

18 September 2017

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

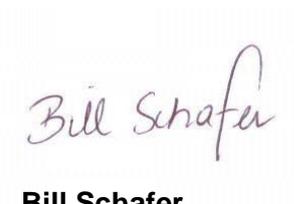
Dear Sir/Madam

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.



AUSWIDE
— **BANK** —

2016-17 RESULTS INVESTOR PRESENTATION

*Small things.
Big difference.*

Big heart,
big future.

OVERVIEW

– Martin Barrett
Managing Director



Taking care of our customers

AWARDS

- Mozo Experts Choice 2017 'Best Value Home Loan'
- Australian Retail Banking Awards 2017 'Innovative Mortgage Offering of the Year'

CUSTOMER SATISFACTION AND BRAND AWARENESS

2017 Customer Survey provided some outstanding results:

- **Increased Loyalty** with 75.9% of customers 'not likely' to leave Auswide Bank for another ADI in the next 6 months
- **Customer Satisfaction** positive 'mood score' increased to 84.0%
- 65.9% of customers confirmed Auswide Bank is their **Main Financial Institution**
- Over 70% of customer relationships are > 5 years

Brand awareness among non-customers has increased 40.1% from 18.7% in 2016 to 58.8% in 2017. Significant uplift led by strong brand and digital marketing strategies

Taking care of our customers

CUSTOMER EXPERIENCE

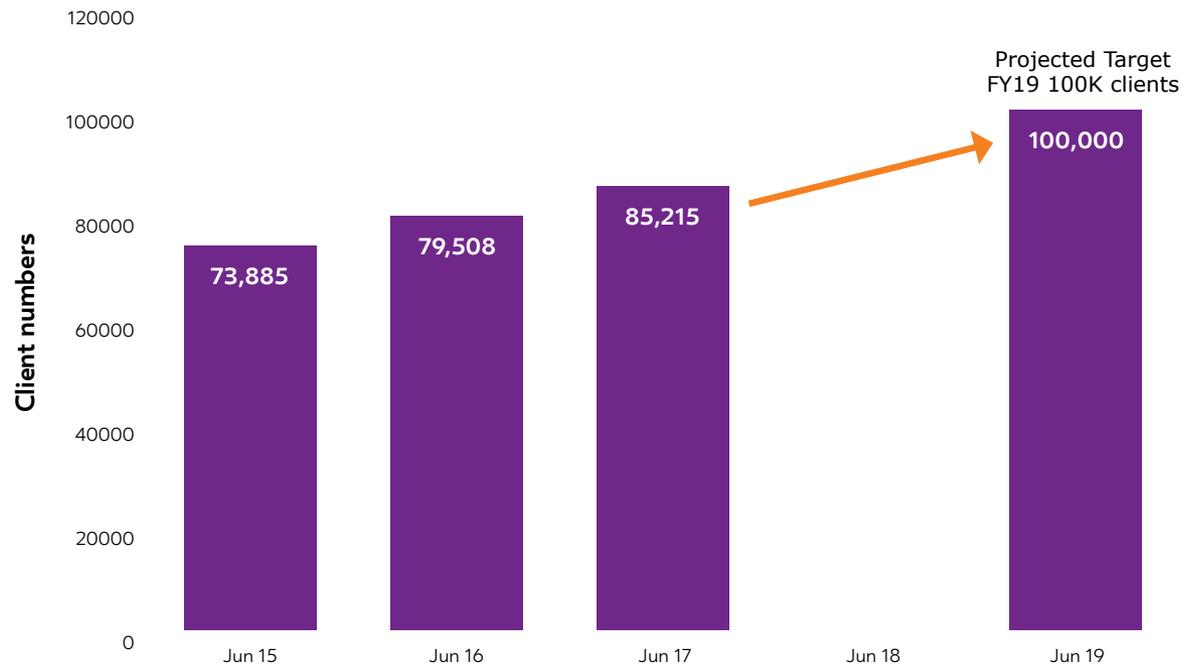
- Bank with us anywhere at anytime
- Intuitive and positive experience
- Fast loan approvals and no repeats
- Make it simpler and make it easier

BUSINESS CUSTOMER

- I want a better experience than with the big banks
- Know me and know my business
- Quick decisions and local decisions
- Relationship managers that I can rely on and know their stuff
- Good products but not complex products

Taking care of our customers

TOTAL CLIENT GROWTH



- Customer Satisfaction positive 'mood score' increased to 84.0%
- Brand awareness and customer value are improving customer growth at a time when big banks are suffering reputational challenges

A woman with long dark hair is carrying a young child on her back. They are in a grassy field with trees in the background. The sun is low on the horizon, creating a warm, golden glow and lens flare. The woman is wearing a light blue long-sleeved shirt, and the child is wearing a striped shirt. The overall mood is peaceful and family-oriented.

FINANCIAL PERFORMANCE

– **Bill Schafer**
Chief Financial Officer

FY 2017 financial performance highlights



Net Interest Revenue

↑ 6.7%



Underlying Return on Equity

7.2%



Underlying NPAT

↑ 11.4%



Underlying Return on Tangible Equity

9.2%



Statutory NPAT

↑ 29.5%



Underlying Cost to Income Ratio

↓ 3.5%



Loan Book

↑ 4.0%
to \$2.773 billion



Total dividend

31c ↑ 1c

All comparisons are with FY16.

FY 2017 financial summary

		FY17	FY16		Change
NPAT	Underlying	\$15.636m	\$14.041m	⬆️	11.4%
	Statutory	\$15.149m	\$11.699m	⬆️	29.5%
Loan Book		\$2.773b	\$2.666b	⬆️	4.0%
Net Interest Revenue		\$57.509m	\$53.893m	⬆️	6.7%
Net Interest Margin		190 bps	196 bps	⬆️	6 bps
Dividend per share	Final (fully franked)	17.0 cents	16.0 cents	⬆️	1.0 cents
	Total (fully franked)	31.0 cents	30.0 cents	⬆️	1.0 cents
Earnings per share	Underlying	38.5 cents	37.5 cents	⬆️	1.0 cents
	Statutory	37.3 cents	31.2 cents	⬆️	6.1 cents
Return on Equity	Underlying NPAT	7.2%	7.0%	⬆️	0.2%
	Statutory NPAT	6.9%	5.8%	⬆️	1.1%
Return on Tangible Equity	Underlying	9.2%	8.9%	⬆️	0.3%
	Statutory	8.9%	7.4%	⬆️	1.5%
Underlying Cost to Income Ratio		65.6%	69.1%	⬆️	3.5%

NPAT reconciliation

CONSOLIDATED STATUTORY NPAT



- Net Interest Revenue up 6.7%
- Underlying Cost to Income Ratio down to 65.6%
- Bad and doubtful debts 'normalised' after discontinuation of insurance subsidiary MRM Pty Ltd

Financial summary

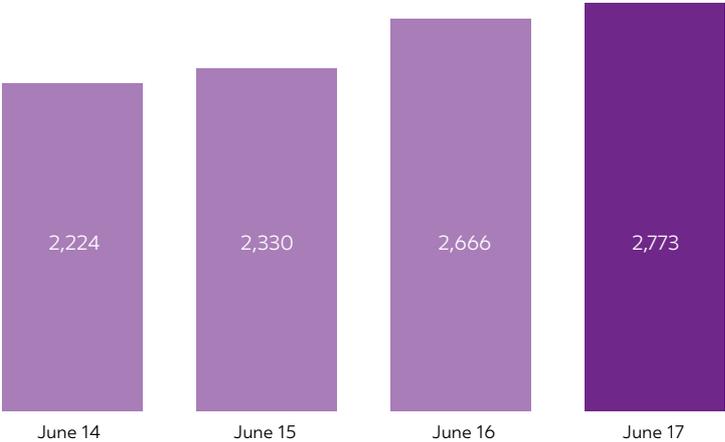
11.4% increase in underlying NPAT

29.5% increase in Statutory NPAT

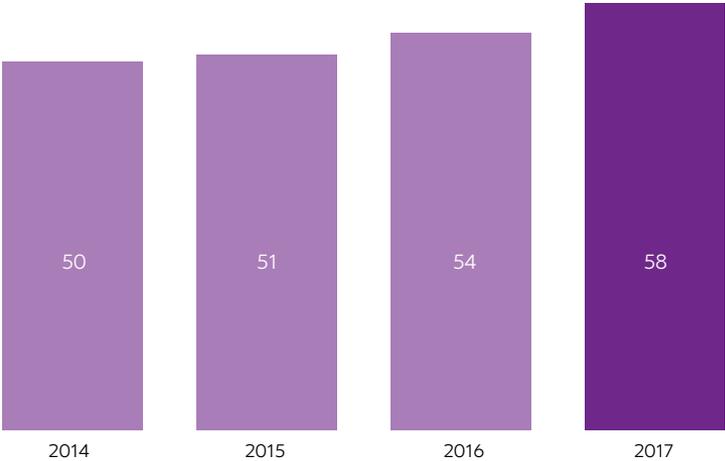
Reconciliation of Consolidated Statutory NPAT to Underlying NPAT	FY17 \$ million	FY16 \$ million
Statutory NPAT	15.149	11.699
<i>Add back one-off expenses:</i>		
M&A expenses	–	2.836
Branch rationalisation expenses	–	0.770
Other expenses	–	0.182
Professional fees – MoneyPlace controlling interest	0.188	–
Professional fees – YCU acquisition	0.126	–
Stamp duty – YCU acquisition	0.265	–
<i>Less one-off income items:</i>		
S&P and Lehman dividends	–	(1.284)
<i>Tax adjustments on one-offs</i>	(0.092)	(0.162)
Underlying NPAT	15.636	14.041

Home loan book

LOANS AND ADVANCES BALANCES (\$M)

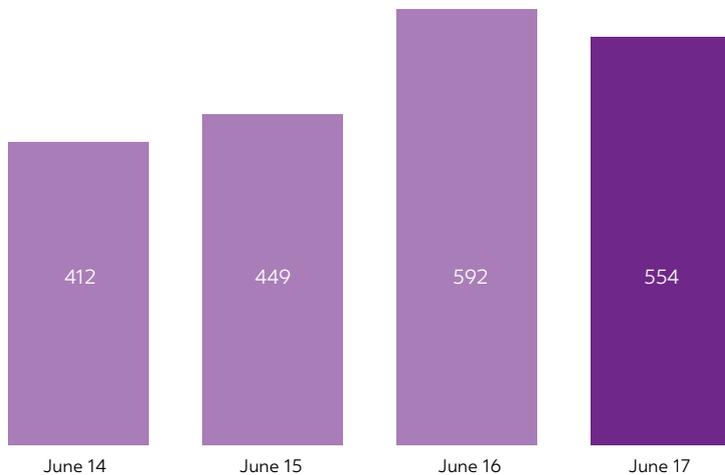


HOME LOAN NET INTEREST INCOME (\$M)

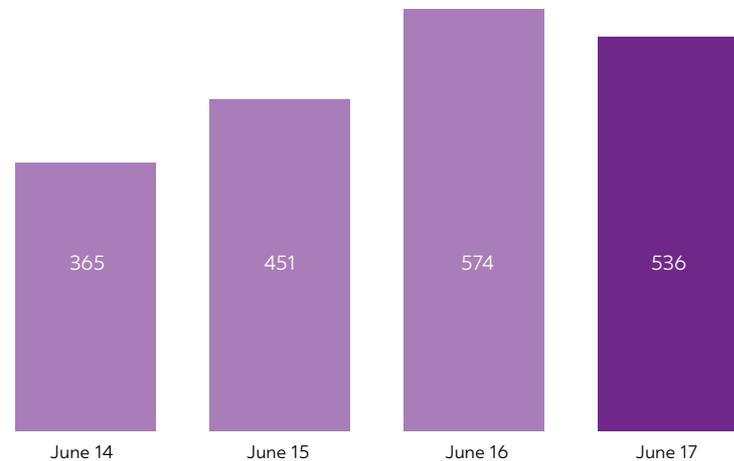


Home loan approvals and settlements

HOME LOAN APPROVALS (\$M)

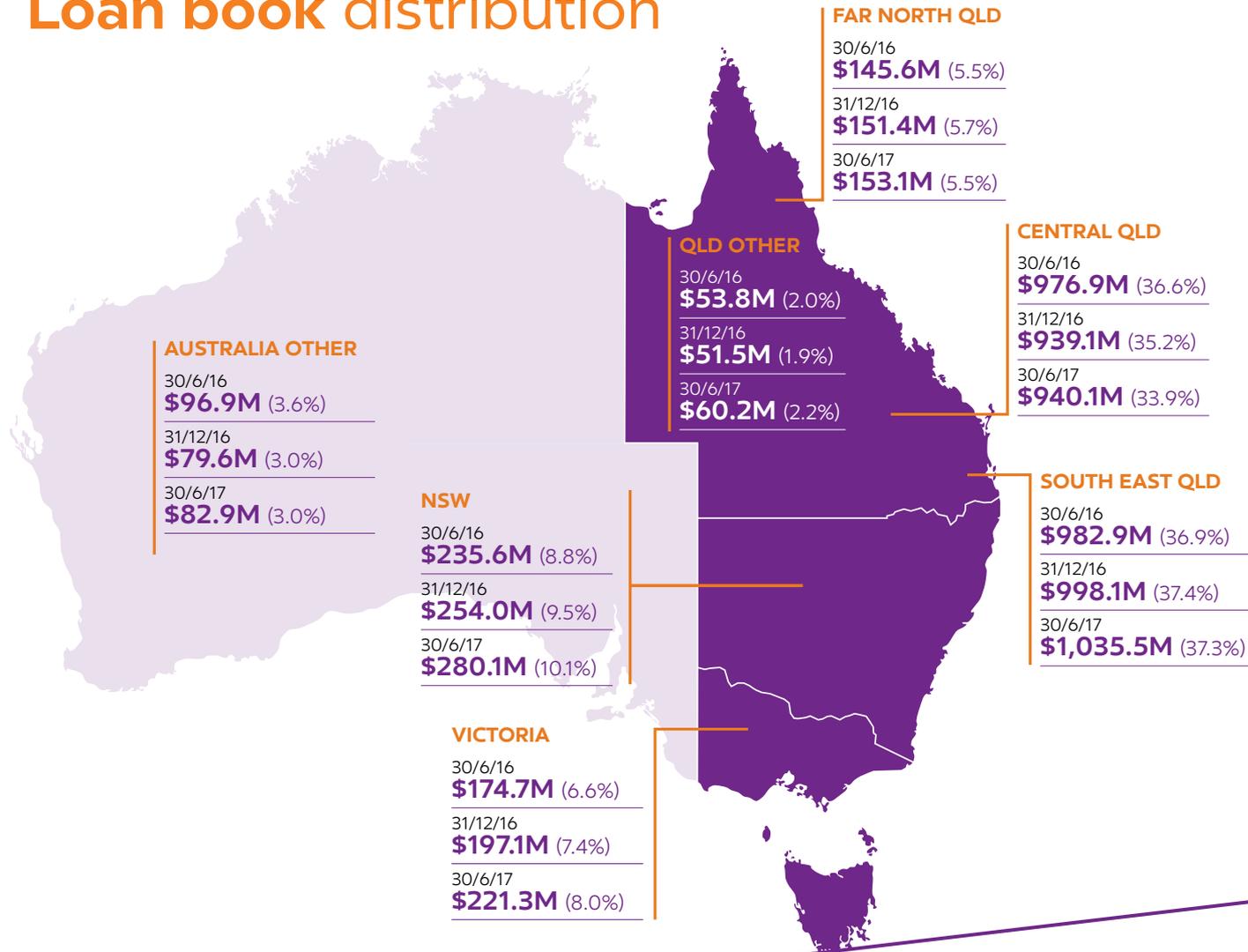


HOME LOAN SETTLEMENTS (\$M)



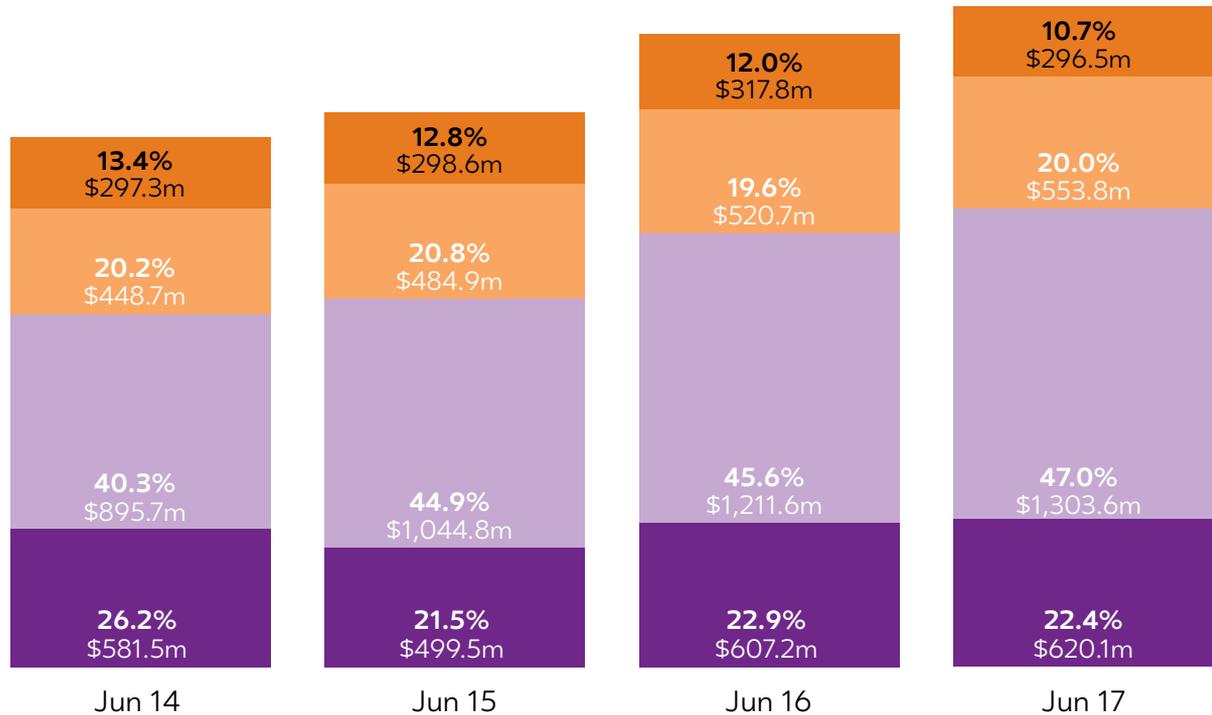
- Loan book growth of 4.0% achieved primarily in H2
- Implementation of new LendFast origination system restricted H1 growth

Loan book distribution



LVR

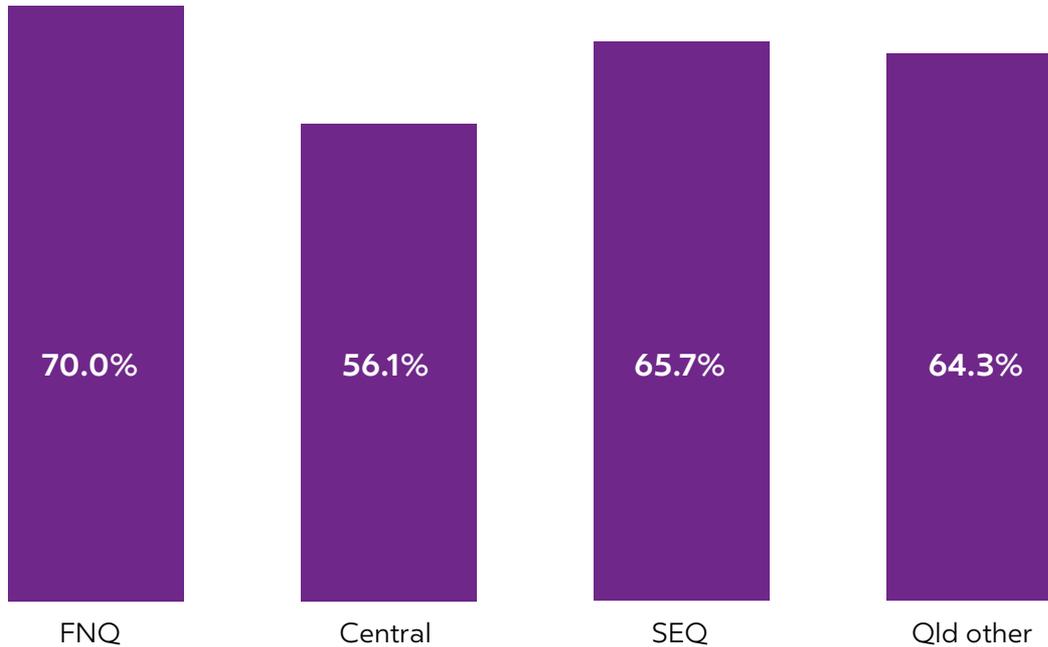
● 0 to 60%
 ● Over 60% up to 80%
 ● Over 80% up to 90%
 ● Over 90%



- Mortgage insurance for loans with LVR > 80%

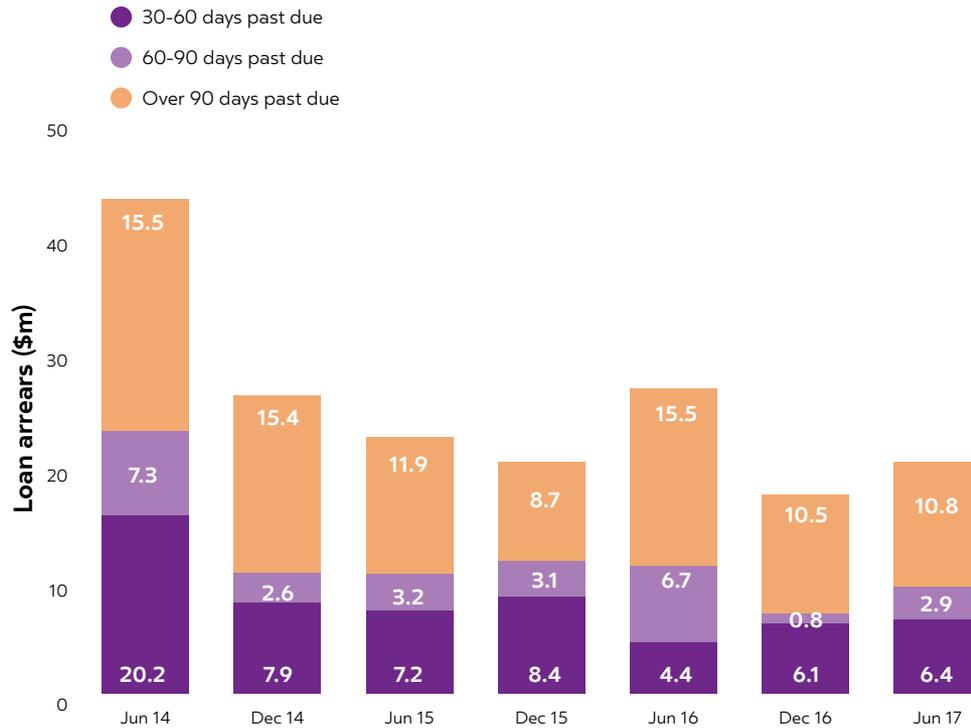
Regional LVR

**AVERAGE LVR FOR EXISTING RESIDENTIAL LOANS IN QLD REGIONS
AT 30 JUNE 2017**



- Central Queensland loan book is a mature portfolio
- Traditional and loyal customer base
- Queensland property markets at the bottom of the cycle or in recovery

Loan book arrears



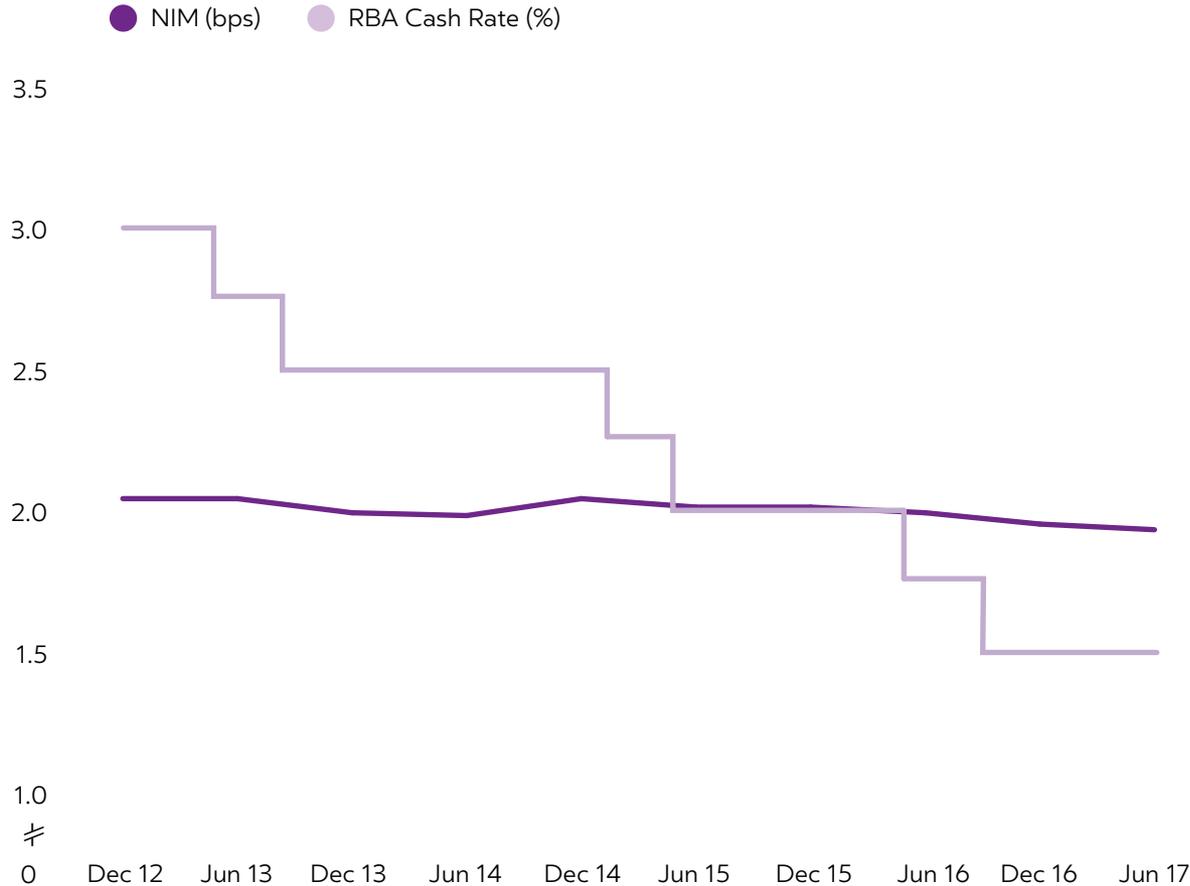
LOANS PAST DUE v. SPIN (percentage of total loans)

(Auswide figures: as at 30 June 2017, SPINs: as at 31 May 2017 - latest available at time of publication)

	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
> 30 days past due (includes >90 days past due)	0.73	1.06	1.69
> 90 days past due	0.39	0.50	0.72

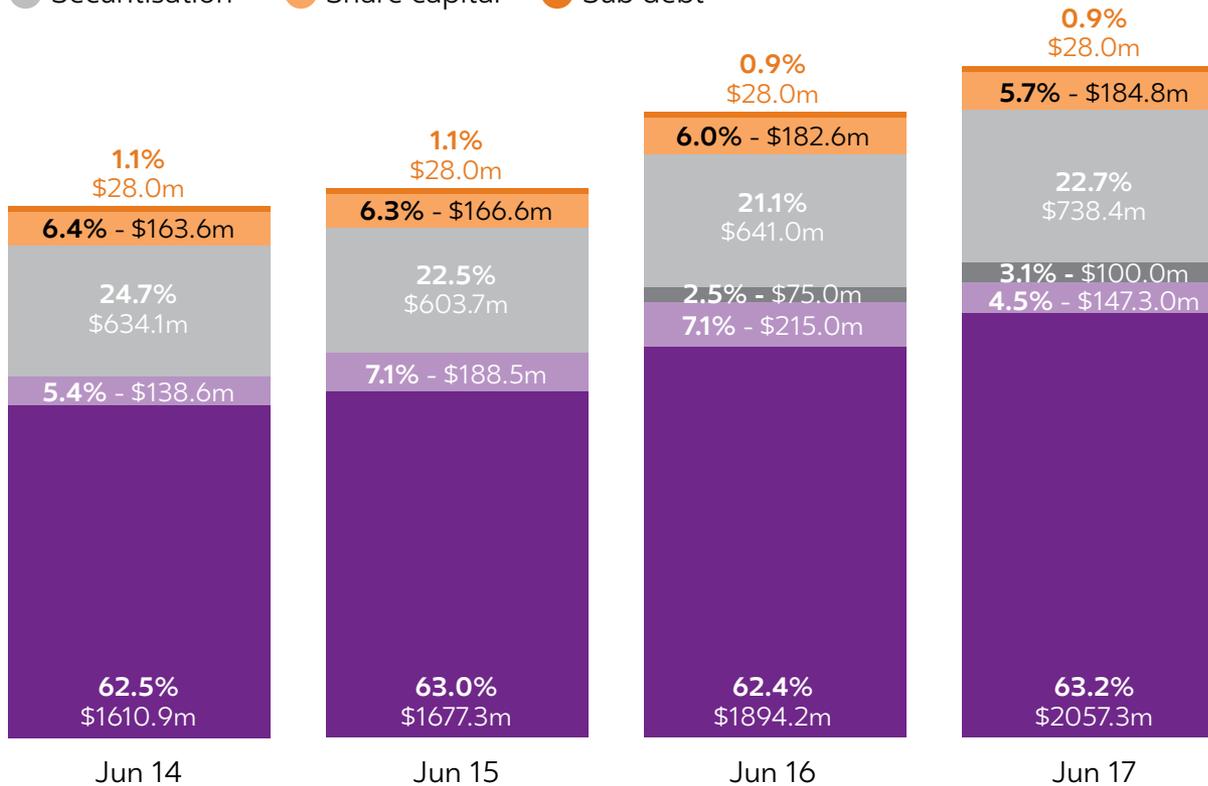
Net Interest Margin

NIM AND RBA CASH RATE



- Strong NIM despite regulatory controls and intense competition
- Net Interest Revenue up from \$53.9m to \$57.5m
- Profitable growth in loan book

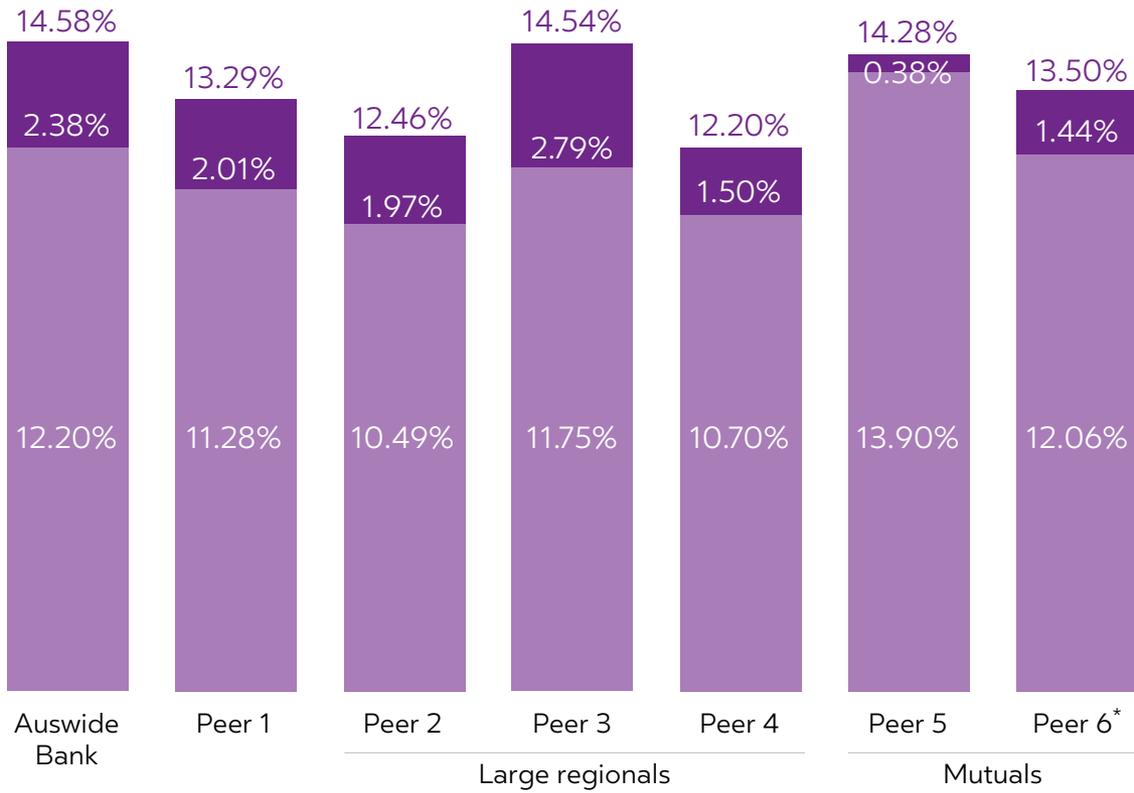
Funding mix



- Strategy to optimise funding mix and cost
- Concentration on customer deposits through branch network
- 8.6% uplift in deposits to \$2.06bn
- Diversified funding, extending the tenure of short term funding

Capital comparison

● Tier 1 Capital ● Tier 2 Capital



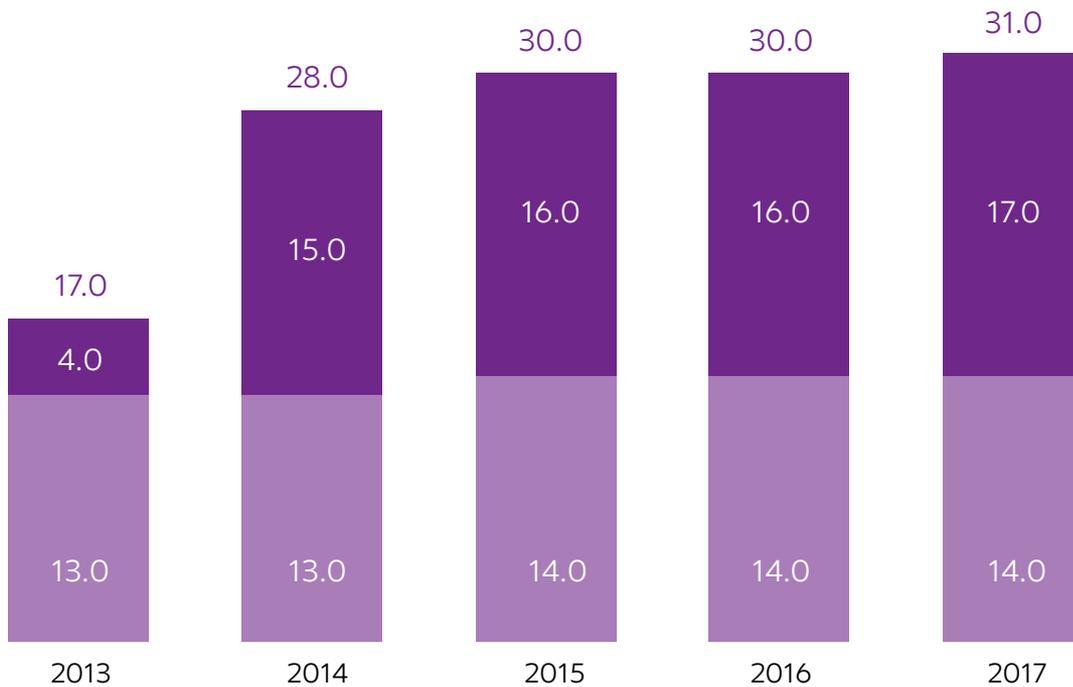
- Capital at 14.58% is strong in comparison to peers
- Capital strong in preparation for regulatory changes and to meet “unquestionably strong” targets for 2020

* Peer 6 as at March 2017. All others as at June 2017.

Dividend

DIVIDEND (CPS)

● 1H ● 2H



**FY17 Dividend payout ratio:
83% of Statutory NPAT**

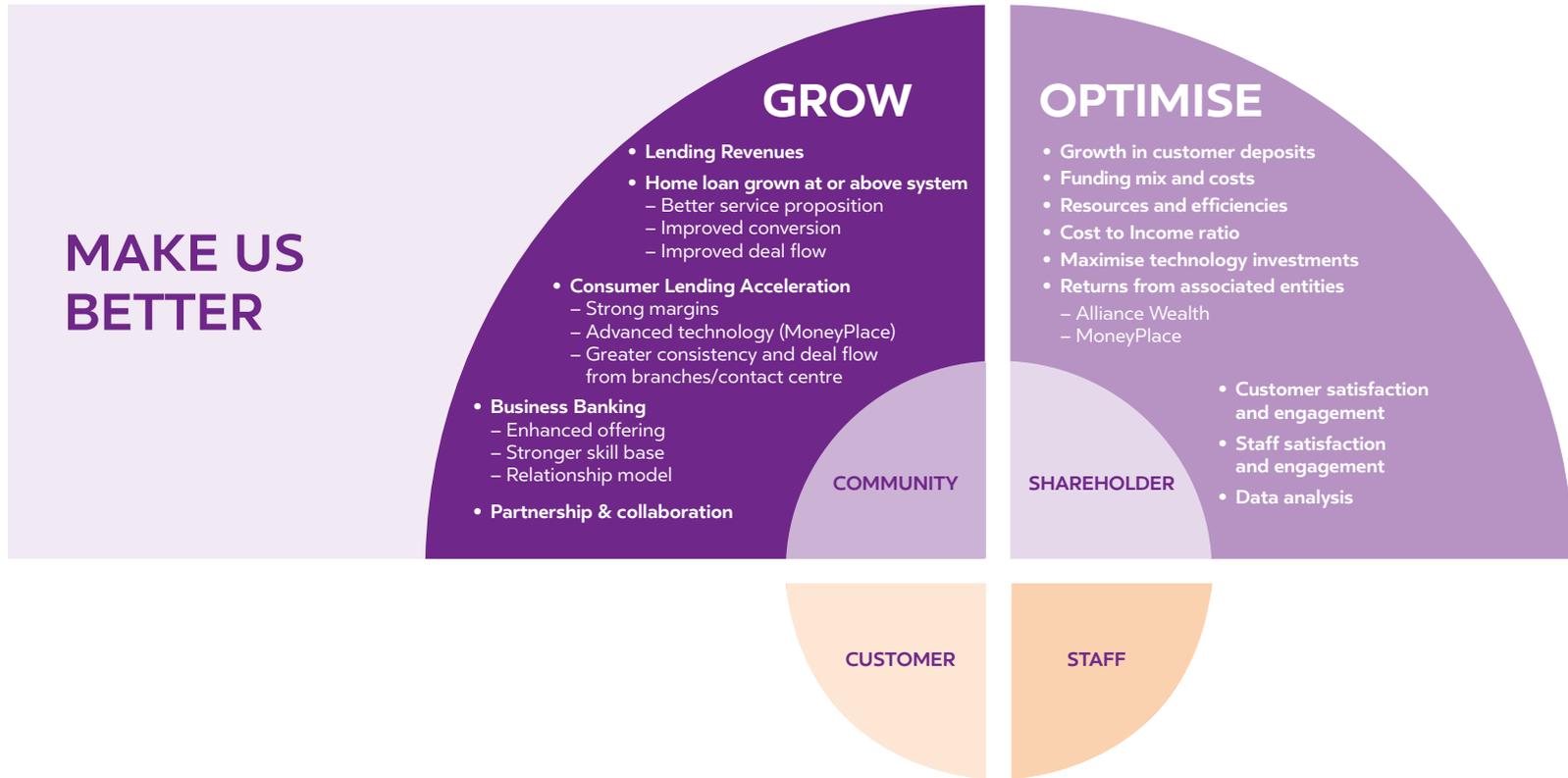
81% of underlying NPAT



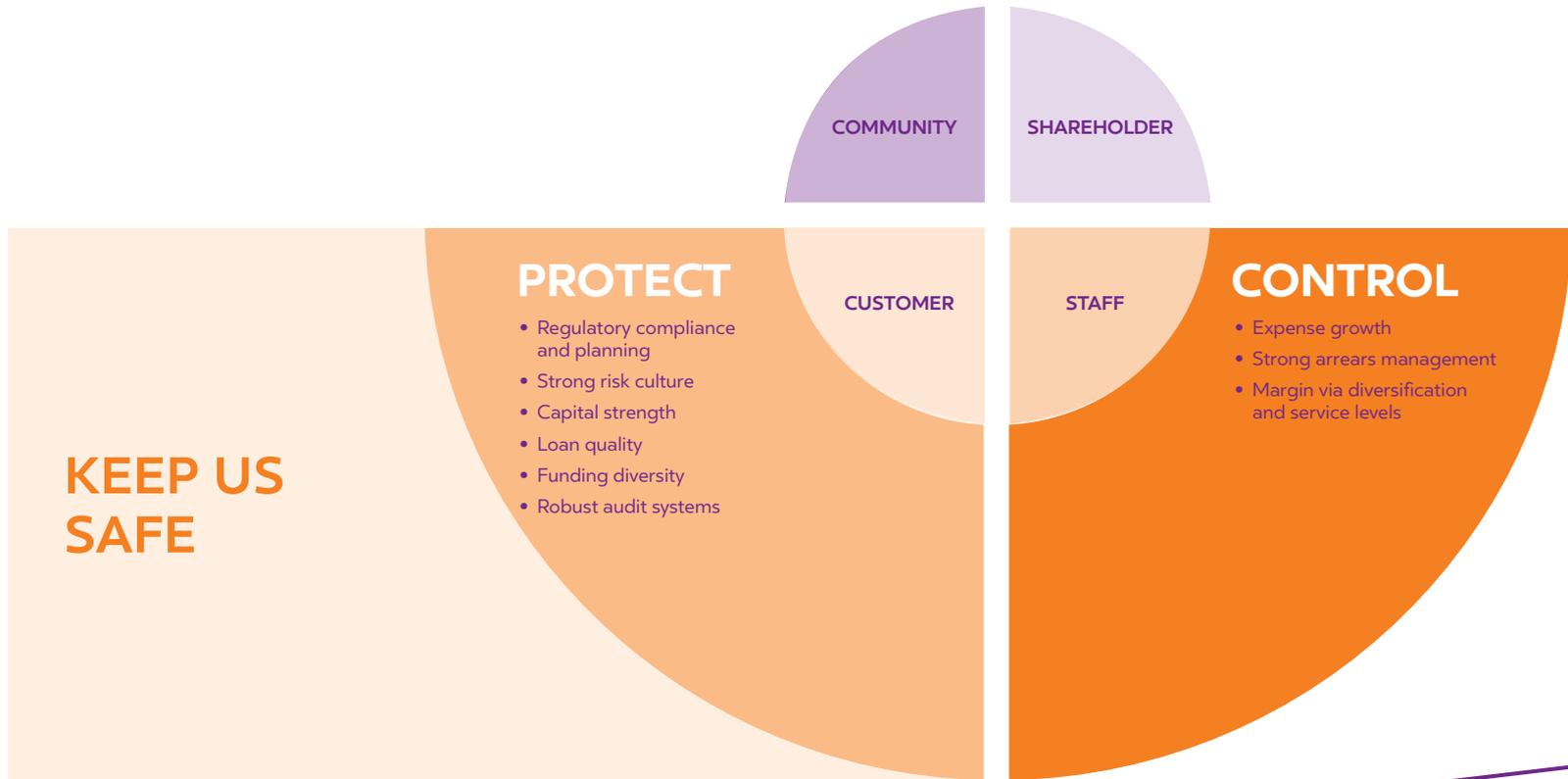
STRATEGY

– Martin Barrett
Managing Director

Grow / Optimise



Protect / Control



Risk culture

PROACTIVE RISK MANAGEMENT APPROACH

- Introduced Investor, High LVR and Interest Only lending controls ahead of APRA residential mortgage regulations

REGULATORY DILIGENCE AND CONTROLS

- Enhanced control framework and greater risk visibility and management
- Mortgage book stress testing completed, resilience demonstrated and plans in place

BLACKHALL & PEARL RISK CULTURE ANALYSIS SURVEY

- Robust risk culture
- Auswide people take personal responsibility for risk
- Confidence raising issues with management

Mortgage lending process improvement

- Created specialised Lending Team with Lender leadership closer to lender and branches
- Created Central Verification and Validation Team and redeployed lending assistants
- Redefined Broker Relationship Manager role
- Invested in Broker Platform
- Improved Broker and Customer experience
- Product – Package and Pricing Simplification
- Built dashboards to manage and track performance
- Improved credit quality and hindsight
- Redefined processes and structures
- Reduced decision time in all channels
- Tightened valuation process
- Aligned and simplified credit policy



OUTLOOK

– Martin Barrett
Managing Director

Market dynamics

Increasing regulatory pressures

- Introduction of initiatives around Investor, High LVR and Interest Only lending ensured that Auswide was well placed to manage lending portfolio risks well ahead of APRA tightening regulatory controls over residential mortgages
 - » Investor credit growth as at June 2017 was within APRA's target of 10%
 - » Interest only lending is on track to be within APRA's 30% target by the end of September
- APRA's announcement of 'unquestionably strong' capital benchmarks in July 2017 is expected to lead to an increase in ADI capital requirements by around 50 basis points. Auswide is already in a strong position to absorb any changes
- APRA's BEAR (Banking Executive Accountability Regime) to enhance the responsibility and accountability of ADIs and their directors and senior executives, includes changes around:
 - » Registration of senior executives
 - » New APRA powers and penalties
 - » Remuneration

Market dynamics

Reputation pressures on Big Four banks is an opportunity for Auswide Bank

- Significant reputational risks for Big Four playing out in unprecedented political and media attention
- Public scrutiny reducing consumer trust in major banks, which is an opportunity for customer growth for nimble, smaller institutions like Auswide Bank
- Major Bank levy does not apply to Auswide Bank
- These macro risks for the big banks do not generally apply to smaller banks like Auswide and present an opportunity for investor consideration of ABA

Queensland economy

- QLD Economic Forecast – improvement is expected to be driven by:
 - » Mining and resources investment
 - » International tourism
 - » State investment

Outlook

- Staged home loan growth in H1 FY18 followed by strong second half
 - » Investor lending caps / Interest only lending
- Strong origination quality to continue to build a quality loan book
- Continued capital strength and ongoing risk culture improvement
- Net growth expectations for 30 June 2018:
 - » Mortgage Lending Book target is =>5% growth in housing loans
 - » Business Banking (commercial and residential) target portfolio balance is =>\$131m
 - » Consumer Lending (including both On Balance Sheet and MoneyPlace) portfolio balance target is =>\$47m
- Continued strong expense management



APPENDICES

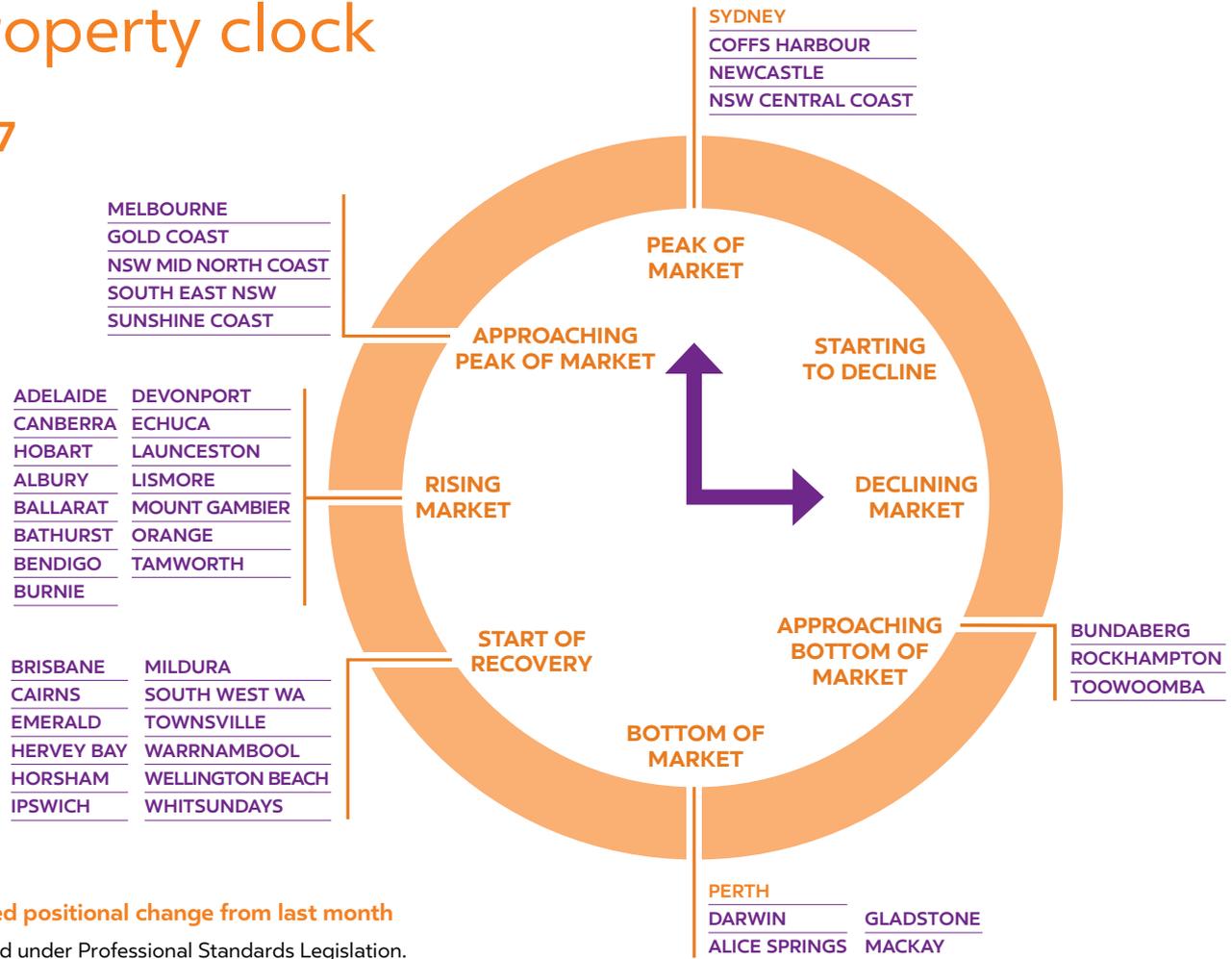
Branch network



- 23 branches across Queensland from Cairns to Brisbane
- A new branch opened in North Lakes in a targeted growth area north of Brisbane

National property clock

SEPTEMBER 2017
HOUSES



Entries coloured orange indicated positional change from last month

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Community engagement

Supporting our local communities is part of Auswide Bank's mission to put customers at the centre of everything we do

- Branded caravan to improve brand recognition at community events
- Support for customers affected by Cyclone Debbie and Salvation Army appeal
- CQ University scholarship program
- Our Community Grants program
- Support for community events and sponsorships:
 - Queensland Young Achievers Awards
 - The Friendlies High Country Tour
 - Mater Miles for Memories
 - Bundaberg region Business Excellence Awards



Customer Wealth Management

- Continue to explore and secure alliances that strengthen capability to solve for customers' broader needs
- Entered strategic alliance with Alliance Wealth, a wholly owned subsidiary of Centrepoin Alliance Limited (ASX: CAF)
- Auswide owns a 25% share in Financial Advice Matters Group (FAMG), part of the Alliance Wealth network
- FAMG is demonstrating improved performance
- Provides ability to deliver solutions nationally to Auswide customers for issues from budgeting through to aged care

Staff satisfaction

- Staff engagement is high with participation in the survey greater than 90%, in the highest response rate band for employee surveys
- Consistent high rating for staff who are proud to be part of Auswide Bank and support company values
- Staff have an on-going understanding of how their work contributes to Auswide Bank's business objectives
- Staff working beyond what is required has been maintained at a high level
- More staff are empowered to look for better ways to serve Auswide customers
- Leadership training and communication with staff have increased confidence in leadership decision making

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 14 September 2017.

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.



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STRESSCRETE
VISITOR

STRESSCRETE

STRESSCRETE

STRESSCRETE
HEAVY HAULAGE