

05 September 2019

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

Dear Sir/Madam

Auswide Bank Limited (ABA) – ASX Conference Presentation

Please find attached an investor presentation to be presented to retail investors at the ASX Small and Mid-Cap Conference.

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

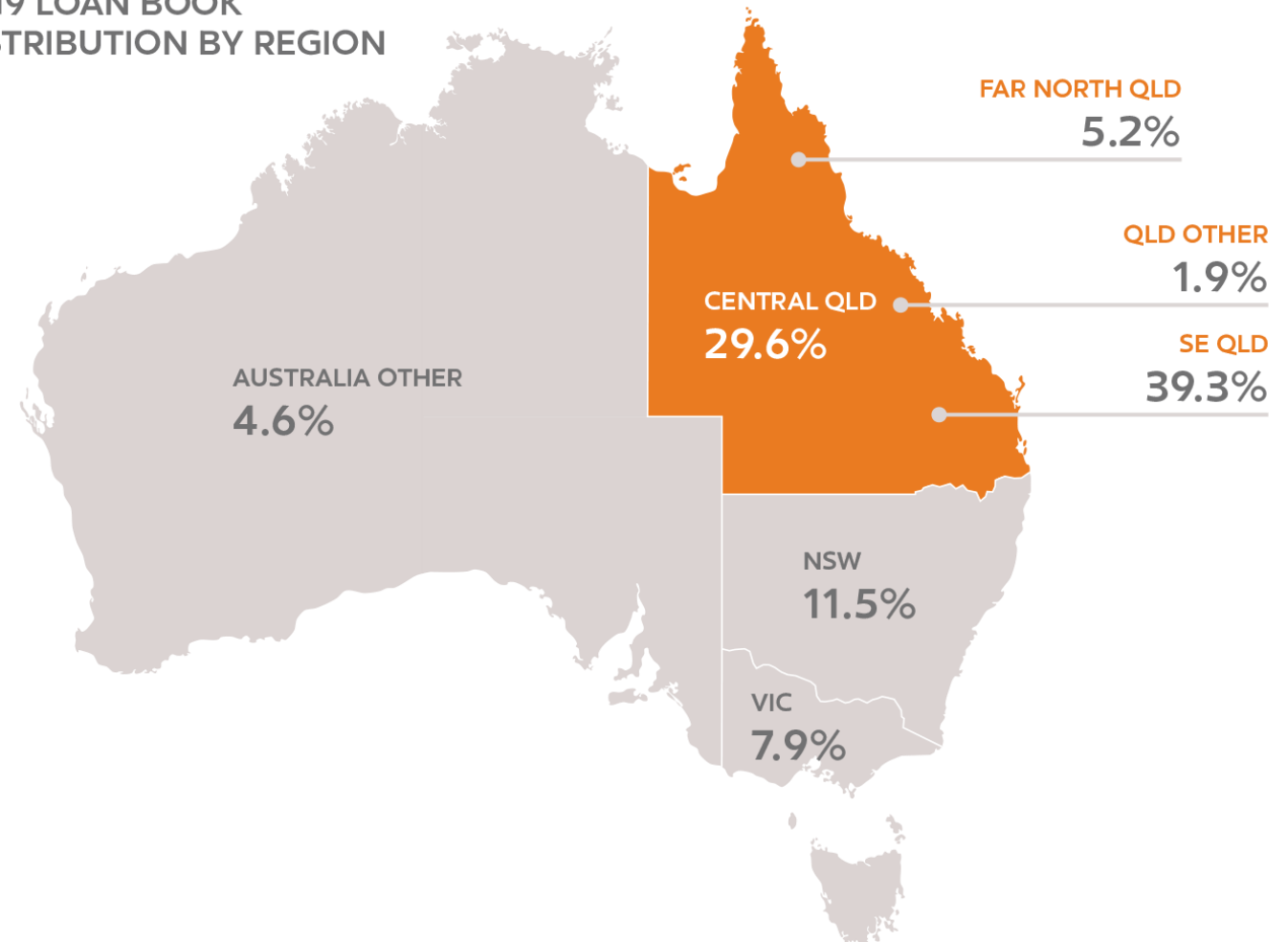
ASX SMALL & MID-CAP CONFERENCE 2019

ABOUT AUSWIDE BANK

SMALL THINGS. BIG DIFFERENCE.

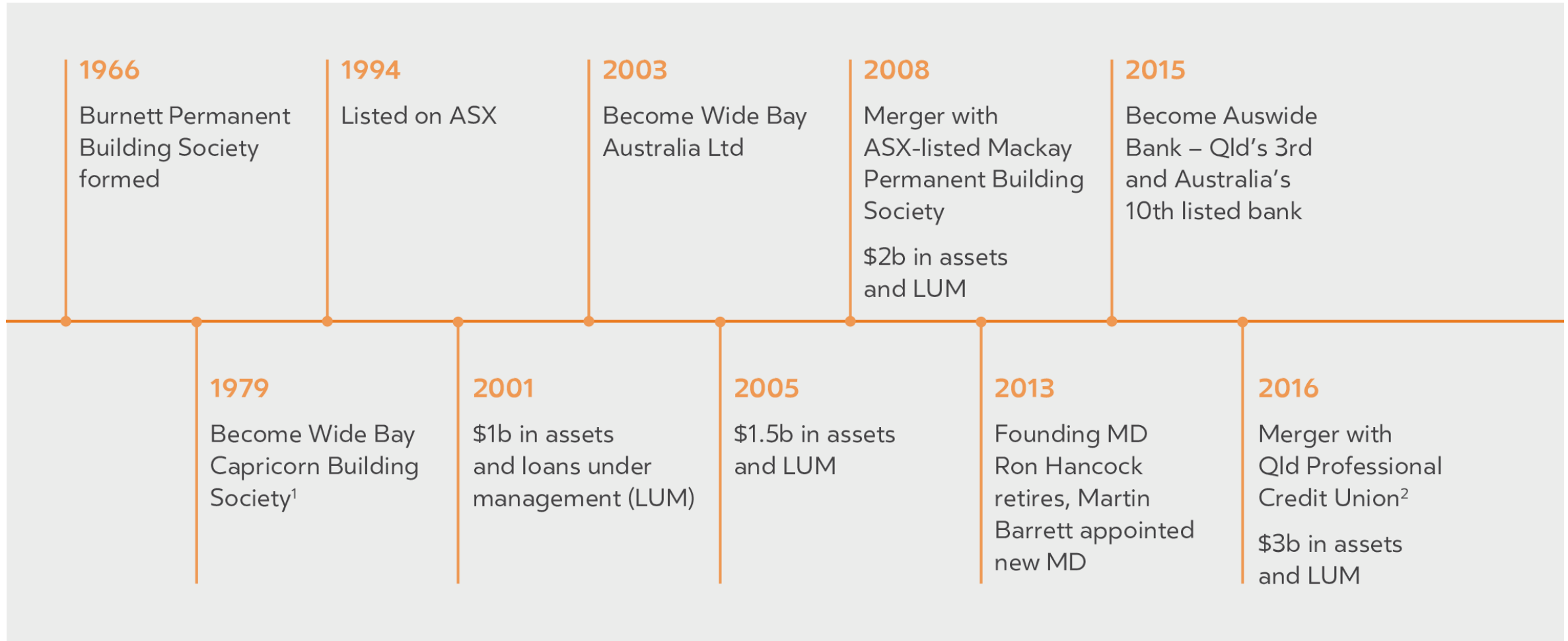
- Omni-channel distribution of banking products and services
- High quality loan book with over \$3b in assets
- Strong legacy in regional Qld, growing presence in SE Qld, NSW and Victoria
- Partnership with Queensland Rugby League and jersey sponsor of Qld Maroons
- Market capitalisation of \$243m

FY19 LOAN BOOK
DISTRIBUTION BY REGION



BUILDING ON SOLID FOUNDATIONS

LONGSTANDING RELATIONSHIPS WITH REGIONAL COMMUNITIES



¹ Following merger of Burnett Permanent & Maryborough Permanent Building Societies
² Your Credit Union

FY19 FINANCIAL HIGHLIGHTS

STRONG LOAN BOOK AND DEPOSIT GROWTH

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 GROWTH DRIVERS

FOCUS ON SUSTAINABLE PROFIT



RESPONSIBLE LENDING GROWTH

Strong loan book growth

1.9 X system growth in FY19 to \$3.131b

Sound credit quality

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

Capital strength supports growth

“Unquestionably strong” capital
with FY19 capital adequacy ratio of
13.79%, CET1 of 11.76%



OPTIMISE FUNDING MIX

Strong deposit growth

12.6% growth in customer deposits in
FY19, reduced reliance on securitisation

Improved NIM control

Efficient funding mix will enhance NIM
stability



CUSTOMER FOCUSED

Apply Online

Product rollout continues

Customer-driven tech

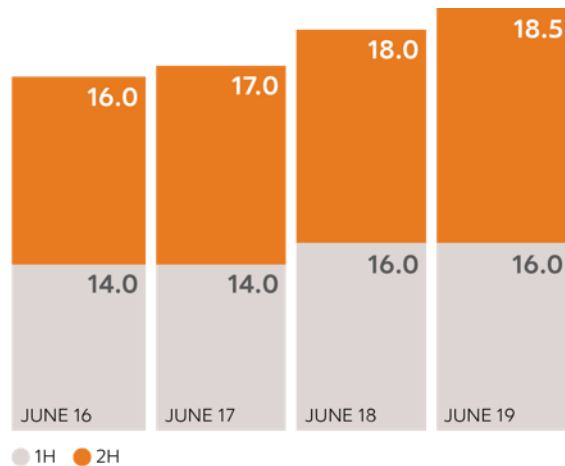
Ongoing investment in data analytics,
BI capabilities

QRL sponsorship

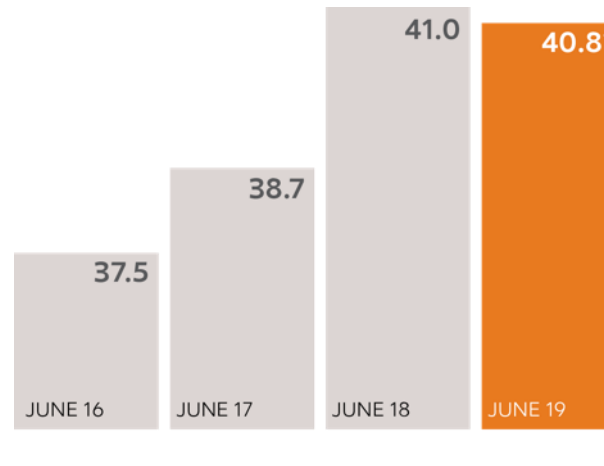
7% increase in Auswide brand
awareness post State of Origin

DIVIDEND AND EPS

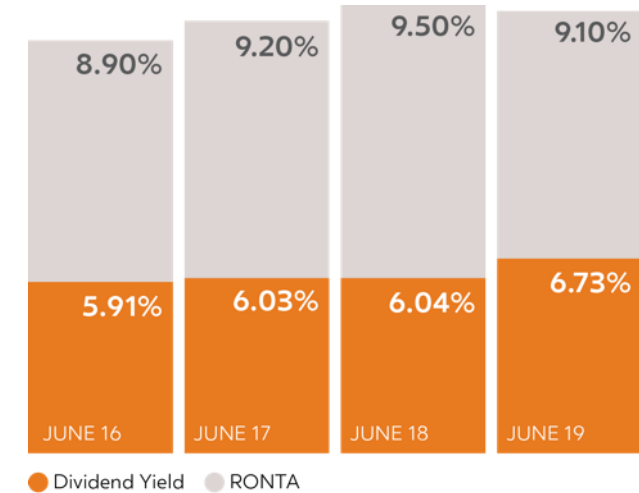
HISTORY OF CREATING VALUE FOR SHAREHOLDERS



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

HIGH QUALITY LOAN BOOK

DISCIPLINED LENDING, FOCUS ON DIVERSIFICATION

- Home lending book is mature and well secured
- Increase in business and consumer lending
- SE QLD loan book exceeds 39% of total
- 24% of lending portfolio now outside QLD
- 73.8% of loan book has LVR of 80% or less



LOANS AND ADVANCES BALANCES

*RBA Financial Aggregates – Total Credit Growth

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

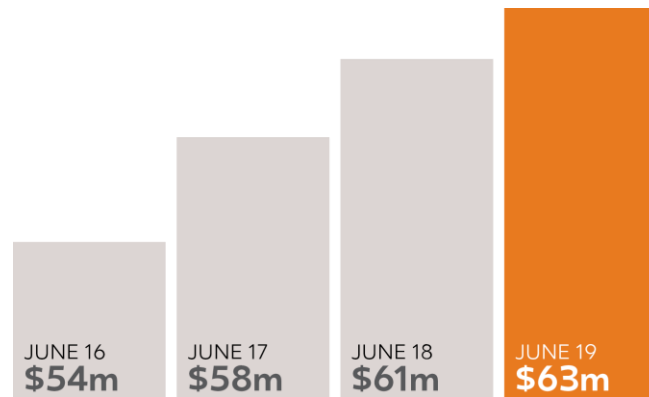
	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
>30 days past due (includes >90 days past due)	0.46	1.12	2.01
>90 days past due	0.21	0.56	1.07

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

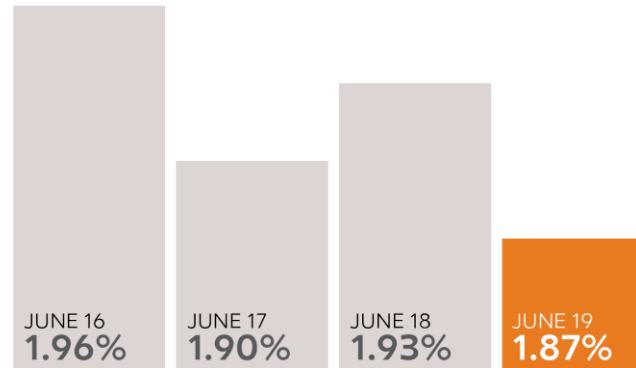
- Loan book arrears highlight quality of lending portfolio
- Arrears remain at historic lows; 0.46% of total loan book in FY19

LOAN BOOK DRIVES REVENUE GROWTH

NET INTEREST REVENUE UP 3.5%



NET INTEREST INCOME

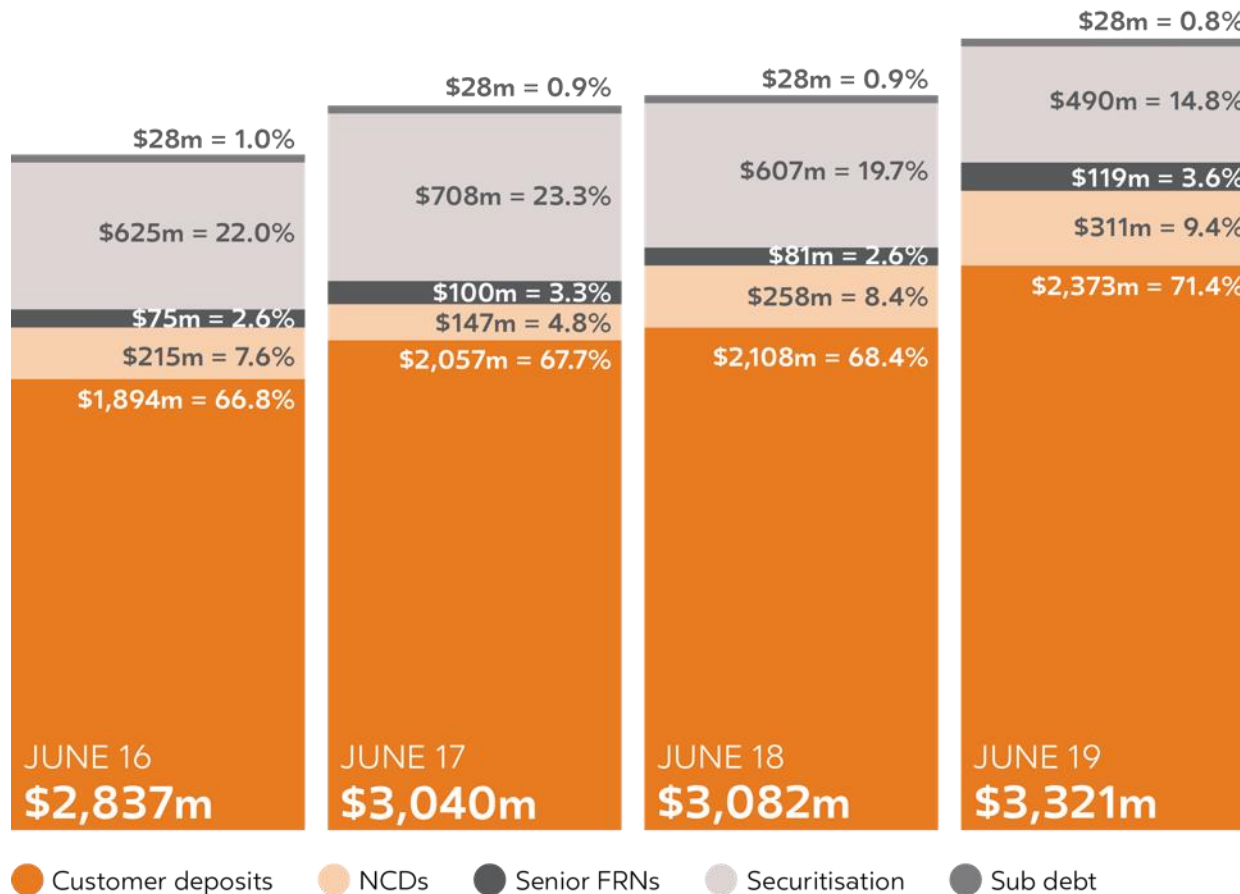


NET INTEREST MARGIN

- In FY19, 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

FUNDING MIX

STRATEGIC FOCUS ON OPTIMISING FUNDING MIX



- Volatile BBSW levels in FY19 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

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

LOOKING AHEAD



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.