



INVESTOR PRESENTATION

2019 RESULTS

FY19 FINANCIAL HIGHLIGHTS

UNDERLYING NPAT OF

\$17.201m

↑ 0.5%

LOAN BOOK

\$3.131b

↑ 6.3%, 1.9 x SYSTEM

TOTAL DIVIDEND

34.5c

↑ 0.5c, YIELD 6.73%

CAPITAL ADEQUACY RATIO

13.79%

STRONG CAPITAL
SUPPORTS GROWTH

NET INTEREST REVENUE

\$63.185m

↑ 3.5%

CUSTOMER DEPOSITS

\$2.373b

↑ 12.6%, 71.4% SELF FUNDING

FY19 ACHIEVEMENTS

STRONG MARKET SHARE GROWTH IN CHALLENGING YEAR



RESPONSIBLE LENDING GROWTH

Strong loan book growth
1.9 X system growth

Sound credit quality
Arrears at historic lows, 74%
loan book LVR 80% or less

Capital strength
“Unquestionably strong” capital
supports loan book growth



OPTIMISE FUNDING MIX

Stabilised NIM in 2H
Despite challenging conditions
due to better funding mix,
deposit growth

Improved funding mix
12.6% growth in customer
deposits, reduced reliance
on securitisation



CUSTOMER FOCUSED

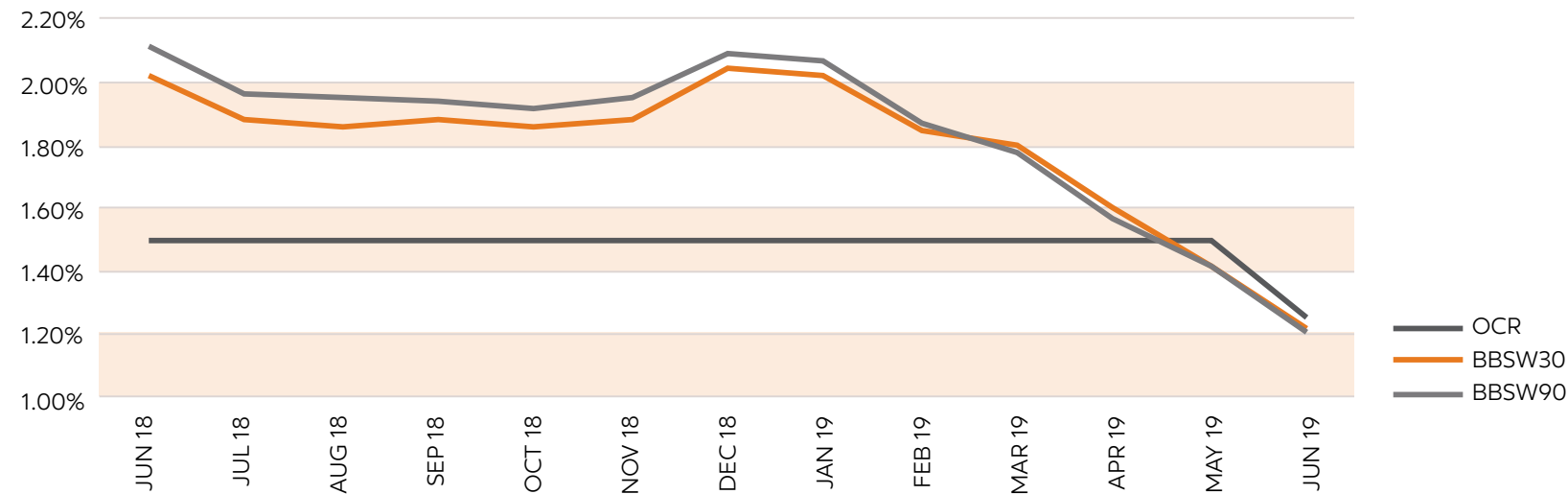
Apply online
Product rollout continues

Customer-driven tech
Ongoing investment in data
analytics, BI capabilities

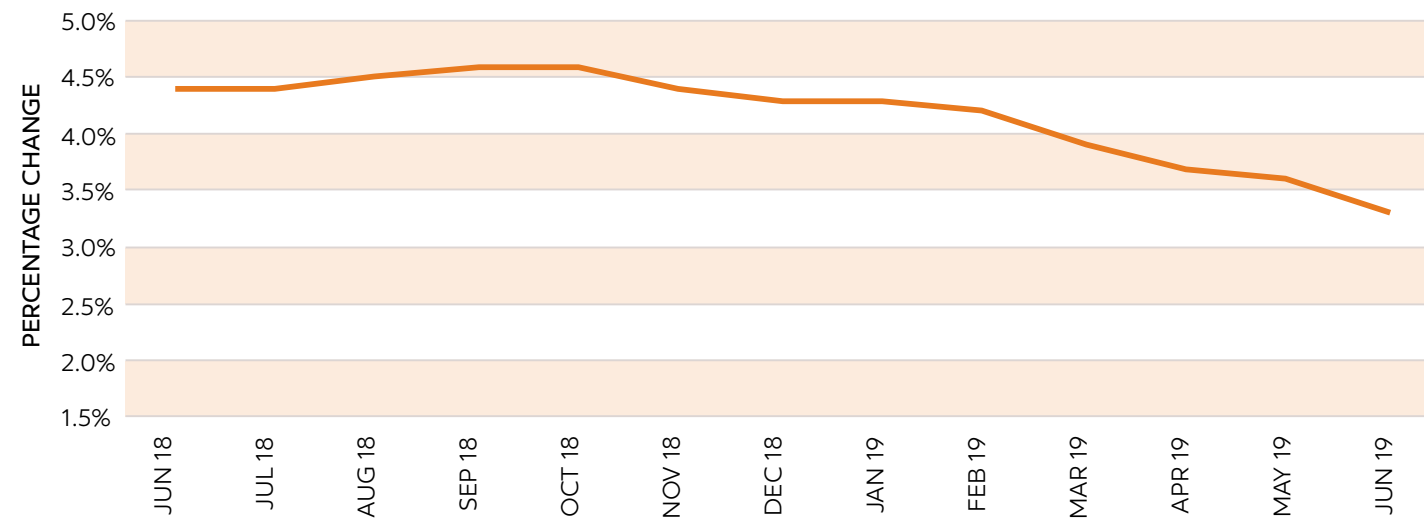
QRL sponsorship
7% increase in Auswide brand
awareness post State of Origin

FY19

A SOLID RESULT IN A CHALLENGING YEAR



SPREAD: CASH RATE TO BBSWS



DECLINING SYSTEM GROWTH

RBA Financial Aggregates – Total Credit Growth

- Significant housing loan competition
- Volatility in BBSWs and cost of funding lines
- Pressure on NIM
- Significant regulatory and accounting standard change
- System growth declining across the year
- Royal Commission and associated compliance issues

AWARDS

FIVE PRODUCT AWARDS RECEIVED IN FY19



OUR PEOPLE

COMMITMENT TO CUSTOMER SERVICE THROUGH STAFF DEVELOPMENT

- Auswide Bank is committed to increasing the knowledge, capability, professional and personal development of our people
- Our people are asked to understand and commit to our Values, Code of Conduct and Ethics
- The Bank adopts strategies to improve on the social and emotional Health & Wellbeing of our people
- 89% of staff participated in the annual Auswide Bank Employee Engagement & Satisfaction Survey
- Staff Engagement Score for 2019 is 93%
- Overall Staff Satisfaction Score is 83% based on core metrics of engagement, staff loyalty, leadership, teamwork/communication, customer/brand advocacy and innovation

	2016	2017	2018	2019
Staff Engagement	95%	96%	93%	93%
Overall Staff Satisfaction Score	87%	88%	84%	83%

FINANCIAL PERFORMANCE



FY19 FINANCIAL OVERVIEW

UNDERLYING NPAT GROWTH DUE TO ABOVE SYSTEM LOAN BOOK GROWTH

UNDERLYING / CONTINUED OPERATIONS

	FY19	FY18	Change	
NPAT (Consolidated)	\$17.201m	\$17.108m	↑	0.5%
EPS (cents)	40.8c	41.0c	↓	0.2c
RONTA ¹	9.1%	9.5%	↓	0.4%
Cost to Income Ratio	64.5%	63.3%	↑	1.2%

1 Return on Net Tangible Assets (equivalent to Return on Tangible Equity (ROTE))

2 Grossed up for Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet. There was also a change in Accounting Policy in FY19 (which also affected FY18 comparative) to include Accrued Interest and Prepaid Brokers Fees in the Loans and Advances balance.

STATUTORY (INCL. DISCONTINUED)

	FY19	FY18	Change	
NPAT (Consolidated)	\$17.201m	\$17.886m	↓	3.8%
Loan Book ²	\$3.131b	\$2.945b	↑	6.3%
Net Interest Revenue	\$63.185m	\$61.020m	↑	3.5%
Net Interest Margin (bps)	187bps	193bps	↓	6bps
Final dividend per share (fully franked)	18.5c	18.0c	↑	0.5c
Total dividend per share (fully franked)	34.5c	34.0c	↑	0.5c
EPS (cents)	40.8c	42.8c	↓	2.0c
RONTA ¹	9.1%	9.9%	↓	0.8%
Capital Adequacy Ratio	13.79%	14.89%	↓	1.1%
Deposits	\$2.373b	\$2.108b	↑	12.6%

NPAT RECONCILIATION

UNDERLYING NPAT UP 0.5% YOY

\$000s

- Underlying NPAT up 0.5% YOY despite competitive lending environment and volatile funding costs
- Strong loan book growth of 6.3% YOY, 1.9 X system growth
- Net interest revenue increased by 3.5% YOY (or \$2.2m)
- Employee Benefits rose due to increased investment in customer service staff (home loan and digital project management)
- Fees and Commissions Expense reflected higher broker fees and compliance



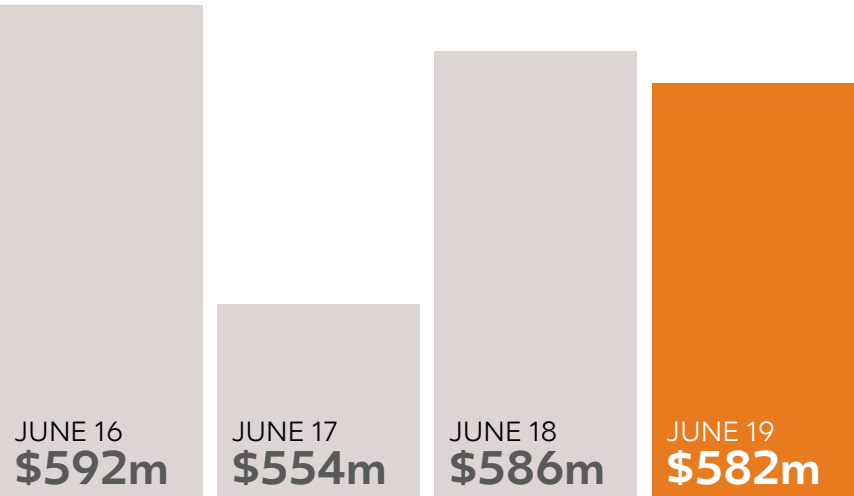
LOAN BOOK

STRONG LOAN BOOK GROWTH

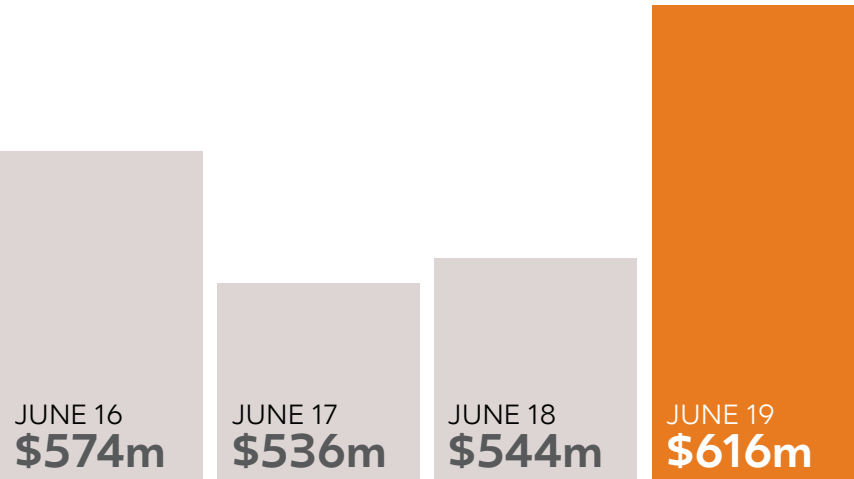


LOANS AND ADVANCES BALANCES

*RBA Financial Aggregates – Total Credit Growth



HOME LOAN APPROVALS

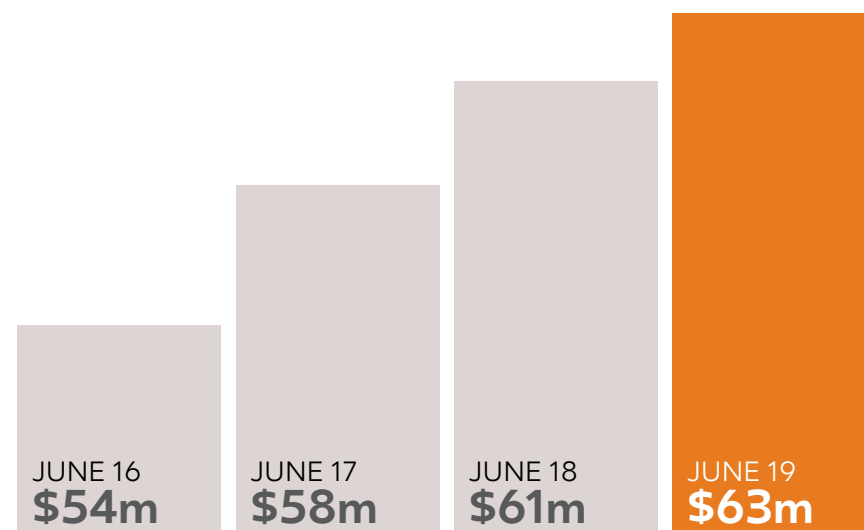


HOME LOAN SETTLEMENTS

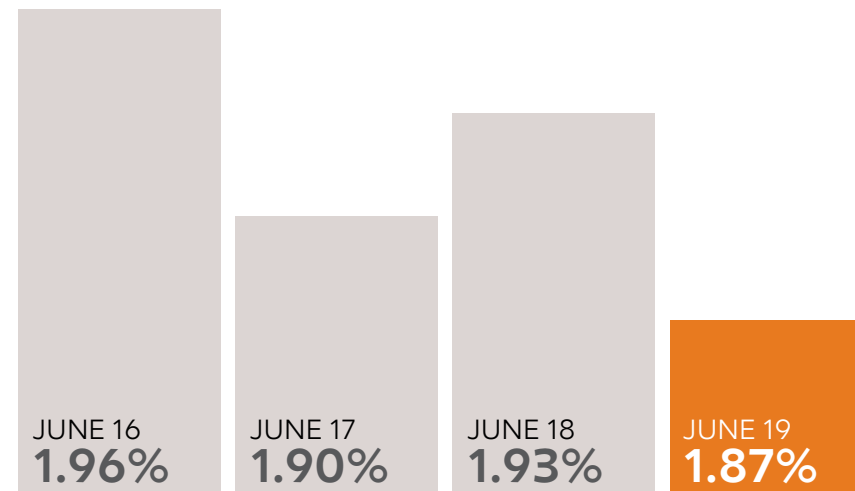
- Strong loan book growth of 6.3% YOY to \$3,131m
- Well ahead of system growth of 3.3%*
- Supported by 13% uplift in home loan settlements to \$616m
- Consumer lending (including MIS funding) increased to \$62m (FY18: \$44m)

LOAN BOOK (CONTINUED)

NET INTEREST REVENUE UP 3.5%



NET INTEREST INCOME



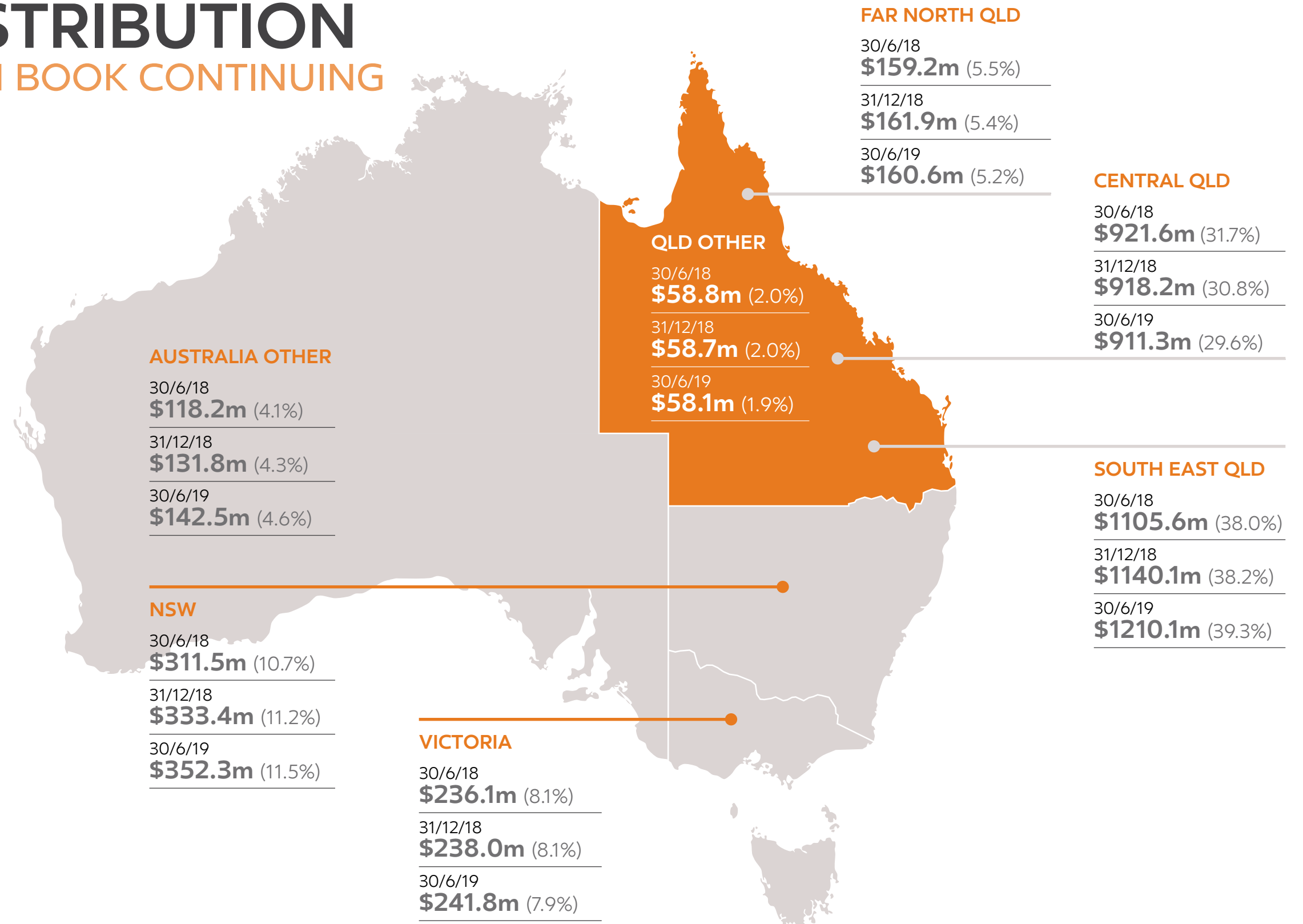
NET INTEREST MARGIN

- Net interest revenue rose by 3.5% to \$63m
- Net Interest Margin of 187 bps was 6 bps lower YOY
- Volatile BBSW levels in H1 FY19 resulted in a 5 bps NIM decline to 188 bps
- NIM stabilised in H2 FY19 with exit margin of 194 bps

LOAN BOOK DISTRIBUTION

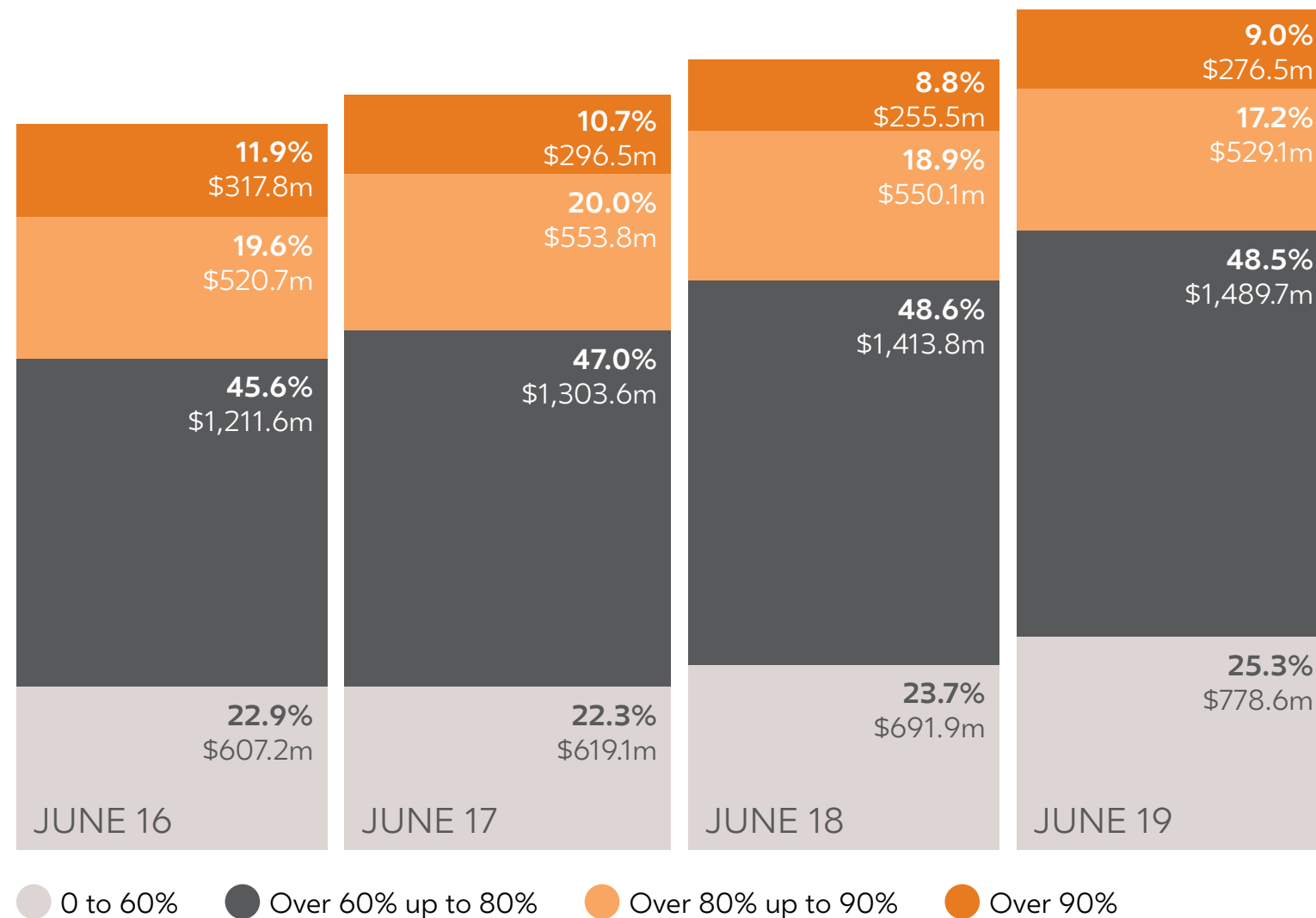
DIVERSIFICATION OF LOAN BOOK CONTINUING

- Above system growth leads to ongoing diversification of loan book
- SE QLD loan book exceeds 39% of total
- 24% of lending portfolio now outside QLD



LOAN VALUATION RATIO

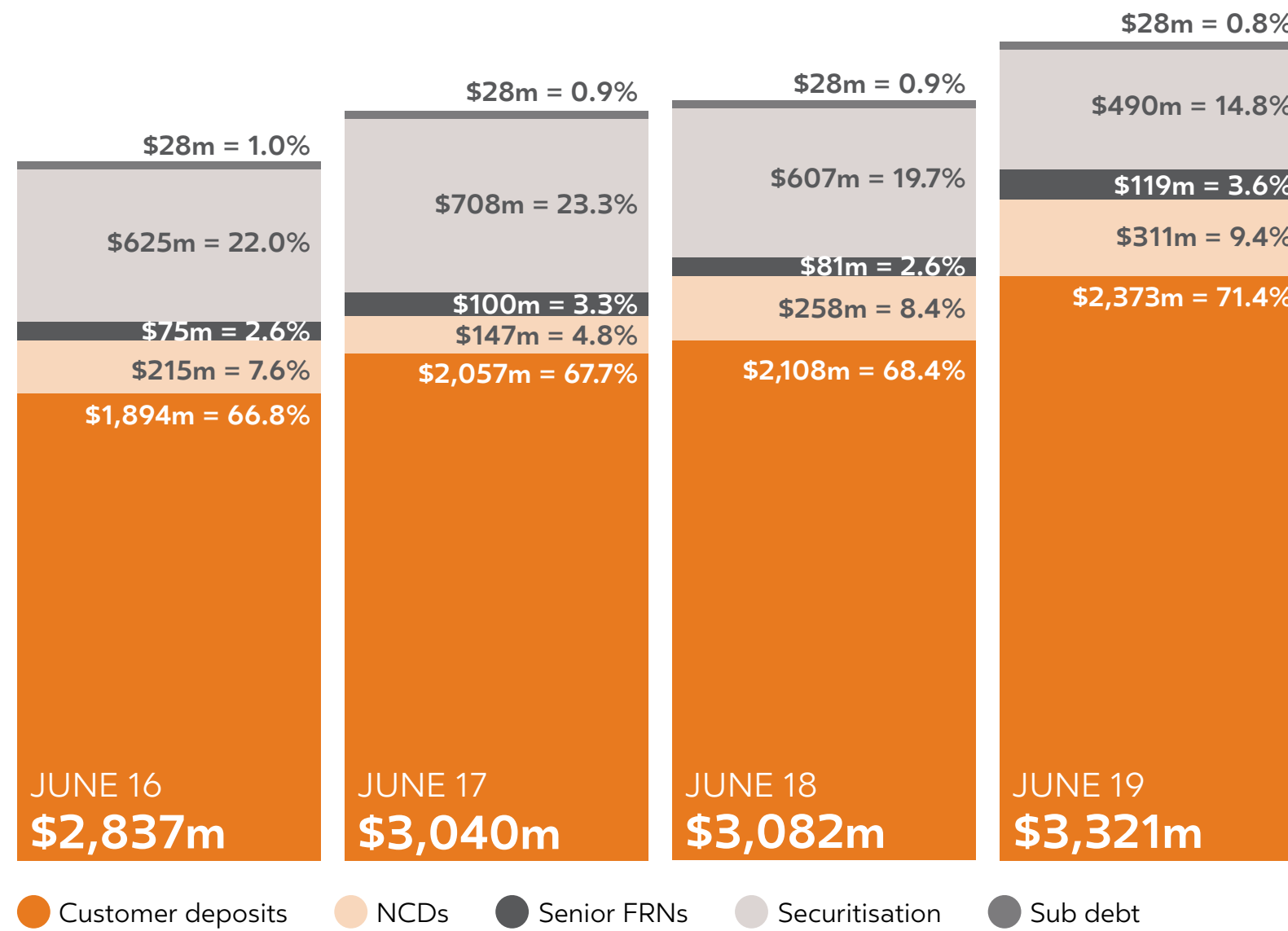
STRENGTH IN LOW LVR LENDING



- Auswide's home lending book is mature and remains well secured
- Majority of home lending customers have substantial equity in their properties
- 73.8% of loan book has an LVR of 80% or less
- > 80% LVR loans are LMI covered
- > 80% LVR loans continue to decline as proportion of loan book
- Strong growth in < 60% LVR lending

FUNDING MIX

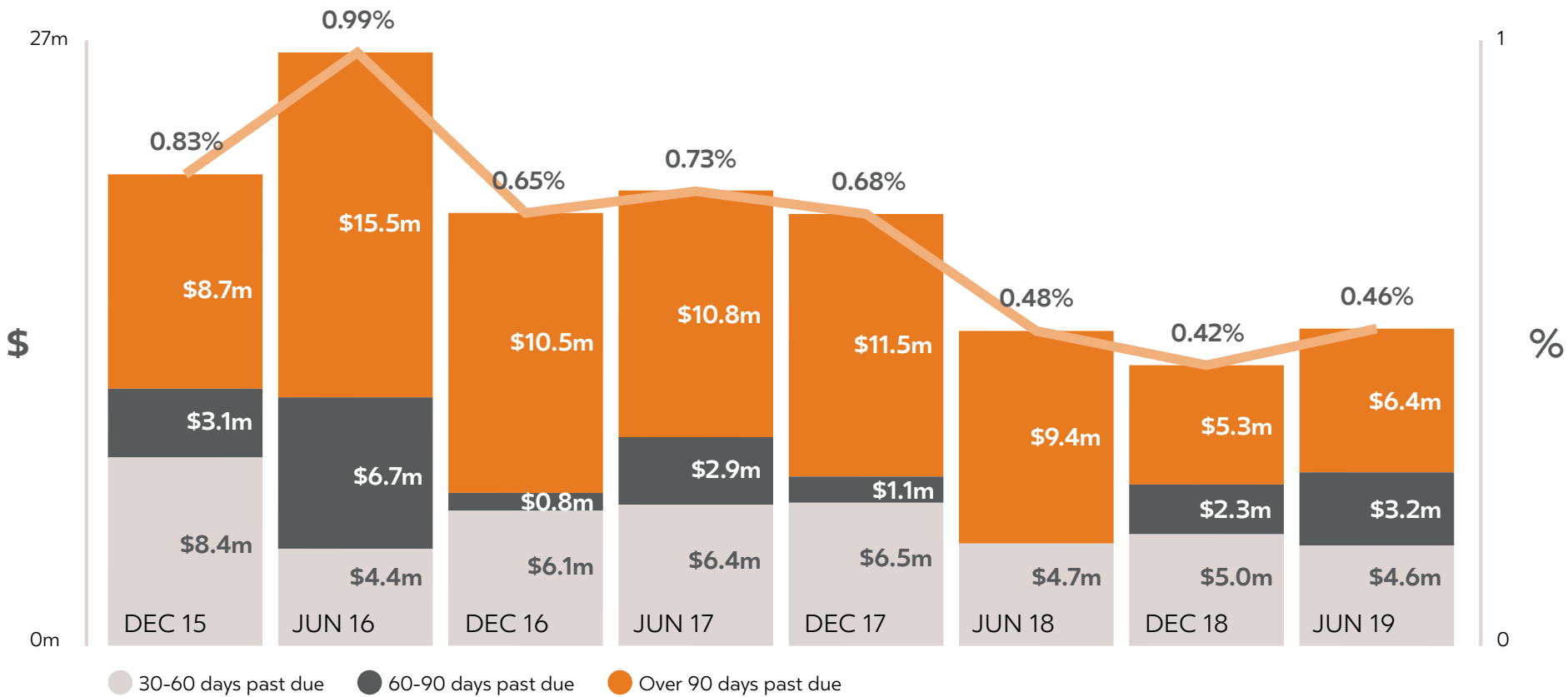
INCREASED CUSTOMER DEPOSITS



- Volatile BBSW levels across the year resulted in reduced reliance on securitisation: 14.8% of funding mix in FY19 (FY16: 22.0%)
- Ongoing strategic focus on building customer deposits in FY20
- Customer deposits rose by 12.6% YOY to \$2,373m, representing 71.4% of funding mix (FY16: 66.8%)
- 17.0% growth in At Call deposits of \$128m to \$881m
- Maintained dual investment grade ratings from Fitch & Moody's of BBB+ and Baa2 respectively

LOAN BOOK ARREARS

ARREARS DECREASE TO 0.46% OF LOAN BOOK



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

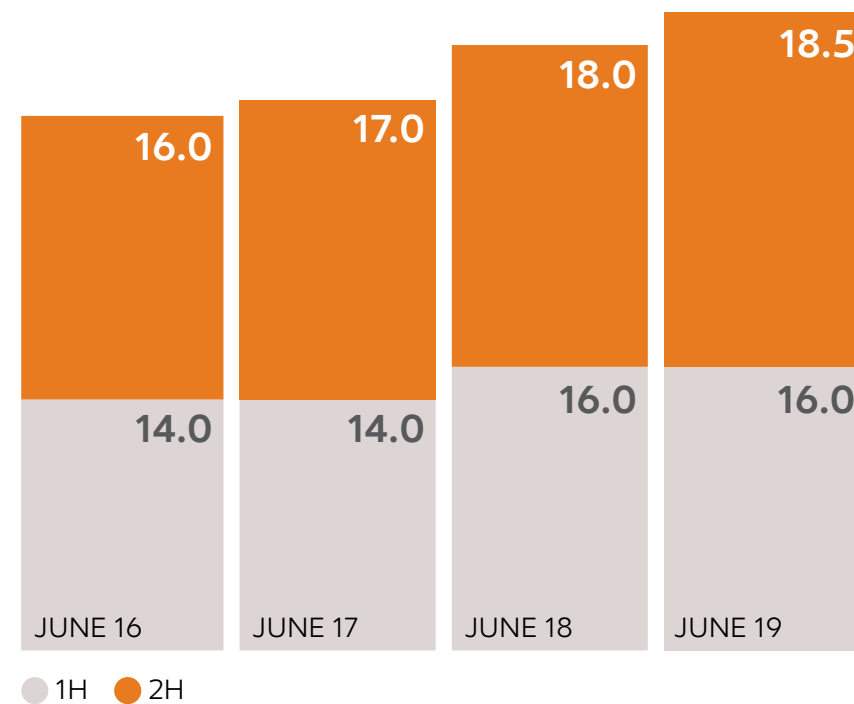
	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
>30 days past due (includes >90 days past due)	0.46	1.12	2.01
>90 days past due	0.21	0.56	1.07

(Auswide figures: as at 30 June, SPINs: as at 31 May 2019 latest available at time of publication)

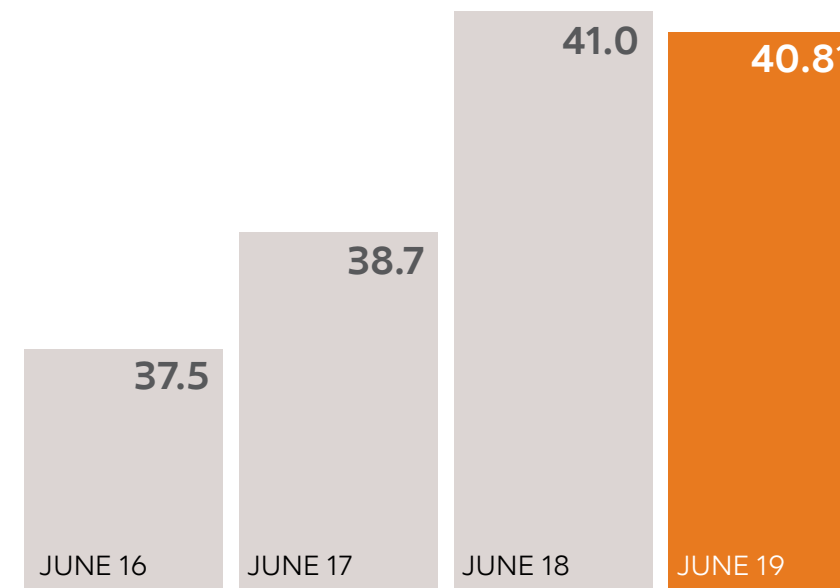
- Loan book arrears highlight sound credit quality of lending portfolio
- Arrears remain at historic lows decreasing to 0.46% of total loan book (FY18: 0.48%)
 - Home loan arrears well below Auswide’s peers
- Implementation of AASB 9 in July 2018 strengthened doubtful debt provisions with a whole of life view of risk in the loan book

DIVIDEND AND EPS

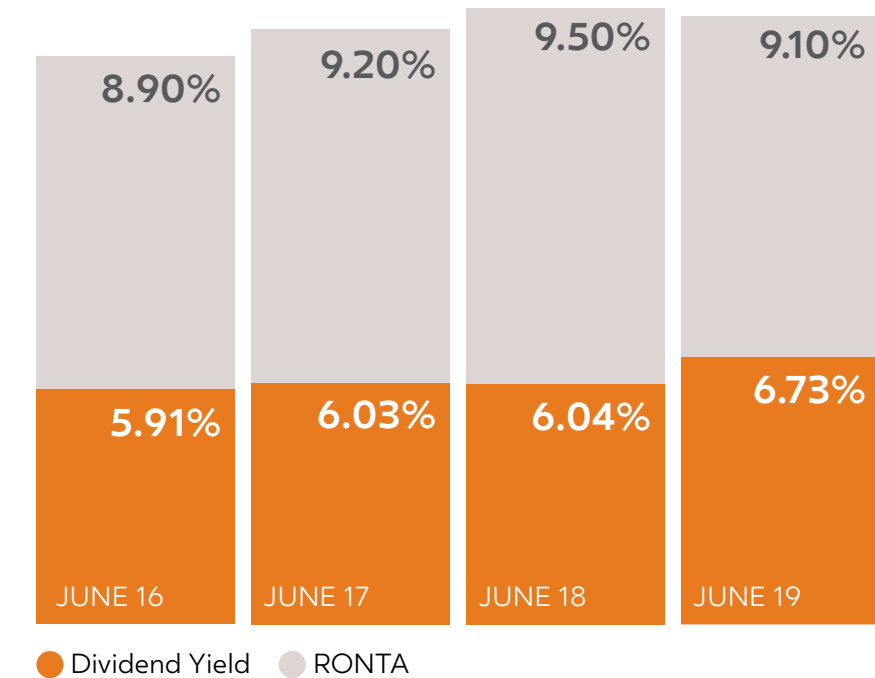
FURTHER GROWTH IN DIVIDEND RETURNS



DIVIDEND



EPS PERFORMANCE (UNDERLYING)



RONTA (UNDERLYING) AND DIVIDEND YIELD

- FY19 fully franked dividend of 34.5 cents per share (final dividend of 18.5 cps)
- Dividend yield of 6.73% (fully franked)
- Further improvement and growth in dividend returns to shareholders
- Return on Net Tangible Assets 9.10%
- DRP suspended for final dividend for FY19 due to capital strength

¹DRP occurred part way through FY18, leading to higher denominator for full FY19

CAPITAL

CAPITAL STRENGTH TO SUPPORT GROWTH



- Capital remains strong at 13.79%
- CET1 of 11.76%
- Capital materially in excess of board target
- Excess capital utilised for strong loan book growth
- No capital raising in FY19 and DRP suspended due to capital levels
- Capital will support further loan book growth in FY20

STRATEGY



3 YEAR STRATEGIC PLAN FY20 – 22

1. BRAND AWARENESS

- Building the Auswide Brand through consistent messaging and enhanced customer service
- Leverage QRL membership base and driving new customer acquisition
- 3 year target of >60% brand awareness in SE Qld
- Increase broker flows
- Community engagement and activities further differentiating Auswide Bank from the big 4

2. PARTNERSHIPS

- Build partnerships that support retail and business banking growth across platforms and via member and community-based organisations
- Appoint Partnerships Manager to deepen relationships and deliver growth
- Leverage partner's technology and customer base to deliver low cost growth

3. DIGITAL AND CUSTOMER HUB

- Improve the customer experience through capable digital implementation
- Support customer transition from branch to digital channel, lowering CTI
- Drive higher product conversion rates, increasing RONTA
- Further enhance the customer hub to maximize our service levels and opportunities with our growing SEQ and interstate customer base
- Improve our customer retention capability and early intervention

3 YEAR STRATEGIC PLAN FY20 – 22

4. EFFICIENCY

- Improve efficiencies by automating processes and simplifying products in key focus areas of back office processing, finance and credit decisioning (to drive down CTI)
- Improve broker service proposition via faster turnaround times and consistency

5. STRENGTH

- Strengthen the bank through enhancing staff capabilities, reducing errors and further developing risk audit processes
- Enhance cyber risk resilience and fraud detection capability
- Maintain strength of funding and capital
- The right culture that continues to balance our stakeholder demands

6. NON-ORGANIC GROWTH

- Reviewing M&A, Fintech and other partnering opportunities to drive scale. Opportunities where the partner can leverage our assets and we can leverage their technology to grow our customer base and efficiently improve profitability

PARTNERSHIP WITH QUEENSLAND RUGBY LEAGUE

Auswide is the official bank of the Queensland Maroons from 2019 with representation on the jersey and naming rights for the Mal Meninga Cup.

9.537m

viewers watched the 2019 State of Origin series. Games I, II & III were the three most watched programs to date in 2019.

258,083

total website views during campaign period (13.06% increase on last year).

194,171

fans attended the 2019 State of Origin series.

827,820

total households exposed to the Auswide Bank Brand during 2019 State of Origin Game 1.



COMMUNITY, ENVIRONMENT AND SUSTAINABILITY



COMMUNITY

At Auswide Bank, we are actively involved in our local communities. In FY19, we supported many events and projects across regional Qld with our branches also serving as fundraising collection points.

- Queensland Young Achievers 2019
- UCI Cycle Fest International
- Bundaberg to Brisbane and River 2 Reef Charity Rides
- Fiver for a Farmer
- Red Cross Staff Blood Donations
- Movember supporting Mens Health
- Various local sporting clubs
- Regional Rugby League
- Red Shield Appeal



ENVIRONMENT

We are focused on the adoption of sustainable business practices that reduce our impact on the environment.

- Promoting electronic options as an alternative to paper for customers, shareholders, suppliers and partners
- Using recycled products where possible and recycling paper, printer cartridges and electronic equipment
- Energy efficient LED lighting at head office and all new and refurbished branches
- Switching off air-conditioning, lighting and electrical appliances when not in use



ETHICAL LENDING

Auswide Bank follows responsible lending practices. Auswide Bank does not finance companies that engage in the exploration, mining, manufacture or export of fossil fuels.

OUTLOOK



ONGOING REGULATORY ACTION



APRA is progressing changes to the capital framework to ensure ADIs remain on track to meet the “unquestionably strong” capital ratio benchmarks. Auswide is already meeting the new benchmarks.



Responsible lending is a focus of both ASIC and APRA. Auswide continues to operate prudently and continually reviews its lending practices which we believe meet requirements.



BEAR – Auswide’s submissions have been made to APRA and the Remuneration Committee has reviewed policies to be compliant.



APRA’s Prudential Inquiry into CBA and the Royal Commission have highlighted the importance of not just having a healthy balance sheet, but also strong governance, a sound culture, appropriate internal controls and clear accountabilities. Auswide continues to focus on a healthy culture successfully balancing the demands of various stakeholders.



APRA to increase scrutiny of how banks are managing the financial risks of climate change to their businesses.



APRA continuing to highlight cyber security. Auswide has continued to invest in strengthening cyber security and fraud detection/prevention capability. This will remain an area of vigilance.

REGIONAL QUEENSLAND ECONOMIC UPDATE

- Economies in central and northern QLD are experiencing increased confidence with a number of projects and public investment going ahead in the regions:
 - Rockhampton: Bruce and Capricorn highway upgrades, Ring Road project, Shoalwater Bay Military Training Area projects, Clarke Creek Wind & Solar Farm, upgrade to Browne Park Stadium, Council grants for new home builds
 - Mackay: with more than \$1 billion worth of projects currently approved or under development the Mackay region is positioned to further capitalize on its recent growth¹
 - Bundaberg: State Government has committed to a new state-of-the-art hospital
 - Townsville: in 2019-20 the State Government has committed over \$760m and the Townsville local government over \$409m in public investment to the Townsville region²
- Increased certainty in regional QLD since the federal election
- Townsville and Mackay are both positioned in the “Start of Recovery” phase on the July Herron Todd White National Property Clock for Housing

¹ Mackay Regional Council website
² Colin Dwyer Townsville economist

OUTLOOK



Targeting:

- Cost to Income ratio of 60%
- Return on Net Tangible Assets of 10%
- Above system loan growth across home, personal and business lending
- Stable NIM



Improving cyber security and fraud protection capabilities



Growth opportunities will continue to present from the ongoing reputation challenges, regulatory capital increases, remediation and regulatory focus particularly on the big four banks

Further growth across partnerships



Remaining proactive and vigilant in meeting all regulatory compliance obligations



Continuing to improve overall customer experience



Improving brand awareness with particular focus on South East QLD

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 26 August 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.