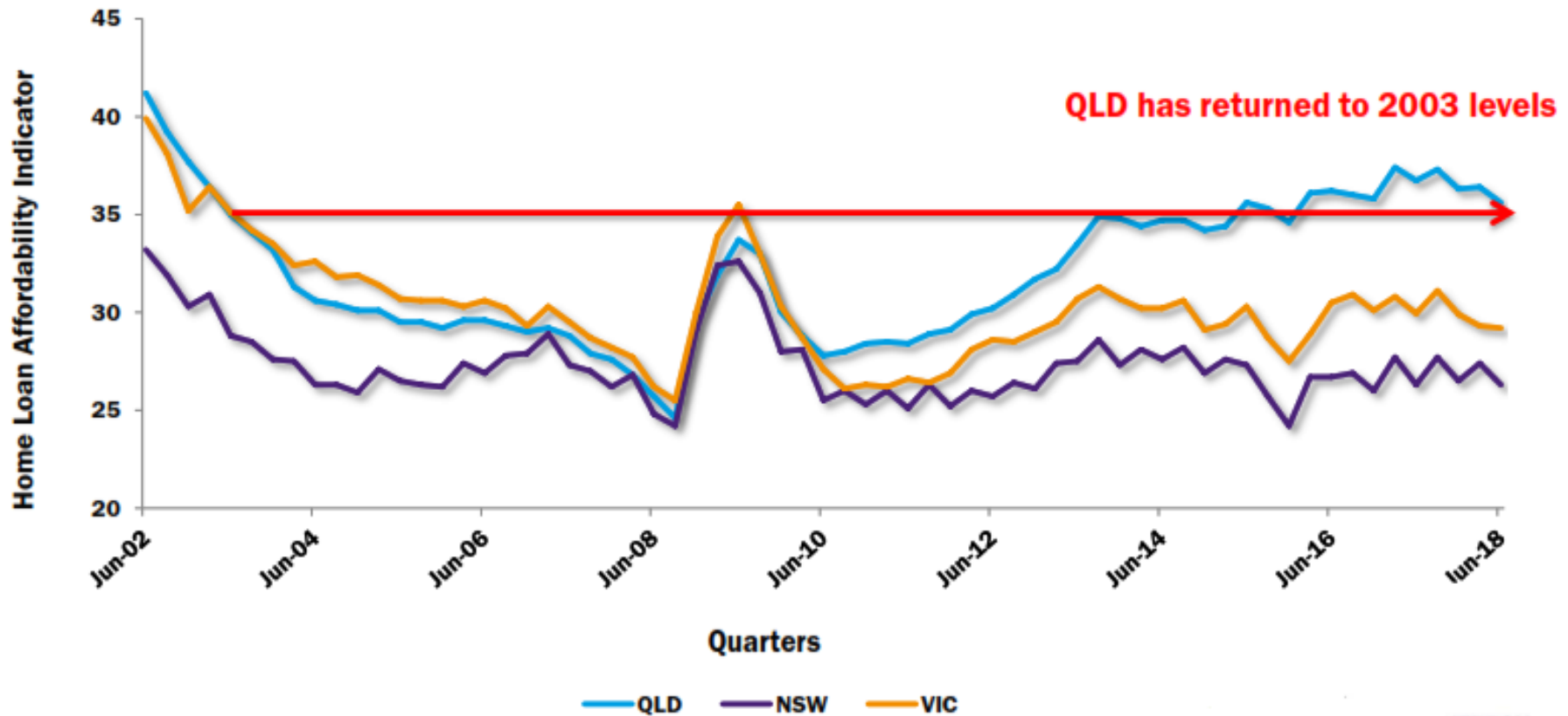
Declining/Flat House Prices

Elevated Funding Costs

Regulatory Actions

BUT

Housing Market QLD, NSW & VIC Affordability



Source: REIA

Banking on Reputation

- Severe Reputational Damage of Big Banks
- Significant Big Bank internal changes and need to address cultural and systemic issues.
- Regulators reacting to numerous shortcomings.
 - ASIC imbedding officers in the major banks for surveillance
 - APRA announcing proposal for further capital requirements slowly eroding the historic regulatory advantages they enjoy.
- The environment represents opportunity for Auswide Bank the only listed Queensland bank that calls Regional QLD home.

Banking on Partnership

- Accelerate our Brand Awareness and consideration with an iconic Queensland Partner
- Strengthen relationships with existing customers, staff and communities
- Build trust, advocacy and grow our business





Banking on Change

An unprecedented opportunity to leverage changing industry norms and technology advancements. Some of our strategic initiatives include:

1

Building a Digital Bank

A speedy, easy to use, 'process and paper light' digital application process for customers. Proven to drive customer acquisition and conversion – mobile phone and desktop

2

Open Banking Readiness

Refining our operating model to make it easier to partner with organisations that can improve our value proposition to our customers. Potential to drive customer acquisition through digital channel

3

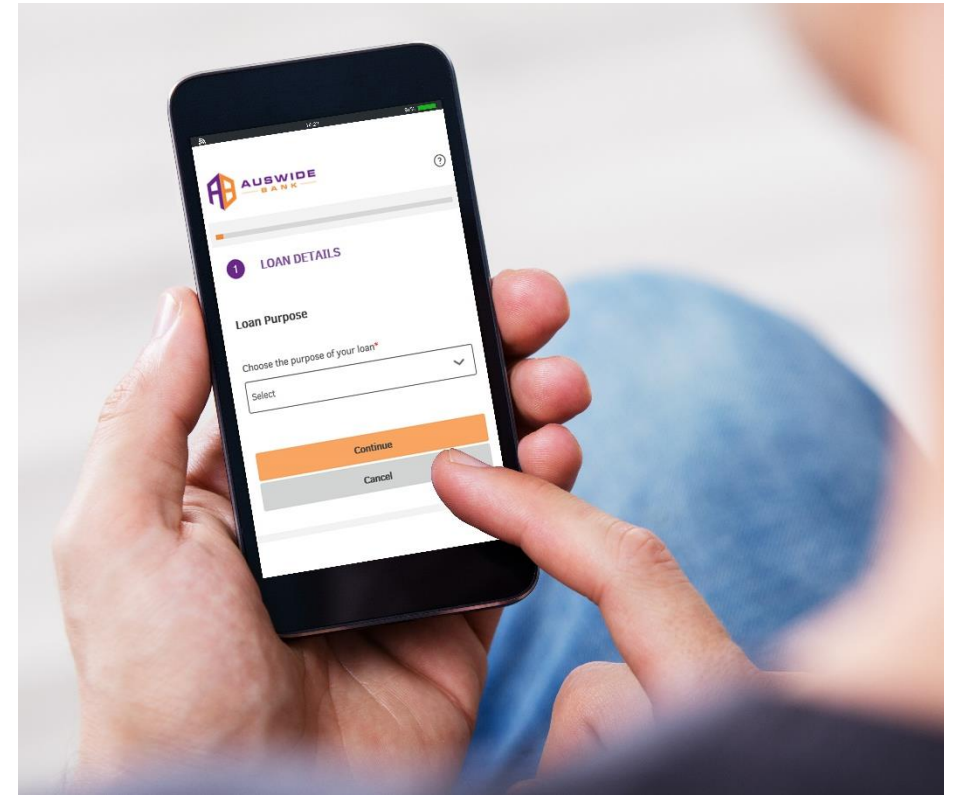
Automation

Freeing up skilled resources from manual low value processes to be able to focus on higher impact activities that our customers want and value most

4

Data Analytics

Investment in data analytics that provides insights to drive business decision making and marketing. Increased effectiveness of marketing. Better management decisions



Banking on Growth

- Tightening Credit is an opportunity for Auswide Bank
- We will push harder in our regional Queensland markets and SEQ for loan growth and full banking of customers
- We will continue our other state growth via our growing broker network complimented by other opportunities offered by our Digital Banking solution in 2019.
- We will leverage our new partnership and are building others that assist our growth
- We will extend our reach via our Digital Banking Strategy

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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 9 November 2018.

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