



INVESTOR PRESENTATION

DECEMBER 2019 RESULTS



H1 FY20 FINANCIAL HIGHLIGHTS



NPAT

\$9.256m

↑ 9.3% (STATUTORY AND UNDERLYING)

- Strong H1 FY20 profit growth
- H1 profit up 9.3% on H1 pcp
- Net interest income increased by 10.9% in pcp



LOAN BOOK

↑ 5.4%

(ANNUALISED)

- Above system growth in a competitive market
- Ongoing diversification with strength in SE QLD and NSW
- Lending quality maintained through robust risk management

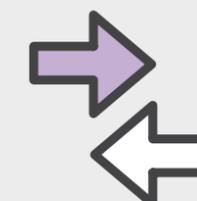


NIM

195BPS

↑ 7BPS

- Increased margin by 7bps on pcp
- Management of funding lines reduces wholesale funding costs
- Forecast upward trend in NIM across H2



COST TO INCOME RATIO

62.9%

↓ FROM 64.8% H1 FY19

- Careful management of overheads and personnel expenses
- Disciplined investment strategy
- Investment in on-line capabilities

H1 FY20 FINANCIAL HIGHLIGHTS



ARREARS

0.39%

OF LOAN BOOK
↓ FROM 0.42% IN H1 FY19

- Arrears at historic lows, well ahead of peers
- High quality lending complements loan book growth
- Focus on lower LVR loans increasing asset quality



EPS

21.9CPS

↑ 1.8 CPS

- Material uplift in earnings per share
- Providing shareholders with increasing return on investment
- RONTA increased to 9.70% nearing strategic target of 10.0%



DIVIDEND

17.0CPS

↑ 1.0CPS

- Dividend up from 16.0cps in H1 FY19
- Delivering sustainable returns to shareholders
- Payout ratio of 77.5% well within board target range



CAPITAL

13.03%

↓ FROM 13.79% JUNE 19

- Strong capital position supports growth initiatives
- Provides capacity for investment in digital and security
- Meeting 'unquestionably strong' regulatory targets

FINANCIAL PERFORMANCE



FINANCIAL OVERVIEW

LOAN BOOK GROWTH 2.25 TIMES SYSTEM GROWTH AND NIM EXPANSION

STATUTORY & UNDERLYING FINANCIAL RESULTS

	H1 FY20	H1 FY19		Change
NPAT (Consolidated)	\$9.256m	\$8.467m	↑	9.3%
Loan Book ¹	\$3.216b	\$3.019b	↑	\$197m
Net Interest Revenue	\$34.516m	\$31.109m	↑	10.9%
Net Interest Margin (bps)	195bps	188bps	↑	7bps
Interim dividend per share (fully franked) (cents per share)	17.0c	16.0c	↑	1.0c
EPS (cents per share)	21.9c	20.1c	↑	1.8c
RONTA ²	9.7%	9.0%	↑	0.7%
Cost to Income Ratio	62.9%	64.8% ³	↑	1.9%
Capital Adequacy Ratio	13.03%	14.43%	↓	1.4%
Deposits	\$2.523b	\$2.190b	↑	\$333m

1 Grossed up for Investments in Managed Investment Schemes reported in Financial Assets.

2 Return on Net Tangible Assets (equivalent to Return on Tangible Equity (ROTE)).

3 Calculation method for Cost to Income Ratio changed to exclude MIS bad and doubtful debts

NPAT RECONCILIATION

NPAT INCREASED 9.3%

\$000s



- NPAT up 9.3% on pcp despite competitive lending environment
- Increase in Net Interest Revenue of 10.9% driven by:
 - Strong annualised loan book growth of 5.4%* (compared to system growth of 2.4%)
 - Increase in NIM of 7bps on pcp

- The application of the new leases standard AASB16 resulted in an overall reduction in costs of \$71k:
 - Reduction in occupancy expense of \$957k
 - Increase in amortisation expense of \$764k
 - Increase in interest expense of \$122k

* Annualised loan book growth rate since June 2019 5.4%, growth rate since December 2019 (pcp) 6.5%.

LOAN BOOK

NET INTEREST REVENUE UP 10.9%



● Housing loans ● Business ● Consumer loans

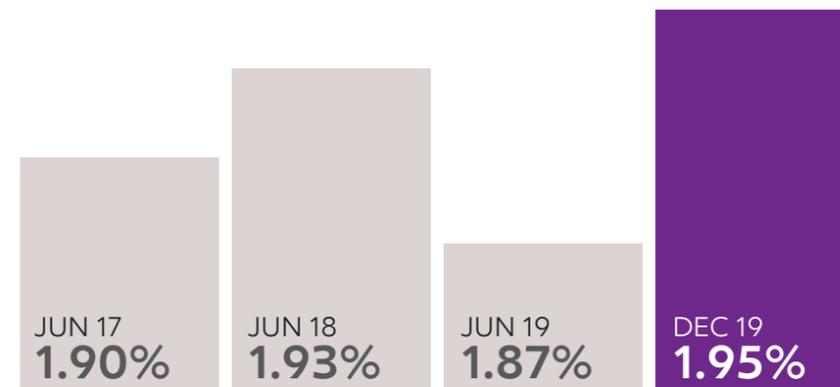
LOANS AND ADVANCES BALANCES

Grossed up for Investments in Managed Investment Schemes reported in Financial Assets.

* RBA Financial Aggregates – Total Credit Growth.



NET INTEREST INCOME



NET INTEREST MARGIN

- Net Interest Revenue up 10.9% from \$31.1m to \$34.5m
- Net Interest Margin rose 8 basis points from 1.87% for FY19 to 1.95% in H1 FY20
- Forecast upward trend in NIM over remainder of FY20
- Strong loan book growth of 5.4% annualised, well ahead of system growth of 2.4%*

LOAN BOOK DISTRIBUTION

DIVERSIFICATION CONTINUING



SOUTH EAST QLD

31/12/18	\$1,140.1m	38.2%
30/6/19	\$1,210.1m	39.3%
31/12/19	\$1,230.9m	39.3%



FAR NORTH QLD

31/12/18	\$161.9m	5.4%
30/6/19	\$160.6m	5.2%
31/12/19	\$154.5m	4.9%



NSW

31/12/18	\$333.4m	11.2%
30/6/19	\$352.3m	11.5%
31/12/19	\$373.9m	11.9%



AUSTRALIA OTHER

31/12/18	\$131.8m	4.3%
30/6/19	\$142.5m	4.6%
31/12/19	\$156.4m	5.0%



CENTRAL QLD

31/12/18	\$918.2m	30.8%
30/6/19	\$911.3m	29.6%
31/12/19	\$913.4m	29.1%



QLD OTHER

31/12/18	\$58.7m	2.0%
30/6/19	\$58.1m	1.9%
31/12/19	\$57.4m	1.8%



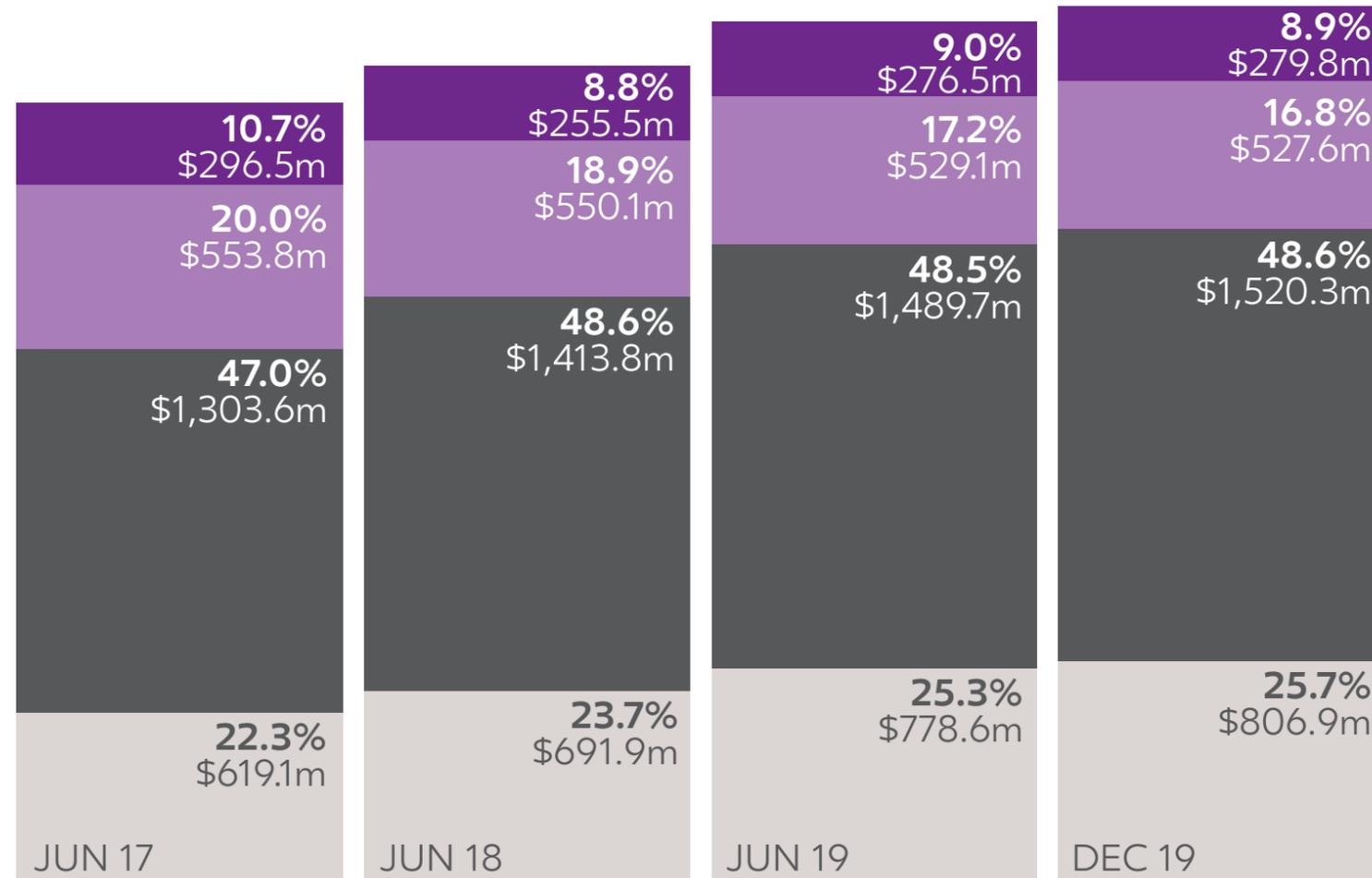
VICTORIA

31/12/18	\$238.0m	8.1%
30/6/19	\$241.8m	7.9%
31/12/19	\$251.8m	8.0%

- Above system growth drives further loan book diversification
- Continuing strength in SE QLD and Sydney loan books
- QRL partnership enhancing brand recognition

LOAN VALUATION RATIO

SUSTAINED GROWTH IN LOW LVR LENDING DE-RISKS LOAN BOOK

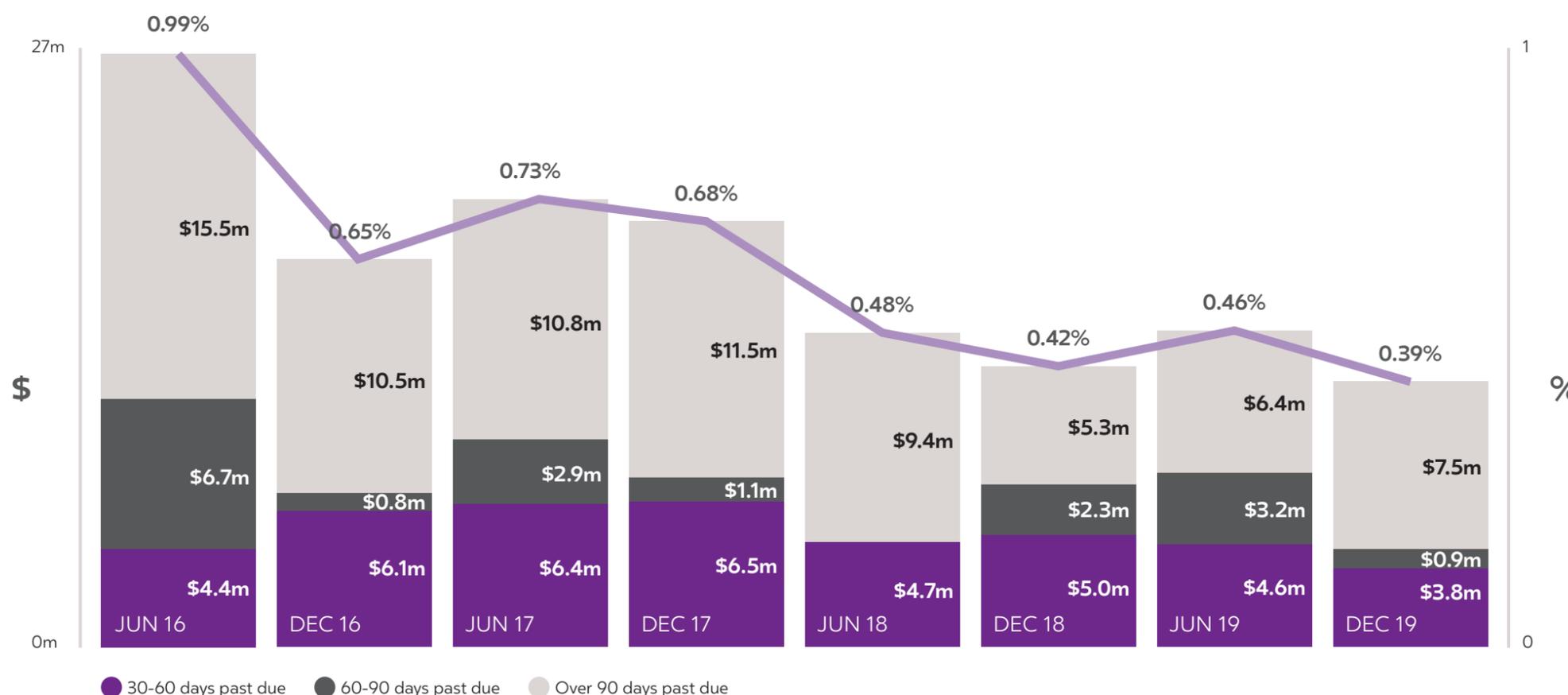


● 0 to 60% ● Over 60% up to 80% ● Over 80% up to 90% ● Over 90%

- Mature home loan portfolio underpins high quality loan book
- 74.3% of loan book has an LVR of 80% or less
- >80% LVR loans continue to decline as proportion of loan book

LOAN BOOK ARREARS

ONGOING IMPROVEMENT IN CREDIT QUALITY AS ARREARS DECLINE



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)	0.39	0.87	1.32
>90 days past due	0.24	0.50	0.73

(Auswide figures: as at 31 December 2019. SPINs: as at 30 November 2019 latest available at time of publication)

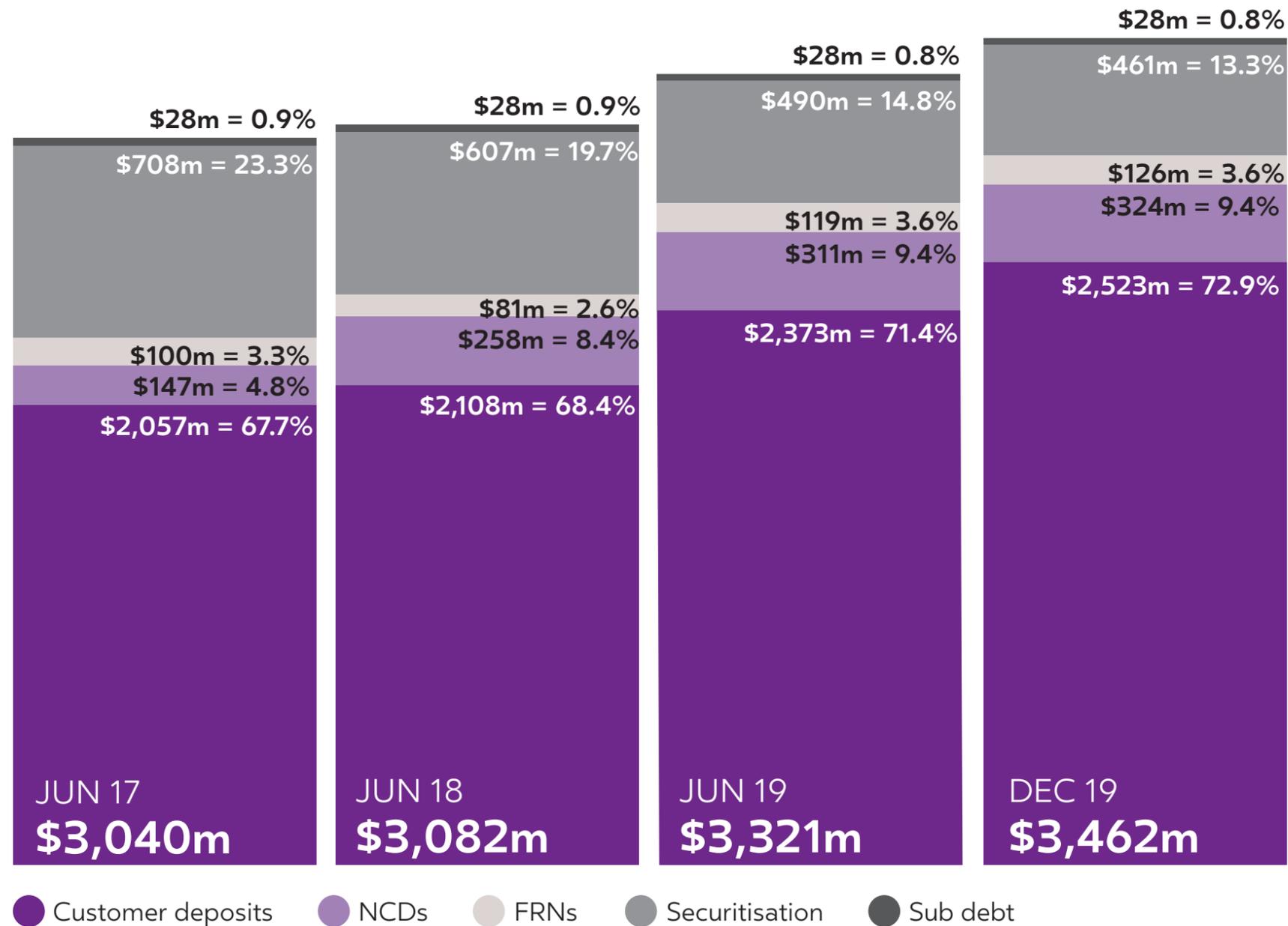
- Arrears performance continues to trend downwards with 30 and 90 days arrears well below peers

- Current arrears of \$12.2m, down 54% compared to June 2016

- Focus on strong risk management ensures quality loan book growth

FUNDING MIX

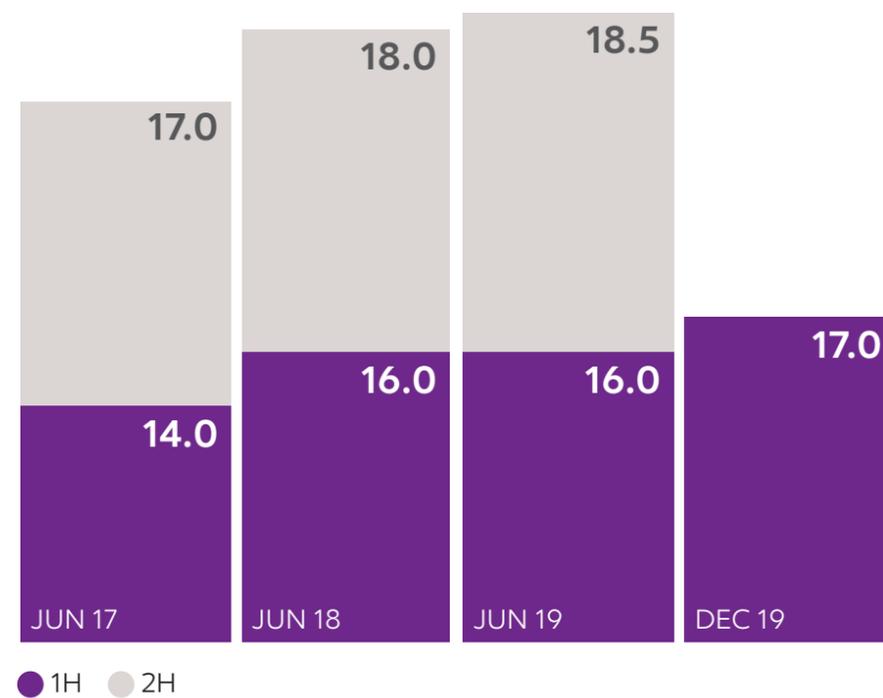
INCREASING CUSTOMER DEPOSITS DRIVE LENDING EFFICIENCIES



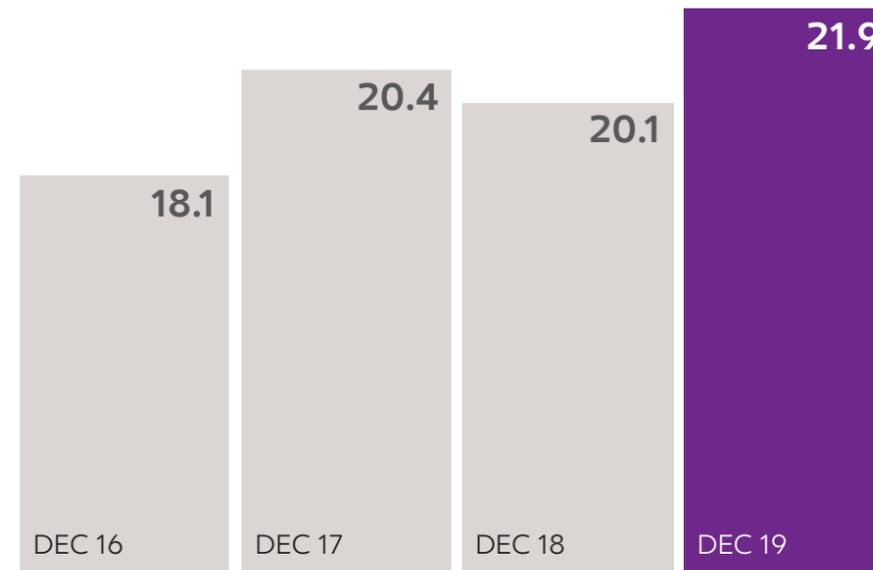
- 12.6% annualised growth in customer deposits to reach 72.9% of funding
- 24% annualised growth in at call savings accounts from \$903m to \$1.11b
- BBSW premium to the RBA cash rate tightened
- Continued management down of more expensive funding line, securitisation, now 13.3% of funding
- Maintained dual investment grade ratings from Fitch & Moody's of BBB+ and Baa2 respectively
- Continued diversification and management of funding lines

DIVIDEND AND RETURNS

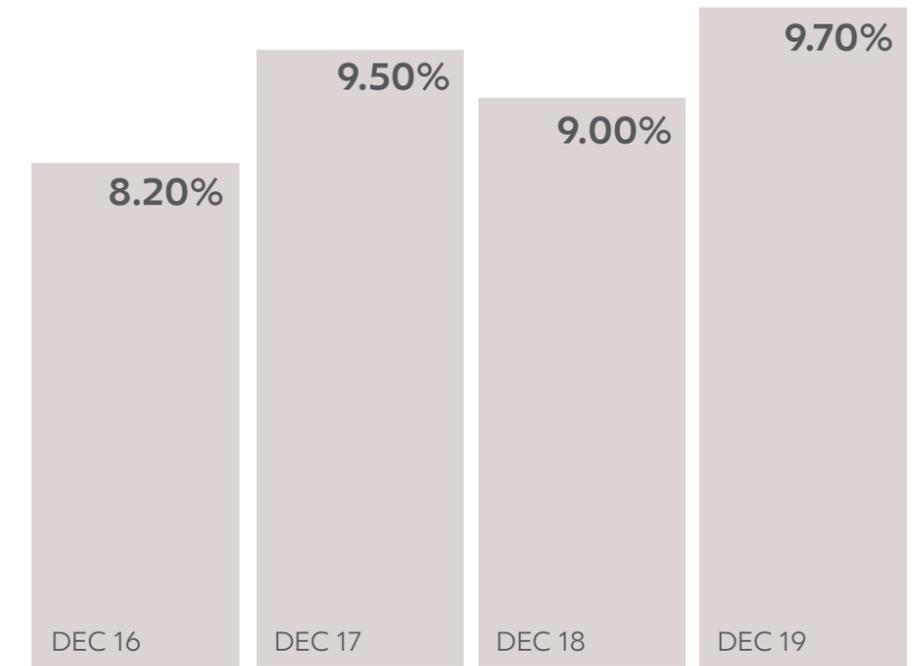
TRACK RECORD OF DELIVERING SUSTAINABLE RETURNS TO SHAREHOLDERS



DIVIDEND (CENTS)



EARNINGS PER SHARE (CENTS PER SHARE)



RONTA (UNDERLYING)

- Interim fully franked dividend increased to 17.0 cents from 16.0 cents for H1 FY19
- Return on Net Tangible Assets of 9.7% up 7.7% on pcp
- Payout ratio of 77.5%, within Board target range of 70% – 80%

CAPITAL

STRONG CAPITAL POSITION ENABLES LOAN BOOK GROWTH



- Capital remains strong at 13.03% and comfortably in excess of board target
- CET 1 of 11.12%
- Capital ratio has reduced from 13.79% at 30 June 2019 as a result of loan book growth and suspension of the DRP
- DRP will be activated for the interim dividend payable in March 2020
- Capital will support further loan book growth in H2 FY20

TECHNOLOGY



AUSWIDE TECHNOLOGY PLAN

WE ARE FOCUSED ON...



Improving our foundations – moving to the latest Ultracs core system resulting in increased security, consolidated customer data, and enhanced API connectivity.



Building digital experiences that offer more personalised banking and self-service, enabling us to reach customers 'beyond the branch'.



Technology to support Loan Origination, enabling us to optimise our on-boarding, assessment and provisioning capabilities.

Additionally improving our efficiency and ability to respond quickly to customer/broker demands.



Insisting on “Baked-in Security” to ensure information integrity, confidentiality, and availability wherever data may be.

STRATEGY



STRATEGIC UPDATE

PROGRESS TO DATE

1

BUILDING AWARENESS

Successful implementation of the 2019 QRL Marketing Plan

30% YoY increase in brand awareness in Queensland

Continue to support our local community groups

2

PARTNERSHIPS

Appointment of dedicated partnerships personnel

Distribution Partnership with National Seniors Australia and others, launching term deposit and other products to expand geographic footprint

Relaunch of Workplace Banking Program

Review of Loan Referral Program including models for upstream and downstream referrers

3

DIGITAL & CUSTOMER HUB

V2 of Mobile App implemented

Website optimization commenced

Improving online applications

Customer Hub: Purecloud telephony system, dashboard tracking and Live Chat functionality enabled

STRATEGIC UPDATE

PROGRESS TO DATE

4 EFFICIENCY

- Upgrade to core banking system underway
- Careful balancing of loan pricing and expense control

5 STRENGTH

- Cyber-security
- Continued to strengthen risk culture
- Comprehensive reporting of customer complaints and feedback
- Strong capital and funding mix
- Investment in training, development and wellness of our staff

6 NON-ORGANIC

- Assessment of M&A opportunities ongoing

STRATEGIC UPDATE

WHAT'S NEXT

1

BUILDING AWARENESS

- Implement millennial strategy aimed at attracting and acquiring the next generation of banking customers
- Improve customer on-boarding experience
- Brand refresh
- Further leverage and extend the QRL/Maroons partnership

2

PARTNERSHIPS

- Continue to look at partnerships to expose our brand to a broader audience in order to leverage our balance sheet and capital strength

3

DIGITAL & CUSTOMER HUB

- Analysis & digitalisation of existing Customer Hub tasks
- Internet Banking enhancements
- National Payments Platform (real time payments) and Osko (instant peer-to-peer payments) planned for delivery following implementation of Ultracs 5.1 for Open Banking
- Online ID
- Expand online application capability

STRATEGIC UPDATE

WHAT'S NEXT

4 EFFICIENCY

- Broker Channel – series of initiatives to be rolled out before June that will materially improve efficiency and capability

- Core banking system upgrade in 2020 to enable Open Banking, National Payments Platform, Comprehensive Credit Reporting

- Ongoing enhancement of loans processing system

5 STRENGTH

- Core banking system upgrade will further strengthen fraud interceptor and ID verification capabilities

- Cyber-security continues to be a top priority

- Assessing ESG risks

6 NON-ORGANIC

- Continue to look at M&A, Fintech and partnering opportunities that grow our customer base and deliver efficient profit growth

OUTLOOK



OUTLOOK



FINANCIAL

Targeting:

- Cost to Income ratio of 60%
- Targeting an upward trend in NIM across H2
- Return on Net Tangible Assets of 10%
- Above system loan growth across home, personal and business lending



TECHNOLOGY

- Improving cyber security and fraud protection capabilities
- Upgrade of core banking system
- Self serve rollout to customers



REGULATORY

- Remaining proactive and vigilant in meeting all regulatory compliance obligations



CUSTOMER

- Continuing to improve overall customer experience



BRAND

- Brand refresh
- Improving brand awareness particularly in 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 19 February 2020.

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.

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