

15 February 2019

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

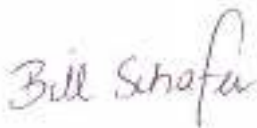
Dear Sir/Madam

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.



INVESTOR PRESENTATION

DECEMBER 2018 RESULTS

INVESTMENT FOR GROWTH



CUSTOMER TRUST AND STAFF ENGAGEMENT

- Trust is imperative with the industry under intense scrutiny.
- Strong history and legacy in regional QLD.
- Served, supported and sponsored our local communities for over 50 years.
- 93% staff engagement score which is market-leading.
 - Training to understand how leadership style affects and influences staff.
 - Adoption of strategies to improve on social and emotional health and wellbeing of our staff.



INVESTMENT IN CUSTOMER SERVICE

- Additional customer-facing appointments in H1 expected to result in increased loan growth in H2.
- Increased opportunities from large financial institutions which have suffered reputational damage from the Hayne Royal Commission.
- Ongoing competitiveness in the market.



INVESTMENT IN TECHNOLOGY

- Apply Online scheduled to be available in H2.
- Core system upgrade to ensure strong security, new product capability, efficiency and automation opportunities.
- Enhancement of Loan Origination systems for automation and integration through partner APIs.



INVESTMENT IN BRAND

- Partnership with the QRL and jersey sponsorship of QLD Maroons will increase brand awareness and footprint across QLD.
- Strong alignment of values, aspirations and commitment to local communities between Auswide Bank and the QRL.
- Building brand through consistent messaging and enhanced customer service.

QUEENSLAND RUGBY LEAGUE

62,000

Kids and adults play organised club football in Queensland every weekend.

460

Rugby League clubs affiliated with QRL across Queensland.

32%

Growth for female rugby league in 2018.

4.8M

Queensland Rugby League page views.

9.92M

Audience for the 2018 State of Origin.

1.35M

Social media followers across all QRL channels.

Maroons members based in

56% Queensland

32% Victoria

7% New South Wales

68%

of QRL fans feel brands make a strong statement about themselves through sponsorship.



FINANCIAL PERFORMANCE



H1 FY19 FINANCIAL PERFORMANCE HIGHLIGHTS



LOAN BOOK GROWTH

↑ 4.9%
(ANNUALISED)

STATUTORY NPAT

↑ 5.0%

DIVIDEND

16.0cps

CAPITAL ADEQUACY RATIO

14.43%

NET INTEREST REVENUE

↑ 1.4%

ARREARS

↓ 0.42%
(OF TOTAL LOANS
AND ADVANCES)

H1 FY19 FINANCIAL SUMMARY

STATUTORY (INCL. DISCONTINUED)

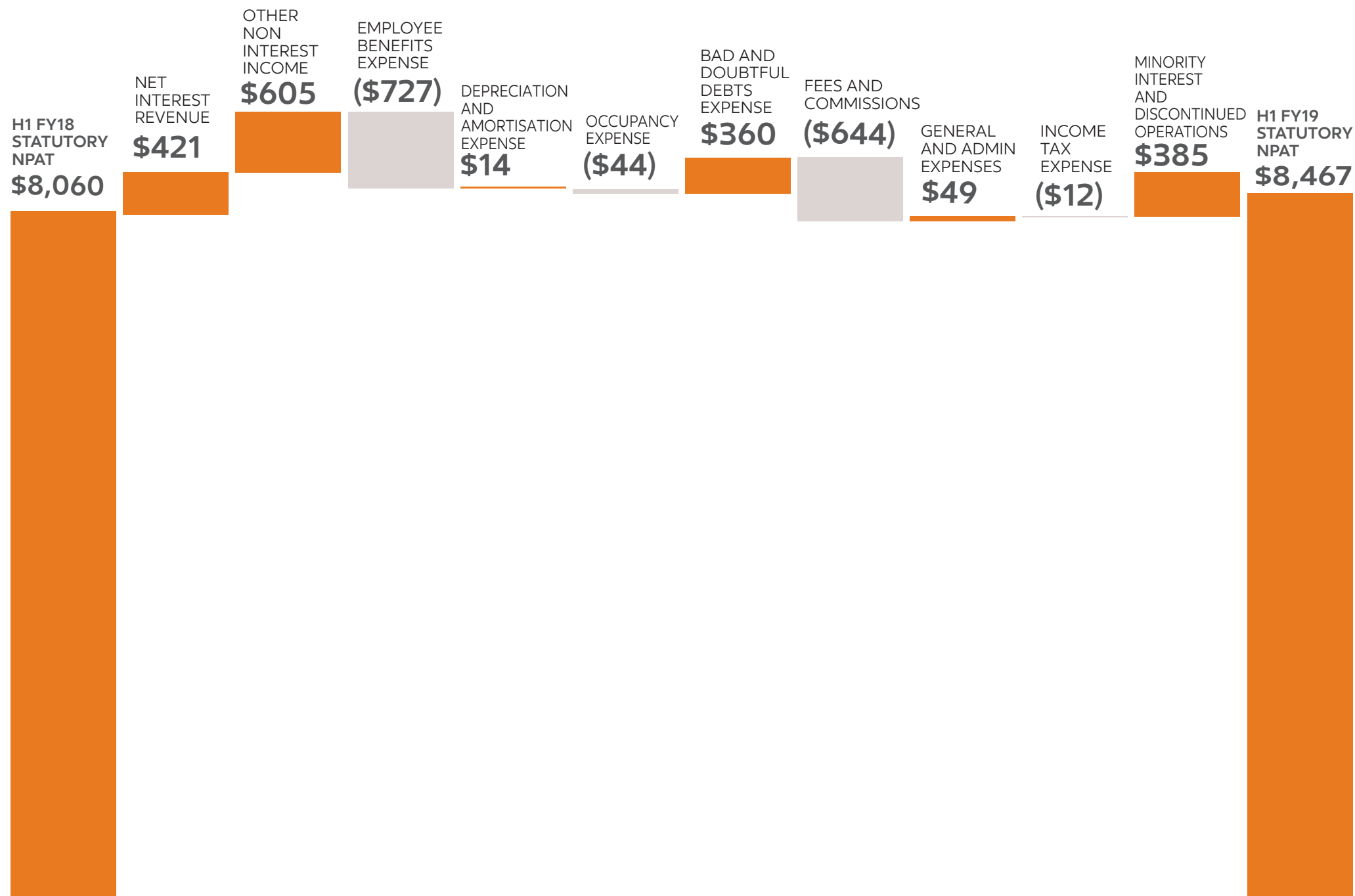
	H1 FY19	H1 FY18	Change	
NPAT	\$8.467m	\$8.060m	↑	5.0%
Loan Book	\$2.982b	\$2.804b	↑	\$178m
Net Interest Revenue	\$31.109m	\$30.688m	↑	1.4%
Net Interest Margin	188bps	196bps	↓	8bps
Interim dividend per share (fully franked) (cents per share)	16.0c	16.0c	—	0.0c
EPS (cents per share)	20.1	19.4	↑	0.7
ROE	7.2%	7.1%	↑	0.1%
ROTE	9.0%	9.0%	—	0.0%
Cost to Income Ratio	65.34%	63.40%	↑	1.94%
Capital Adequacy Ratio	14.43%	14.93%	↓	0.5%

UNDERLYING / CONTINUED OPERATIONS

	H1 FY19	H1 FY18	Change	
NPAT	\$8.467m	\$8.445m	↑	0.3%
EPS (cents per share)	20.1	20.4	↓	0.3
ROE	7.2%	7.5%	↓	0.3%
ROTE	9.0%	9.5%	↓	0.5%

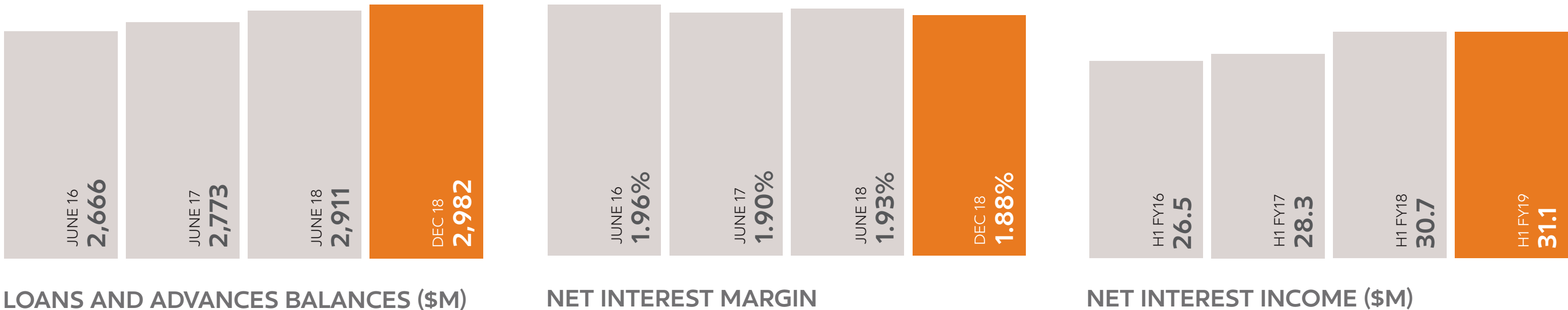
NPAT RECONCILIATION

\$000s



- 4.9% annualised loan book growth and decline in half-on-half NIM of 3 bps since 30 June 2018 resulted in net interest revenue increase of 1.4%.
- Other non-interest income – increase in package fees and insurance commissions.
- Employee benefits – investment in customer service staff including home loans and digital project management.
- Fees and commissions – increase in regulatory compliance and broker fees.

LOAN BOOK

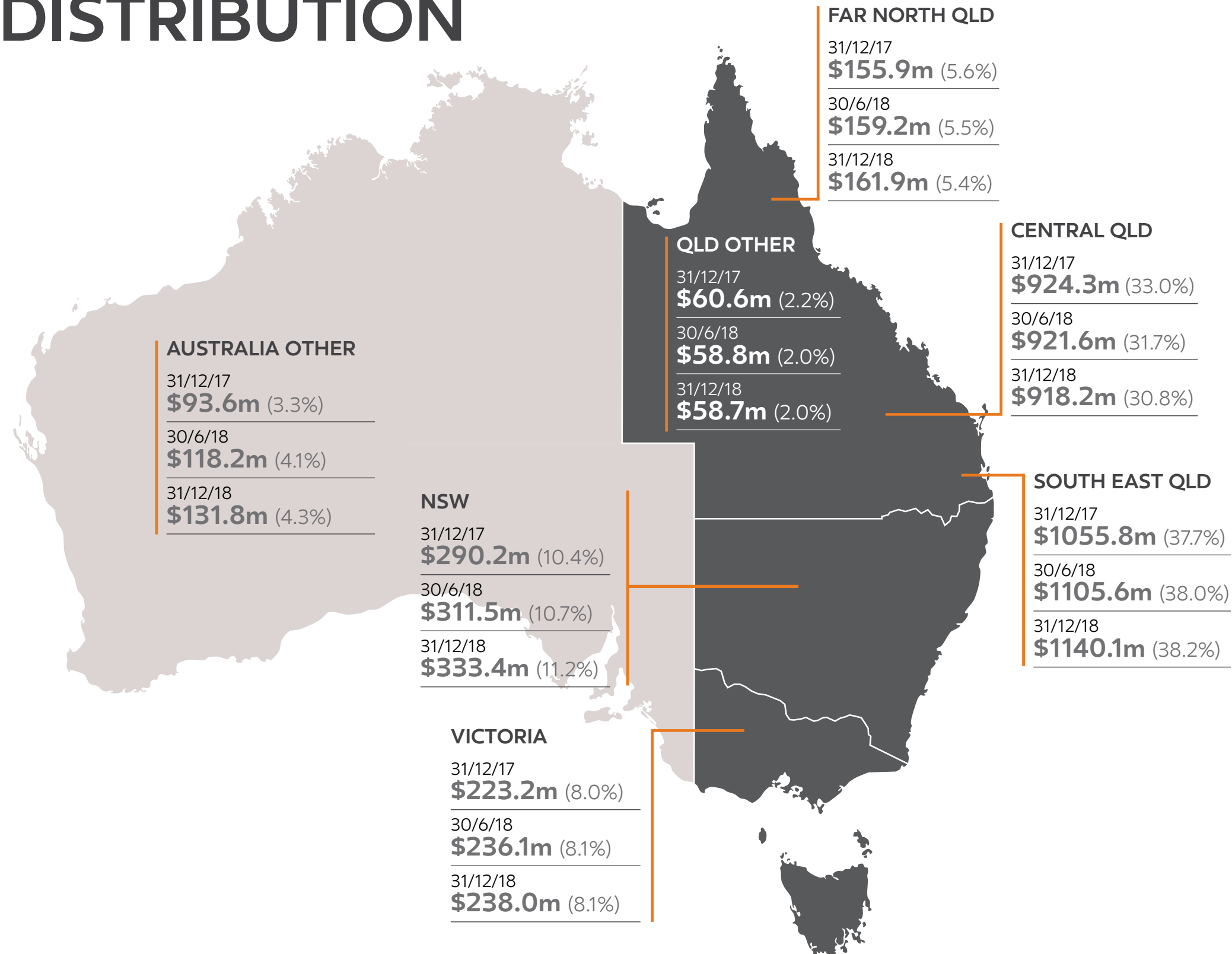


- Increase in total loan book of \$71m or 4.9% annualised in H1.
 - Increase in home loan book of 4.6% annualised compared to system growth of 3.3%¹.
- Pricing for new lending has tightened contributing to a decline in asset yields.
 - BBSWs remained elevated across the half year with a spike occurring from October to December, resulting in rises in wholesale funding pricing across the half year.
 - Term deposit repricing has pushed higher as competition for retail deposits continues.

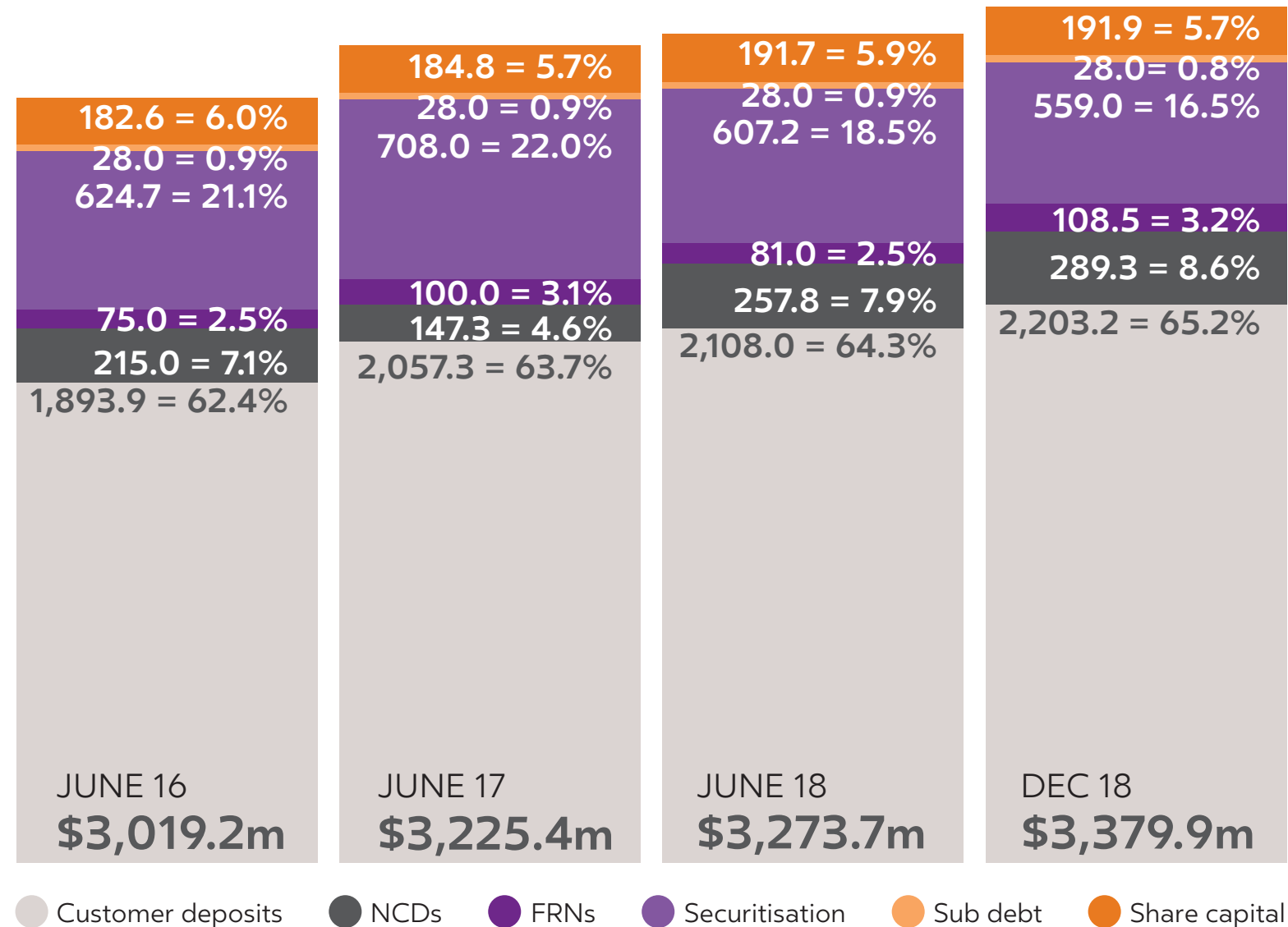
¹ Source: Company data, APRA statistics December 2018 based on loans to households: owner occupied and investment and housing loans securitised (annualised).

LOAN BOOK DISTRIBUTION

- Continuing strength in SE Qld and Sydney loan books.
- Strategic focus on Central Qld to increase market share in regional areas.
- QRL partnership to enhance brand recognition and distribution.

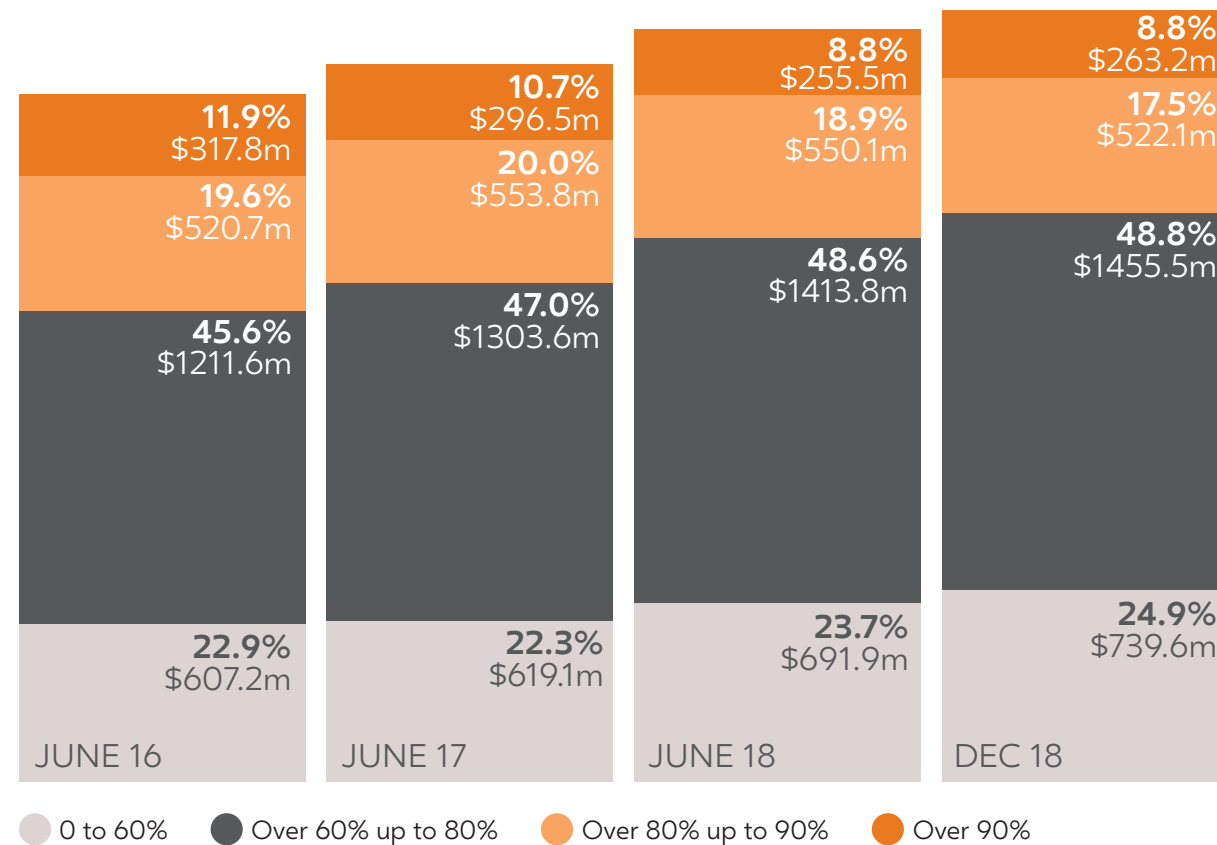


FUNDING MIX



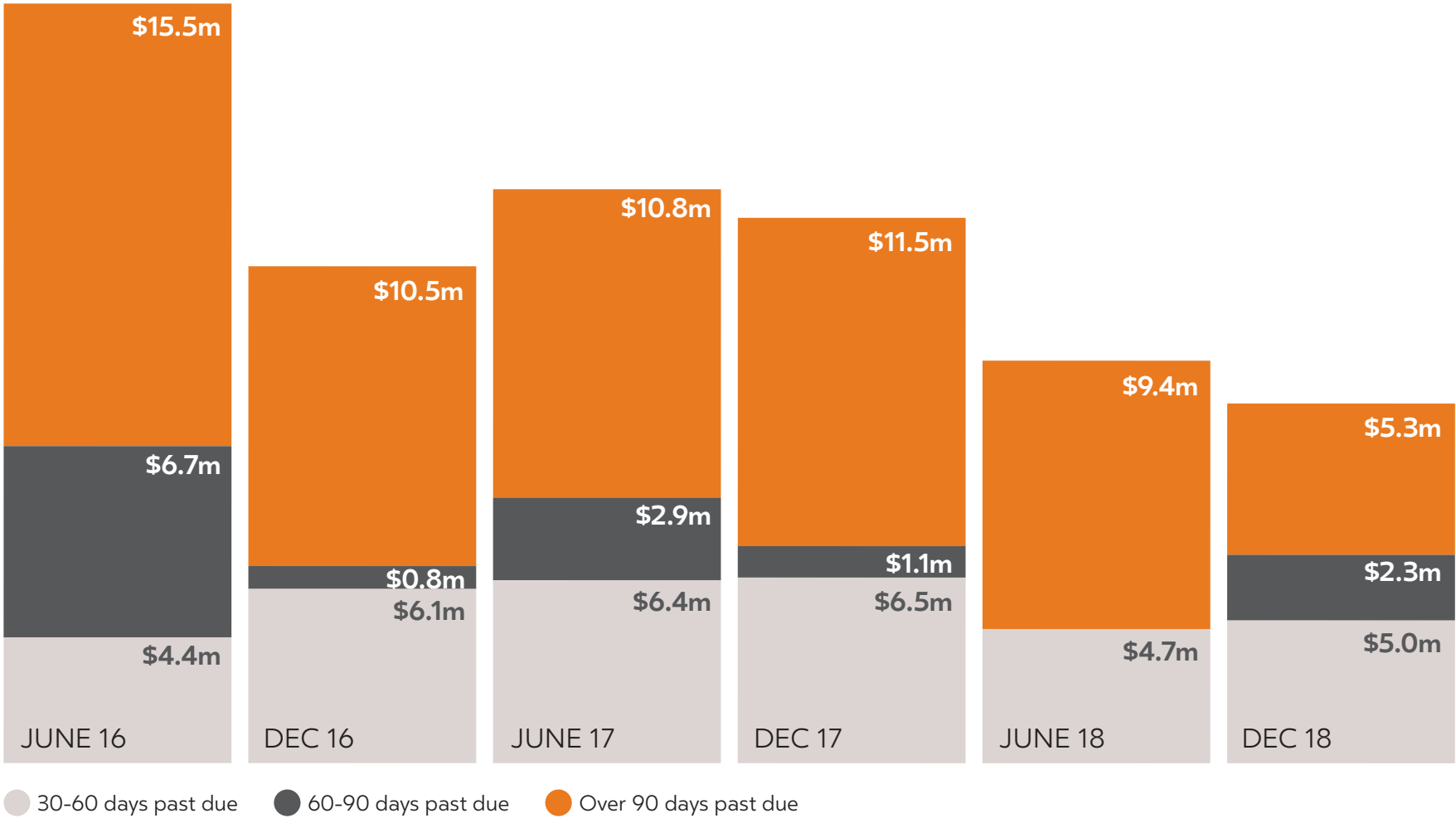
- Dual investment grade ratings assigned from Fitch and Moody's of BBB+ and Baa2 (outlook stable) respectively.
- Elevated BBSW rates since October increased wholesale funding costs by approx. 14 bps.
- Decreased reliance on higher cost securitisation funding, down to 16.5%, assisting a more efficient funding mix.
- Extended tenure on Senior FRNs out to 2 years following dual corporate ratings.
- Customer deposit growth of 4.5% in the six-month period.
- Strategic focus remains on building the customer deposit base during 2019.

LOAN VALUATION RATIO



- Composition of loan book remains concentrated in low LVR lending.
- Proportion of loan book with over 80% LVRs continues to trend downwards.
- 73.6% of home loans at <80% LVR.
- A mature portfolio in regional locations.

LOAN BOOK ARREARS



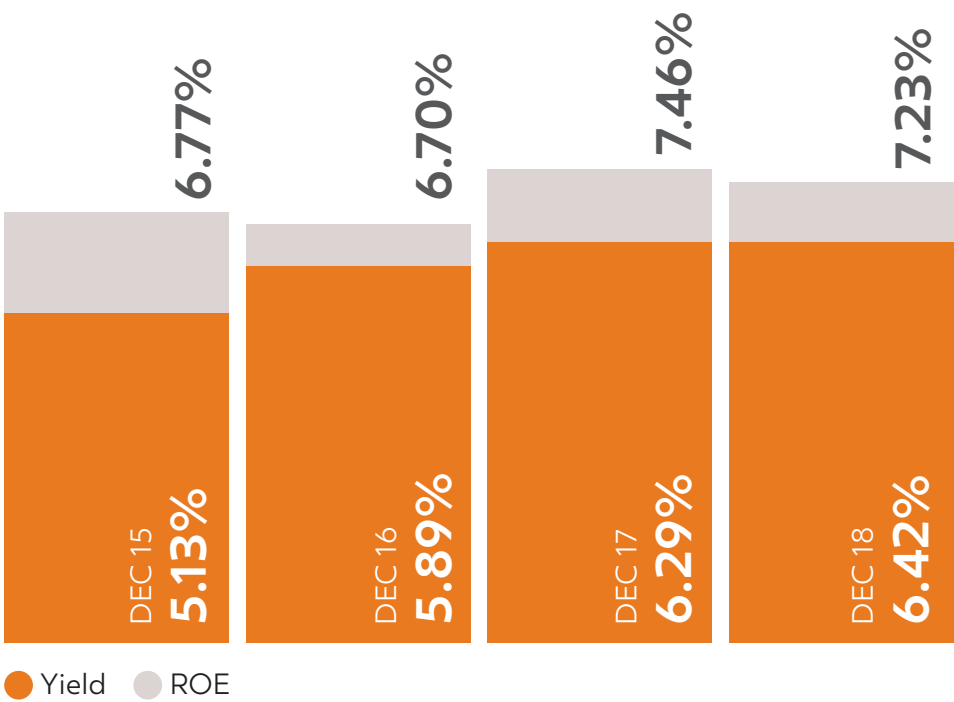
LOANS PAST DUE V. SPIN (PERCENTAGE OF TOTAL LOANS)

	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
>30 days past due (includes >90 days past due)	0.42	0.87	1.54
>90 days past due	0.18	0.40	0.83

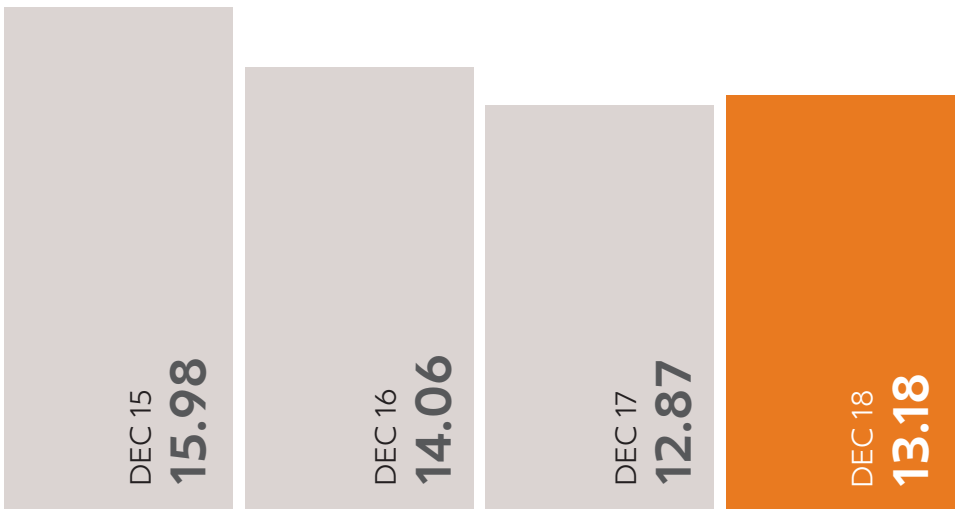
(Auswide fugures: as at 31 December. SPINs: as at 30 November 2018 latest available at time of publication)

- Outstanding arrears performance with 30 and 90 days arrears well below peers and trending downwards.
- Emphasis on maintaining a quality loan portfolio.
- Continued downward trend in arrears decreasing from \$14.1m at 30 June 18 to \$12.6m at 31 December 18.
- Introduction of AASB 9 accounting standard strengthened doubtful debts reserves with a whole of life view of risk in the loan book.

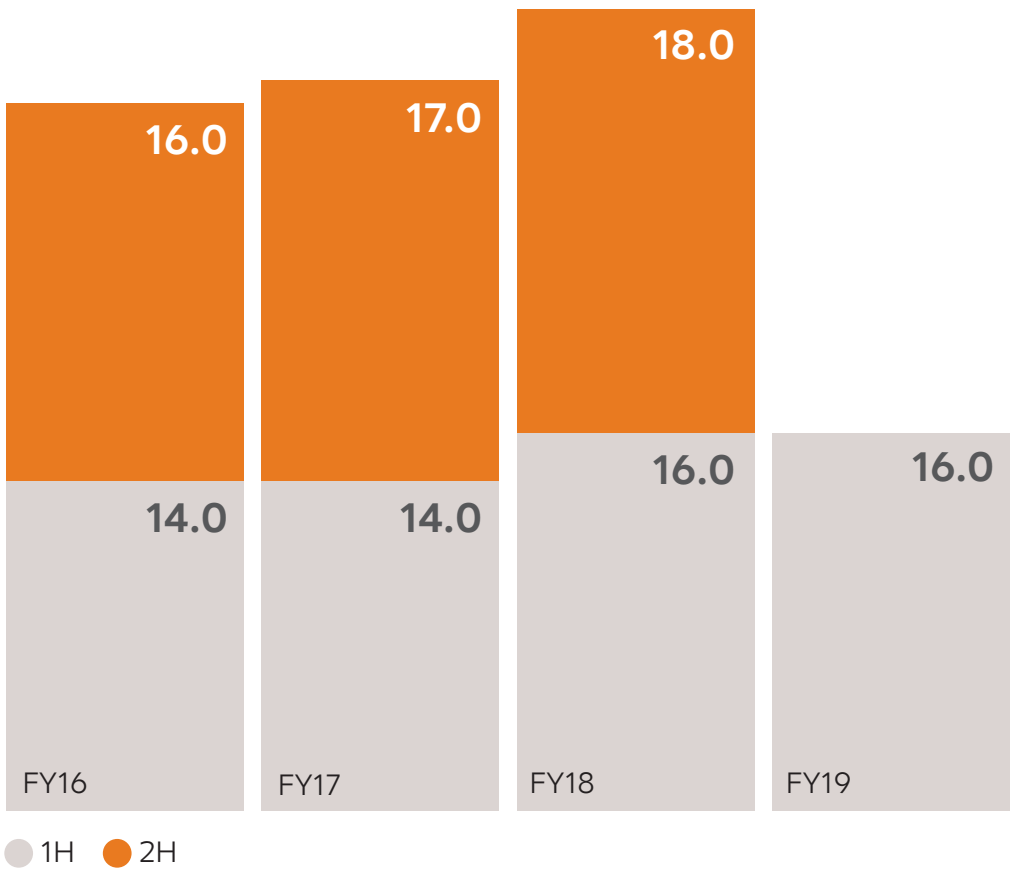
DIVIDEND AND EPS



ROE AND DIVIDEND YIELD



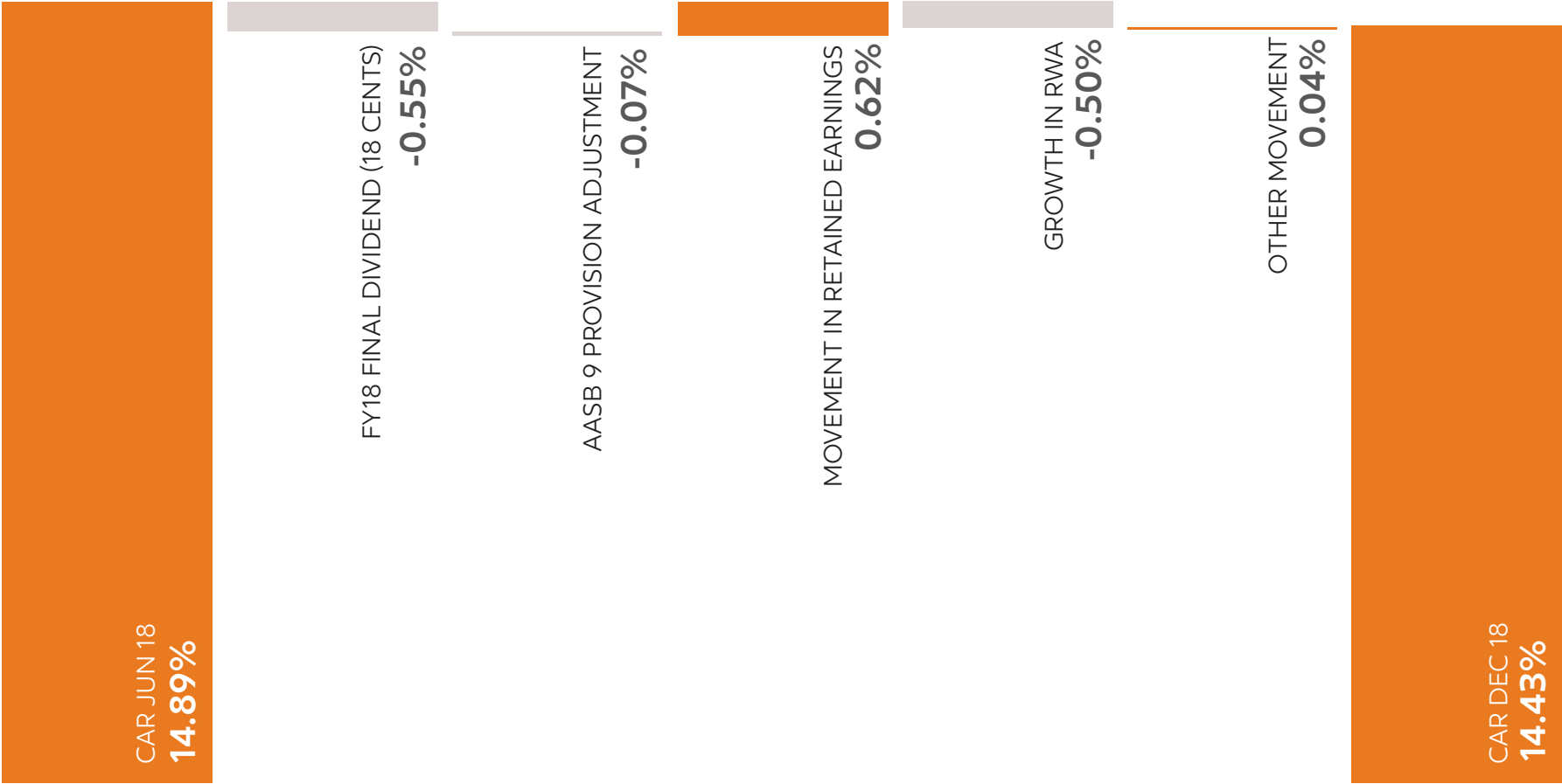
PRICE EARNINGS RATIO



DIVIDEND (CPS)

- Dividend retained at 16.0 cps for interim dividend for FY19.
- Payout ratio within Board target of 70% to 80% at 79.7%.
- Dividend yield at 6.42% at end of half year.

CAPITAL



- Capital strength retained at 14.43%, materially above board target.
- Capital funding available for targeted H2 growth in loan book.
- M&A and fintech partnership opportunities monitored by the Board.
- DRP suspended due to capital strength.

STRATEGY



STRATEGIC FOCUS

1. BUILDING AWARENESS AND CONSIDERATION

- Building the Auswide Brand through consistent messaging and enhanced customer service.
- Focus on growing market share in QLD.
- Strengthen communication to a wider customer base, including millennials.
- Leverage QRL membership base and drive new customer acquisition.

2. AUTOMATION AND SIMPLIFICATION

- Simplify products.
- Automating processes to improve customer experience and drive down the cost to income ratio.
- Competitive pricing.
- Strong growth in deposit base.
- Continue to update and leverage core banking system.

3. STRENGTHENING

- Data-driven decision making.
- Agile, collaborative workforce.
- Fit-for-purpose data analytics.



STRATEGIC FOCUS

4. DIGITAL

- Omni-channel self-service options, products and on-boarding.
- Smooth and efficient digital experience.
- Digital acquisition supporting transition of customers from branches to digital.

5. CONTACT CENTRE AND CUSTOMER SERVICE

- Outstanding customer service.
- Contact Centre of excellence.
- Significant uplift in positive responses for customer experience.
- Use technology and data to support customers and provide opportunity.

6. NON-ORGANIC/ PARTNERSHIPS

- Open Banking operating model for easy API integration with partners.
- Enhance loan origination systems.
- Reviewing M&A and Fintech partnering opportunities to drive scale.



STRATEGIC FOCUS

LEADING TO OVERALL FINANCIAL GOALS

- Material growth in loan book.
- Material reduction in cost-to-income ratio.
- ROE 10% over next three years.



OUTLOOK



OUTLOOK



CUSTOMER

Enhanced customer experience through digital banking.

Opportunities to leverage reputational damage to large financial institutions.

QRL investment offers brand recognition throughout Qld.

Enhanced Contact Centre services, skills and leadership.



GROWTH

Targeting growth opportunities via QRL sponsorship investment.

Residential mortgage growth above current system.

Apply Online to boost growth in consumer loan book.

Targeted deposit growth through first party and digital channels.



STRENGTH

Continued capital strength to support growth and M&A opportunities.

Net interest margin stability targeted via funding mix and deposit growth.



FINANCIAL

Leveraging technology and HR investments to drive cost to income ratio down to 60%.

Target of 10% ROE in medium term.

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 15 February 2019.

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.