

20 February 2018

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

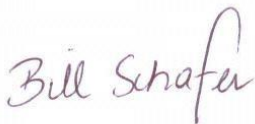
Dear Sir/Madam

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

February 2018

*Small things.
Big difference.*

FINANCIAL PERFORMANCE



H1 FY18 Financial Performance Highlights



Statutory NPAT

↑ 10.1%
to \$8.060m



ROTE (continuing operations)

9.5%
up from 8.6%



NPAT (continuing operations)

↑ 15.4%
to \$8.445m



Interim dividend

16.0c
up from 14.0c



EPS (continuing operations)

20.37c ↑2.27c



Capital strength

14.9%
Strongest capital of the listed banks



ROE (continuing operations)

7.5%
up from 6.7%



Arrears within SPIN

0.68%
of total loans and advances

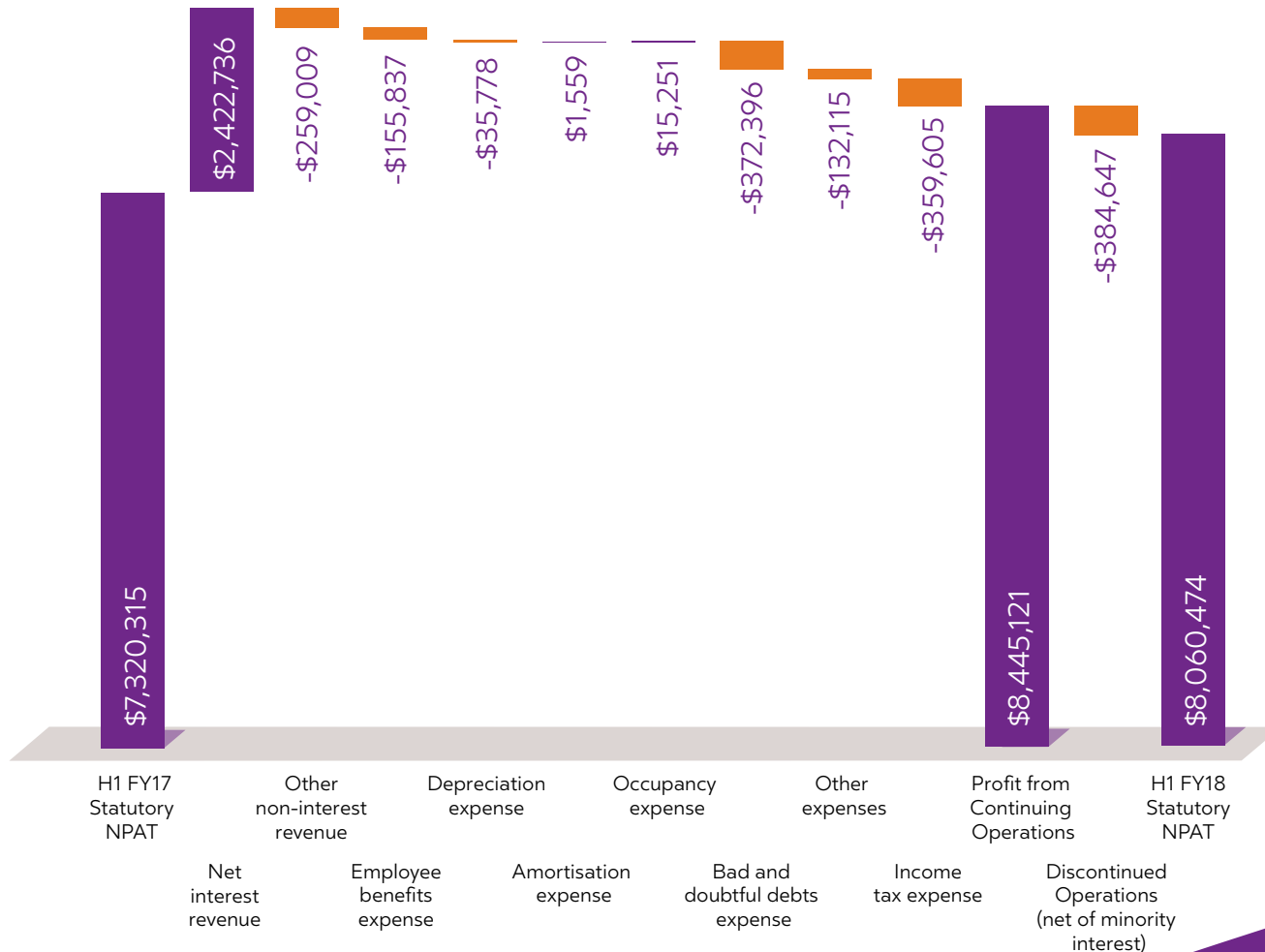
H1 FY18 Financial Summary

		H1 FY18	H1 FY17	Change
NPAT	Continuing operations ¹	\$8.445m	\$7.319m	↑ 15.4%
NPAT	Includes discontinued ²	\$8.060m	\$7.319m	↑ 10.1%
Loan Book		\$2.804b	\$2.671b	↑ \$133m
Net Interest Revenue	Continuing operations	\$30.688m	\$28.264m	↑ 8.6%
NIM		196bps	192bps	↑ 4bps
Interim dividend per share (fully franked)		16.0c	14.0c	↑ 2.0c
Capital Ratio		14.9%	14.6%	↑ 0.3%
EPS	Continuing operations	20.37c	18.10c	↑ 2.27c
EPS	Includes discontinued	19.44c	18.10c	↑ 1.34c
ROE	Continuing operations	7.5%	6.7%	↑ 0.8%
ROTE	Continuing operations	9.5%	8.6%	↑ 0.9%
Cost to Income Ratio		63.4%	66.6%	↓ 3.2%

1. Continuing operations – excludes operating losses from MoneyPlace

2. Includes discontinued – includes operating losses from MoneyPlace

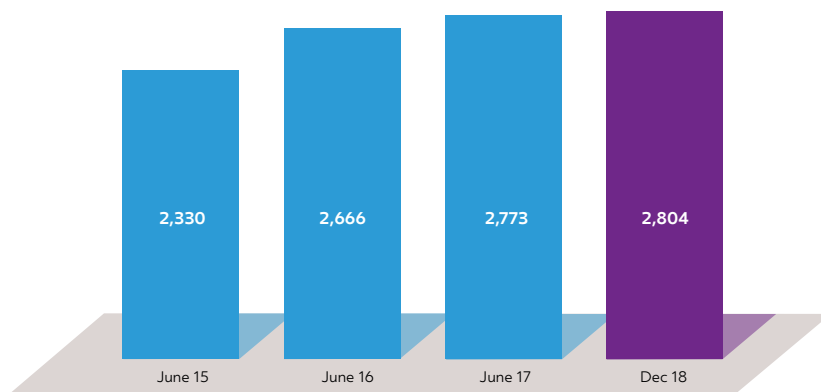
NPAT Reconciliation



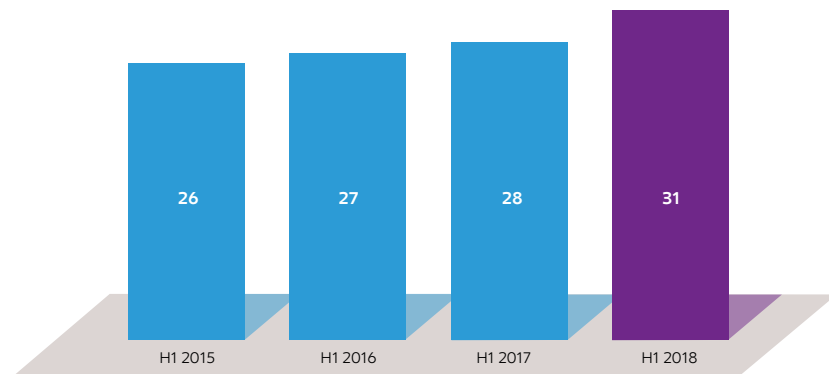
- Net interest revenue increased \$2.423m compared to the prior corresponding period
- Strategic expense management continuing to minimise cost growth
- Cost to income ratio down to 63.4% from 66.6% in prior corresponding period

Loan Book

LOANS AND ADVANCES BALANCES (\$M)



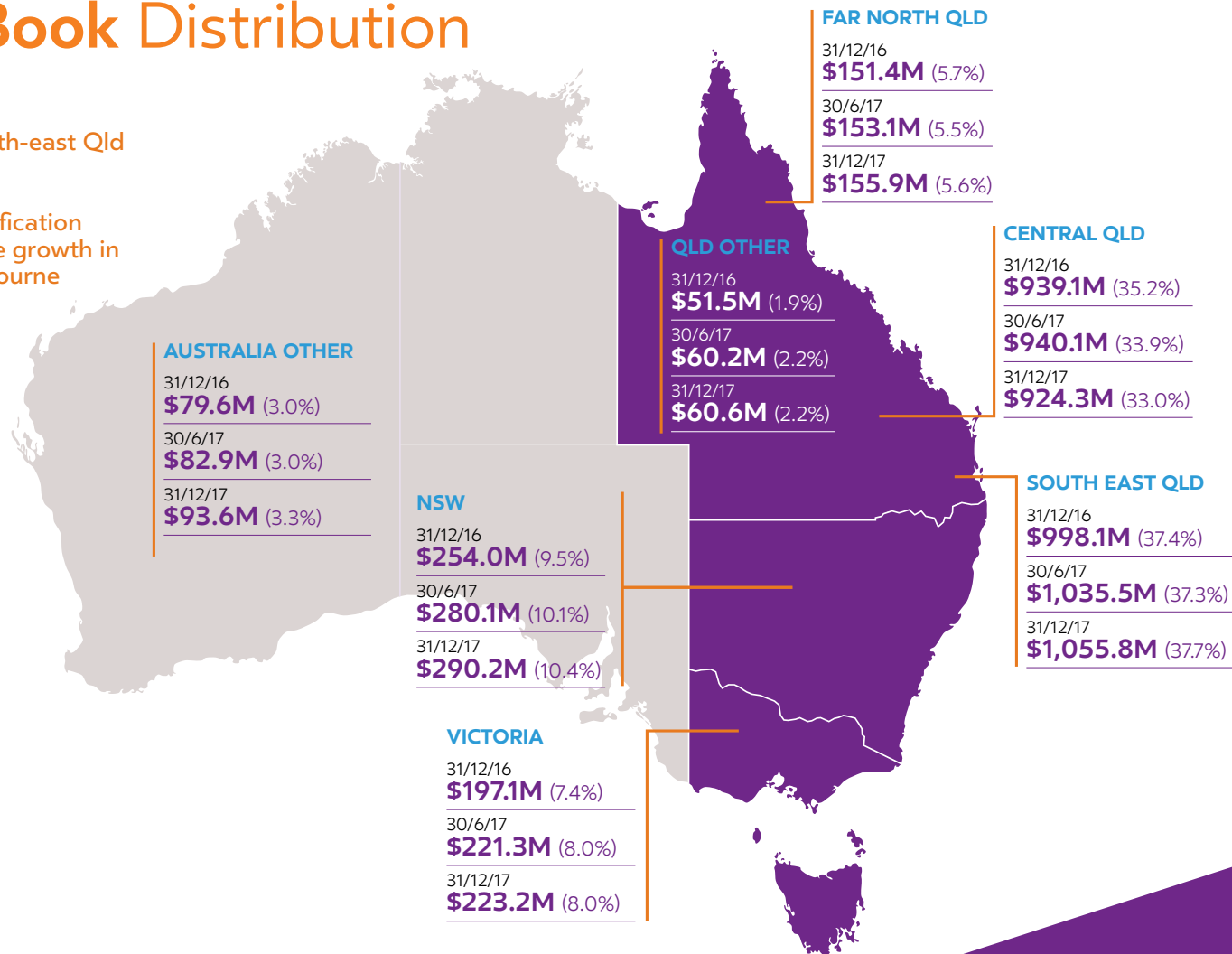
NET INTEREST INCOME (\$M)



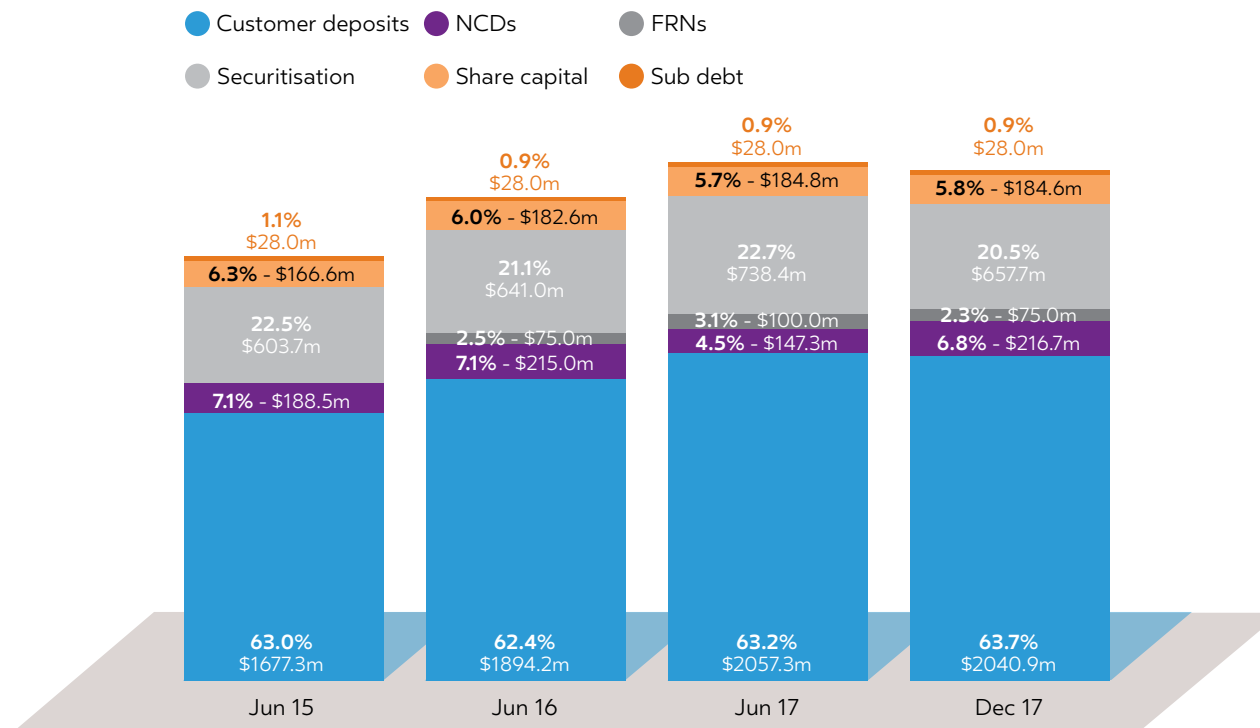
- Annualised loan book growth of 2.2% across H1 FY18
- Continued growth in consumer lending with \$45m target by 30 June 2018
- Strength of NIM carried loan book growth to net interest revenue

Loan Book Distribution

- Loan book in South-east Qld exceeds \$1 billion
- Continued diversification through interstate growth in Sydney and Melbourne



Funding Mix



- Strategic focus remains on customer deposit growth
- Strategic decision to lower broker originated term deposits, an expensive funding line
- Decreased reliance on higher cost Securitisation funding
- Extend the tenure of wholesale funding via the issuance of longer dated Senior FRNs

Treasury and Funding highlights

Dual Investment grade ratings

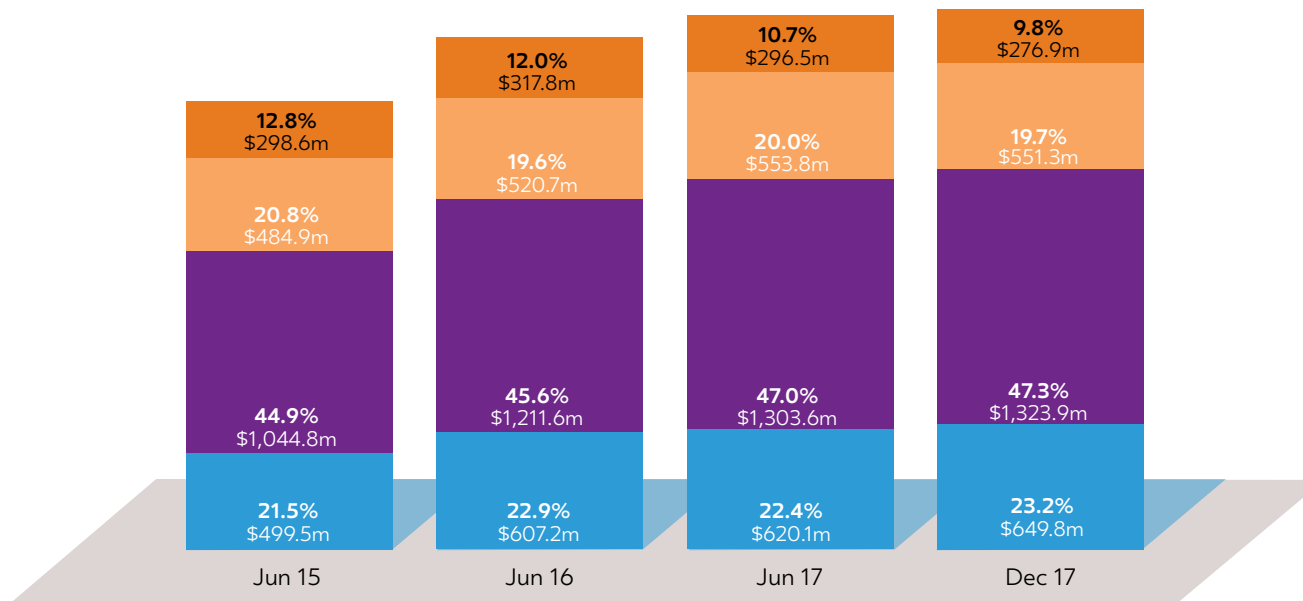
- Funding strategy includes the recent assignment of Dual Investment grade ratings from Fitch and Moody's rating services of BBB+ and Baa2 outlook stable respectively
- Dual ratings will allow Auswide Bank to strategically extend the Tenure of the Wholesale funding program via the issuance of longer dated Senior FRNs
- Dual ratings will assist in tighter issuance levels across the Wholesale funding program during 2018

Funding

- Strategic focus remains on building customer deposit growth during 2018
- Decreasing reliance on higher cost Securitisation funding
- Strategic focus on an efficient funding mix optimising the NIM and providing a stable funding platform

Loan Valuation Ratio (LVR)

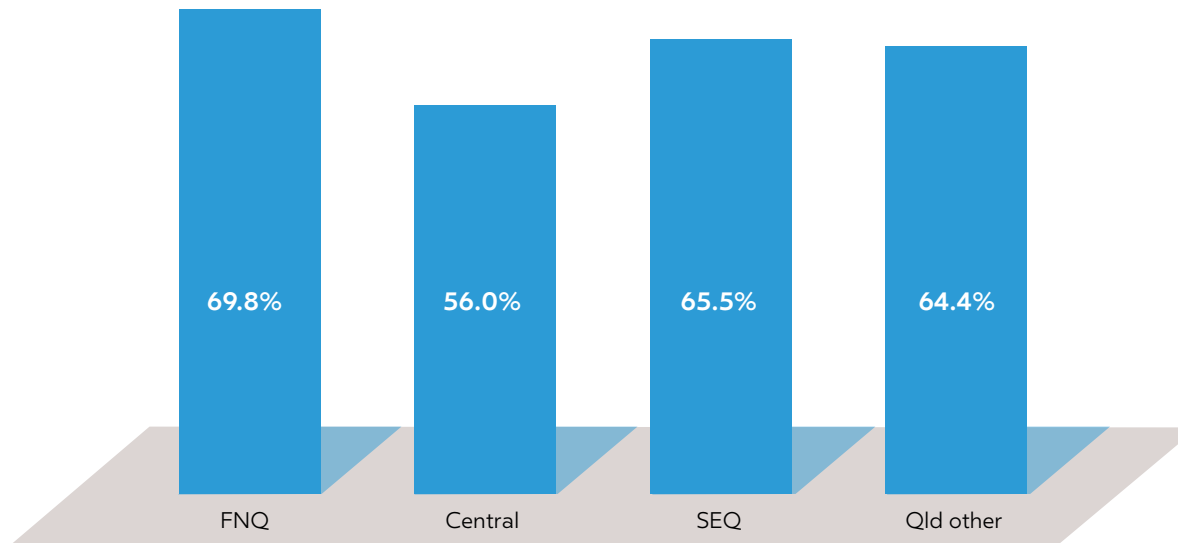
● 0 to 60%
 ● Over 60% up to 80%
 ● Over 80% up to 90%
 ● Over 90%



- Sustainable lending growth is underpinned by improving LVR
- Over 90% LVRs continue to trend downwards
- 70.5% of home loans at <80% LVR

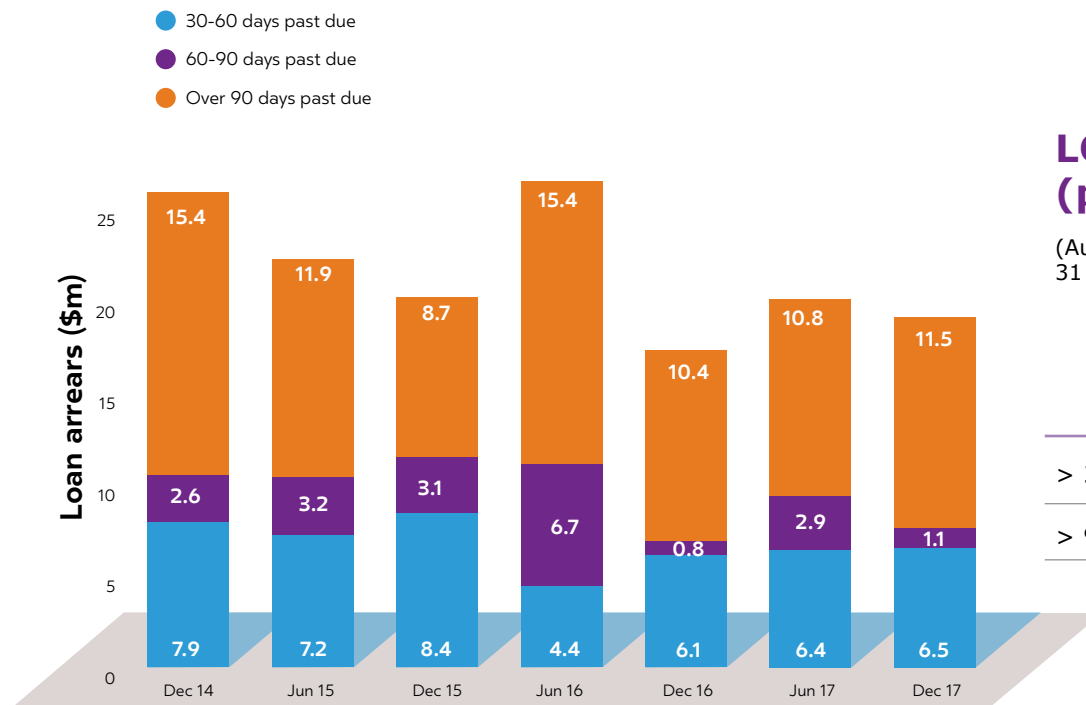
LVR profile in regional Qld

**AVERAGE LVR FOR EXISTING RESIDENTIAL LOANS IN QLD REGIONS
AT 31 DECEMBER 2017**



- Lending quality in regional Qld remains stable
- Traditional Qld markets are strong due to low LVRs
- Risk management focus on regional Qld ensures provisions are adequate

Loan Book Arrears



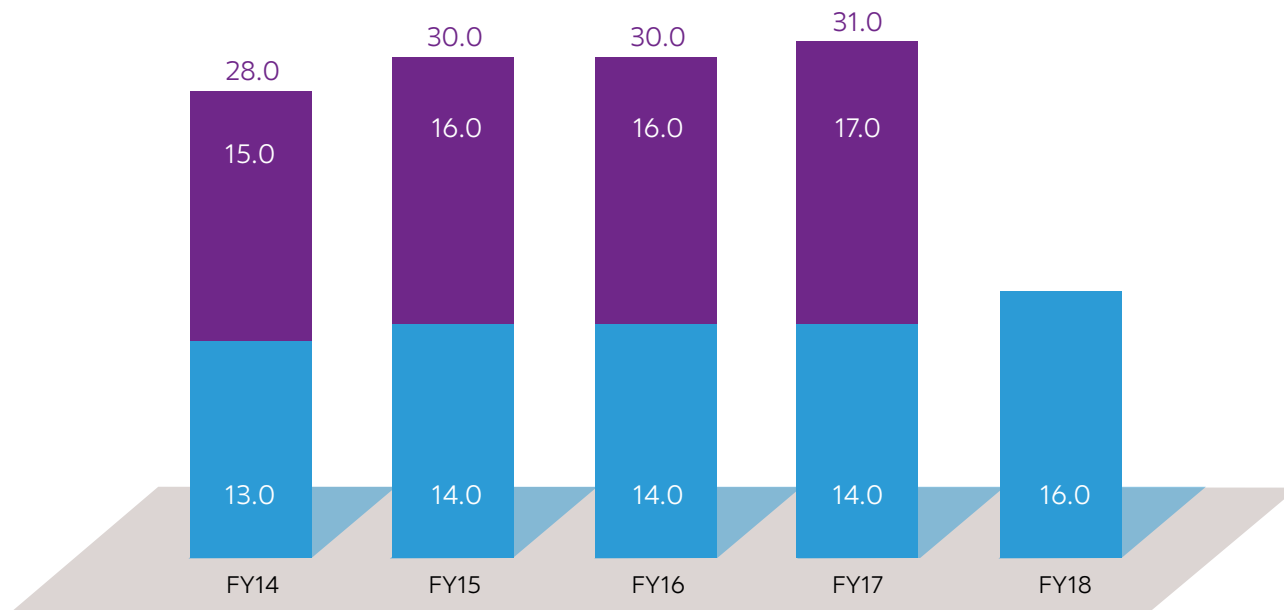
LOANS PAST DUE v. SPIN (percentage of total loans)

(Auswide figures: as at 31 December 2017, SPINs: as at 31 October 2017 - latest available at time of publication)

	Auswide	SPIN (Other Banks)	SPIN (Regional Banks)
> 30 days	0.68	0.79	1.32
> 90 days	0.41	0.37	0.60

Dividend (CPS)

● 1H ● 2H



- EPS (from continuing operations) has risen by 2.27c to 20.37c for H1 FY18
- Interim dividend increased to 16.0c, up by 2.0c from H1 FY17
- Payout ratio is 83.6% of statutory NPAT (79.8% of NPAT from continuing operations)

Operational Highlights

- Sale of MoneyPlace with \$1.127m NPAT benefit for H2 FY18
- Sale of MoneyPlace will strengthen capital and offset interim dividend impact on tier 1 capital
- Further lending and deposit partnerships
- Delivery of lending process improvements significantly increasing capacity and service levels
- Customer Care program delivering retention and growth benefits
- Continuing strength and improvement in organisation's Risk, Fraud Management and compliance capability



STRATEGIC JOURNEY



Vision

“The Bank that our customers and partners want their friends, family and colleagues to bank with.”

Our Foundations are solid with very strong customer and staff engagement:

- Improving brand awareness (Qld) 58% from 19% in 2016
- Customer satisfaction at very high 84% with 66% confirming Auswide Bank is their main financial institution
- Staff engagement exceptional at 96% and staff satisfaction at 88% which are amongst the best results in the industry

Stage 1: 2013-16

Build Capability and Strength

- Improved risk culture, capability and quality of loan book
- Built consumer lending and business banking capability
- Strengthened leadership and team capability
- Achieved Bank status and re-branded to Auswide Bank
- Invested in new technology, branch refurbishment, process improvement and customer experience
- Branch rationalization and cost management program introduced
- Invested in new operating system and lending system for improved efficiency, data capability and growth
- Successful M&A activity with acquisition of YCU and equity stake in P2P lender MoneyPlace



Stage 2: 2017-19

Leverage Investment for Growth, Strength and Customer Outcomes

- Very strong capital position to support growth
- Grow home loans with quality origination within regulatory requirements
- Leverage improved back office capability and service levels to drive greater home loan broker flow
- Accelerate consumer lending via personal loans, on balance sheet credit cards and partnerships
- Further enhance capability and grow business banking
- Maintain strict cost controls
- Protect and grow positive Auswide Bank reputation at a time of significant industry scrutiny and review
- Ongoing review of value enhancing partnerships and M&A opportunities
- Improved and diversified corporate rating to assist with further funding advantages including longer term wholesale funding tenure and reduced funding cost



Customer Service and Product Enhancements

- Payband rollout February 2018
- Auswide Bank credit card rollout April 2018
- Product simplification project to reduce complexity and improve efficiency
- Ongoing home loan process improvement
- Enhanced fraud detection and customer protection
- Customer care program to enhance customer experience
- Ongoing digital banking rollout to improve convenience and service

Half Year Performance Trends

	Dec 14	Dec 15	Dec 16	Dec 17
LOAN BOOK	\$2.271b	\$2.436b	\$2.671b	\$2.804
NTA	\$156.023m	\$158.674m	\$171.309m	\$182.919m
NET INTEREST REVENUE	\$25.856m	\$26.542m	\$28.264m	\$30.688m
NIM	201bps	198bps	192bps	196bps
NPAT (continuing)	\$6.496m	\$6.782m	\$7.319m	\$8.445m*
ROE (continuing)	6.59%	6.77%	6.70%	7.46%*
EPS (continuing)	17.7c	18.3c	18.1c	20.4c*
Dividend	14.0c	14.0c	14.0c	16.0c
Share Price	\$5.30	\$5.85	\$5.09	\$5.25

* NPAT from continuing operations – excludes operating losses from MoneyPlace

Regulatory Environment

There continues to be a significant increase in regulatory and political activity in the financial services sector:

- Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
- Banking Executive Accountability Regime (BEAR) 2018 for big banks, 2019 for smaller ADIs
- APRA review of capital and risk across ADIs
- ASIC activity on BBSW and responsible lending
- Productivity Commission Review into Competition in the Australian Financial System



Outlook

- Improved Lending growth in the second half assisted by investor lending capacity
- Consumer loan growth to continue to improve providing blended margin of 9-10%
- Business Banking pipeline is improving and will result in solid growth in the second half
- \$1.127m NPAT contribution in the second half from sale of MoneyPlace equity stake
- Capital position remains very strong and provides growth capability
- Regulatory and political activity is likely to be helpful to Auswide Bank over the next 12 months as the major banks struggle with reputational challenges
- Expenses to continue to be tightly managed

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 19 February 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.