



22 December 2015

Joint Media Announcement

YCU – YOUR CREDIT UNION AND AUSWIDE BANK ANNOUNCE MERGER

Agreed Merger

Queensland Professional Credit Union Ltd (trading as YCU - Your Credit Union (YCU)) and Auswide Bank Ltd (Auswide Bank (ASX: ABA)) today announced that they have entered into a Merger Implementation Agreement¹ pursuant to which the two companies propose to merge.

The Boards of both companies have unanimously endorsed the proposed merger as it will bring together two highly compatible financial institutions. Both YCU and Auswide Bank:

- were founded at the same time in the mid-1960s;
- have strong roots in community banking;
- view customer service and satisfaction as paramount;
- ascribe considerable value to their employees; and
- are headquartered in Queensland.

Should the merger be successful, the members and customers of YCU and Auswide Bank will enjoy:

- ✓ high levels of engagement and service;
- ✓ an extended branch network throughout Queensland;
- ✓ a wide range of financial products and services;
- ✓ an expanded technological and digital capability; and
- ✓ the financial strength and enhanced capability of a larger banking organisation.

YCU's Chairman, Gordon Rutherford said "the proposed merger is a tremendous combination of two companies with much in common. Auswide Bank is an outstanding, culturally-compatible, merger partner and the YCU directors are very pleased to recommend the merger proposal to YCU members".

Auswide Bank's Managing Director, Martin Barrett said "this is not a big bank takeover but a merger of two similar organisations to create an even more compelling banking proposition for our collective stakeholders. Auswide Bank customers will now have access to a conveniently located branch in the Brisbane CBD which will also assist our growth in South East Queensland. YCU members will have access to Auswide Bank's broad range of banking capabilities and geographic footprint".

¹ Provided as an attachment to this announcement.



The Proposal

Under the terms of the merger proposal, to be implemented via a scheme of arrangement, each YCU member² will receive for their YCU member share:

- \$4,055 in cash; and
- 696 Auswide Bank shares.

Based on an Auswide Bank share price of \$5.40,³ the implied value of the scrip component of the proposed offer is \$3,758 per YCU member share and the implied value of the total proposed offer per YCU member is \$7,813. The total value of the proposed offer to YCU members is approximately \$32 million.

Benefits to YCU Member Shareholders

- Immediate access to a broader range of banking products and services via an expanded distribution network;
- Access to familiar faces as, to the extent possible, Auswide Bank intends to retain YCU employees;
- No changes to the existing price positioning enjoyed by YCU members, other than in accordance with the loan agreements in place, in response to changes in the official interest rate by the Reserve Bank of Australia or to changes actually requested by individual members;
- Valuable merger consideration valued at \$7,813 per YCU member comprising 696 Auswide Bank shares and \$4,055 cash;
- The opportunity to retain an ownership interest in the combined group and participate in its ongoing success, including the opportunity to receive fully-franked dividends; and
- Access to potential capital gains tax roll-over relief in relation to the scrip component of the proposal consideration⁴.

Mr Rutherford said “we consider this merger with Auswide Bank to be an outstanding opportunity for YCU members. Apart from the compelling \$7,813 in consideration, our members will continue to enjoy some of the best aspects of the YCU culture and service proposition.”

“The Board of YCU unanimously recommends that all YCU members support the proposal, subject to an independent expert determining that the merger is in the best interests of YCU members and in the absence of a superior proposal,” he said.

Every member of the YCU Board intends to vote in favour of the proposed merger in the absence of a superior proposal.

² A person must be a YCU member as at 5.00pm on Monday 21 December 2015.

³ Closing share price on 18 December 2015.

⁴ Subject to final tax advice.



Benefits to Auswide Bank Customers and Shareholders

- Significantly enhanced presence in South East Queensland including a CBD Brisbane branch;
- Expected to be cash earnings per share accretive on a normalised basis in 2017;
- Larger scale and greater geographic diversification of earnings;
- Future cost synergy benefits anticipated from the consolidation of technology platforms and back office functions; and
- Potential revenue synergies through cross-selling opportunities of Auswide Bank's existing capabilities to YCU's customer base, as well as leveraging YCU's branch to win new customers.

Mr Barrett said "consistent with our corporate strategy, this merger will provide Auswide Bank with an excellent platform from which to build our presence in South East Queensland. Auswide Bank is very pleased the YCU Board has unanimously endorsed the strategic rationale for the merger."

Transaction Process

YCU and Auswide Bank have entered into a Merger Implementation Agreement under which they have agreed to proceed with the merger proposal by way of scheme of arrangement between YCU and its members. A copy of the Merger Implementation Agreement is attached to this announcement.

The proposal is subject to the approval by YCU members, regulatory and court approvals, the independent expert concluding that the scheme is in the best interests of YCU members and other conditions customary for a public transaction of this nature (including there being no material adverse change or prescribed events in respect of either party). Because of its corporate structure, the amendment of YCU's constitution by its members is also a condition precedent to the merger.

The Merger Implementation Agreement also includes customary deal protections, including no-shop, no-talk, matching right and break fee provisions.

Indicatively, YCU members should receive relevant documentation, including the report of an independent expert, in March 2016 with the scheme of arrangement expected to be implemented in May 2016.

Information

For more information, please contact:

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Further information may be found on the YCU website at www.ycu.com.au and on the Auswide Bank corporate website at www.auswidebankltd.com.au.



About YCU – Your Credit Union

www.ycu.com.au

Based in Brisbane, YCU is a mutual financial institution that has been providing professional financial services since 1967. YCU is incorporated under the Banking Act (1959) and, as an Authorised Deposit-taking Institution its operations are overseen by the Australian Prudential Regulation Authority.

YCU currently operates one branch in Brisbane located at 100 Eagle Street. The credit union currently employs 11 staff.

YCU offers members a range of products and services including home loans, car loans, personal loans, transaction accounts, savings accounts and term deposits. YCU members have access to over 4,500 Rediteller® badged ATMs (operated by credit unions, NAB and Bank of Queensland), Westpac ATMs and St George ATMs.

About Auswide Bank Ltd

www.auswidebank.com.au

Auswide Bank became Australia's tenth and Queensland's third Australian owned bank, listed and trading on the ASX, on April 1, 2015. (ASX: ABA) Auswide Bank had total assets of \$2.7 billion at 30 June 2015 and, as at 18 December 2015, had a market capitalisation of \$201 million.

Headquartered in Bundaberg in Central Queensland, the company had operated as a building society since 1966 and was principally the amalgamation of building societies based in Bundaberg, Maryborough, Gympie & northern Sunshine Coast, Gladstone and Mackay.

Auswide Bank operates a network of 26 retail branches from Morayfield to Cairns and mortgage broker service centres in Brisbane and the Gold Coast.

Auswide Bank has an Australian Credit Licence and an Australian Financial Services Licence issued by ASIC and is an Authorised Deposit-taking Institution prudentially supervised by the Australian Prudential Regulation Authority.

Auswide Bank offers Australians an extensive range of personal and business banking products & services issued directly or in partnership with leading service providers via an omni-channel distribution strategy which includes branches, strategic relationships and online & digital channels. Products include consumer and business finance; deposits and banking services; insurance and foreign exchange.