Appendix 4E

Preliminary final report
Financial year ended 30 June 2017

Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	30 June 2017
Previous Corresponding Reporting Period	12 months to 30 June 2016

Results for announcement to the market

				$A'000
Income from operations	**Up**	**4.53%**	**to**	**67,731**
Profit from ordinary activities after tax attributable to members	**Up**	**29.51%**	**to**	**15,149**
Net profit for the period attributable to members	**Up**	**29.51%**	**to**	**15,149**

Review and results of operations

The underlying NPAT for the consolidated entity for financial year 2016/17 was $15.636m compared to $14.041m for 2015/16. This represents an increase of 11.4% from 2015/16.

The statutory consolidated net profit after income tax for the 2016/17 financial year was $15.149m compared to the result of $11.699m for the 2015/16 year.

There were one-off expense items in the 2016/17 financial year totaling $0.579m before tax ($0.487m after tax). These one-off expenses were as follows:

- Professional fees - MoneyPlace controlling interest: $0.188m;
- Professional fees - YCU acquisition: $0.126m; and
- Stamp duty - YCU acquisition: $0.265m.

The loan book of Auswide Bank Ltd increased from $2.666b at 30 June 2016 to $2.773b at 30 June 2017. Despite modest loan growth in the first half of the financial year due to the implementation of the new LendFast loan origination system, the annualised loan book growth for the 2016/17 financial year was 4.01%.

Home loan approvals across the 2016/17 financial year totaled $553.799m, a decrease of 6.39% on the $591.571m in home loan approvals for the 2015/16 financial period.

Merger Implementation

In December 2015 the Group entered into a Merger Implementation Agreement with YCU. On 19 May 2016 the court approved Scheme of Arrangement was implemented, and Auswide Bank acquired 100% of the shares of YCU. The transaction represented the first merger between a listed ADI and a mutual in 11 years.

The integration of the systems and products and YCU customer data were fully consolidated with Auswide's core banking system on 30 September 2016. The merger was a strategic acquisition for Auswide with the addition of a branch in the Brisbane CBD, strong customer retention, along with deposit book growth and capitalisation of financial synergies.

Investment in MoneyPlace

In December 2015 the Group announced it would be entering into a strategic relationship and equity investment with MoneyPlace Holdings. Auswide Bank Ltd acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. In February 2017 Auswide Bank made a follow-on investment and acquired an additional 44.0% equity stake in MoneyPlace, via a subscription agreement. This bought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace Holdings.

MoneyPlace commenced loan originations in January 2016 after receiving its retail and wholesale Australian Financial Service Licence and provides loans of $5,000 to $35,000 through its peer-to-peer (P2P) platform. MoneyPlace is Australia's second fully licensed P2P lender.

The strategic alliance with MoneyPlace provides a technically advanced personal loan system solution to a niche consumer finance market. The relationship provides an avenue to increase the Group's consumer lending ambitions and provides significant opportunities for platform collaboration and value accretion.

An uplift in loan originations through the MoneyPlace platform has resulted in an increased return on Auswide's investment. The investment in Moneyplace has grown from $1.412m at 30 June 2016 to 14.042m at 30 June 2017, representing an increase of $12.630m.

Net Interest Margin

The Net Interest Margin (NIM) continued to decline across the sector exacerbated by interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2016/17 financial year. In order to maintain stability in NIM, the Product Pricing Committee closely monitors the competitive pricing of products whilst Treasury continues to proactively manage assets and liabilities.

The net margin and interest spread for the 2016/17 year was 1.90% compared to 1.96% in the 2015/16 financial year.

Arrears and collections

The Arrears Project implemented in prior years has continued to deliver positive results in the arrears of the Group. In accordance with data disclosed in the financial accounts of the bank, total arrears greater than 30 days past due (excluding the effects of hardship accounts) decreased from $26.6m to $20.2m. Arrears have decreased as a percentage of the Group's total loan book from 0.99% at 30 June 2016 to 0.72% at 30 June 2017.

The Board is satisfied that the provisions set aside cover the risks arising from current and future doubtful debts.

Capital

The capital adequacy ratio for the Auswide Group at 30 June 2017 was 14.58% (2016: 14.31%). The tier 1 capital ratio at 30 June 2017 was 12.20% (2016: 11.90%).

DIVIDENDS

Amount per security		Amount per security	Franked amount per security	Amount per security of foreign source dividend
Interim dividend	**Current year**	14.0c	14.0c	Nil
	Previous year	14.0c	14.0c	Nil
Final dividend	**Current year**	17.0c	17.0c	Nil
	Previous year	16.0c	16.0c	Nil
The record date for determining entitlements to the dividends		**5 September 2017**		

Total Dividend (Distribution) per security (Interim Plus Final)	**Current year**	**Previous year**
Ordinary securities	31.0c	30.0c

Details of individual and total dividends	**Current period $A'000**	**Previous corresponding period $A'000**
Ordinary securities		
Interim dividend paid 30 March 2017 - previous period paid 30 March 2016	5,696	5,200
Final dividend payable 22 September 2017 **-** previous period paid 30 September 2016	6,917	6,440
Total	12,613	11,640

DIVIDEND REINVESTMENT PLAN

The board of directors resolved to continue the dividend reinvestment plan for the final dividend for the half year ended 30 June 2017.

The choices are for Full Participation where the dividend on all fully paid shares or contributing shares held is reinvested in new shares, or Partial Participation where the dividend on a specified number of shares is reinvested in new shares.

To participate in the plan, shareholders must complete the Application Form and lodge the form with the Company's Share Registry. Full terms and conditions of the dividend reinvestment plan and the application form will be forwarded to shareholders by the Company's Share Registry.

Ranking for dividend
Shares issued under the plan will rank equally in every respect with existing fully paid permanent ordinary shares and will participate in all cash dividends declared after the date of issue.

Issue price of the new shares
The shares issued under the Plan in respect of the final dividend for the current year will be issued at a discount of 2.5% on the weighted average sale price of the Company's shares sold through normal trade on the ASX during the five trading days immediately following the Record Date.

The final date for the receipt of the application form for participation in the dividend reinvestment plan is 6 September 2017.

Any shortfall in DRP participitation will be underwritten at the DRP price.

CONSOLIDATED RETAINED PROFITS

	Current period $A'000	Previous corresponding period $A'000
Retained profits (accumulated losses) at the beginning of the financial period	**20,668**	**19,536**
Net profit (loss) attributable to members	**15,149**	**11,699**
Net transfers from (to) reserves	**-**	**559**
Net transfers from (to) Retained Profits due to wind up of wholly owned subsidiary.	**(2)**	**-**
Dividends and other equity distributions paid or payable	**12,128**	**11,126**
Retained profits (accumulated losses) at end of financial period	**23,687**	**20,668**

NET TANGIBLE ASSETS PER SECURITY

	Current period $	Previous corresponding period $
Net tangible asset backing per ordinary share	**4.10**	**4.16**

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Controlled entities	**Country of incorporation**	**% Holding**		**Contribution to consolidated operating profit after income tax**	
		Current period	**Previous corresponding period**	**Current period $A'000**	**Previous corresponding period $A'000**
Mortgage Risk Management Pty Ltd	Australia	100.0	100.0	-	424
MPBS Insurance Pty Ltd	Australia	-	100.0	-	-
MPBS Holdings Pty Ltd	Australia	-	100.0	-	16
Widcap Securities Pty Ltd	Australia	100.0	100.0	-	-
Auswide Performance Rights Pty Ltd	Australia	100.0	100.0	-	-
MoneyPlace Holdings Pty Ltd	Australia	62.4	19.3	(236)	-

AUDIT OF ACCOUNTS

The audit of the accounts has been completed and the audited Financial Statements are attached.

Auswide Bank Ltd

ABN 40 087 652 060

Annual report
for the year ended 30 June 2017

Directors' statutory report

Review and results of operations

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Home loan approvals across the 2016/17 financial year totalled $553.799m, a decrease of 6.39**%** on the $591.571m in home loans approvals for the 2015/16 financial period.

Personal loans

The personal loan book continues to grow and although not material to the total loan portfolio, reached $15.061m at the conclusion of the financial year. Personal loan book growth improved during the 2016/17 financial year in terms of Auswide Bank's own originations. Personal loans have not been reported as a separate segment for the financial year.

An uplift in loan originations through the MoneyPlace platform has resulted in an increased return on Auswide's investment. The investment in Moneyplace has grown from $1.412m at 30 June 2016 to $14.042m at 30 June 2017, representing an increase of $12.630m.

Customers

In keeping with the Company's Strategic Plan, Auswide's appointment of a Chief Customer Officer in 2016, has allowed the bank to increase its focus and strategy on customer experience and growth. This appointment, which united all customer-facing channels and customer support teams including customer operations, marketing, products & partnerships has increased alignment and coordination of resources and planning which is resulting in better customer outcomes.

Customer numbers increased from 79,508 at 30 June 2016 to 84,101 at 30 June 2017. This represents an increase of 5.77% over the year.

Home loan recognition

Auswide has received national recognition for its innovative and market leading home loans. The unique RBA Rate Tracker home loan won the 'Innovative Mortgage Offering of the Year' category at the prestigious 27th annual Australian Retail Banking Awards. The Bank's Freedom Package was also recognised by financial comparison website mozo.com.au as one of the 'best value' home loans in Australia in their annual Experts Choice Home Loan Awards.

Business banking

Auswide continues to grow the business banking segment through central and south-east Queensland via selective provision of finance and banking services to SME's. The establishment of the Brisbane branch following the acquisition of YCU and the employment of a full time business banker based in Brisbane will strengthen this focus in 2017/18.

Mortgage Risk Management Pty Ltd (MRM)

The Board announced on 13 August 2015 the effective date of 30 September 2015 to wind up the captive lenders' mortgage insurance subsidiary, MRM.

MRM was Auswide Bank Ltd's wholly owned lenders' mortgage insurer, which ceased writing new business in August 2012. In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the Insurance Act 1973, to carry on insurance business in Australia, effective 17 December 2015.

Principal activities and significant changes

Auswide Bank Ltd is an approved deposit-taking institution and licensed credit and financial services provider. Auswide provides deposit, credit, insurance and banking services to personal and business customers across Australia, principally in regional and metropolitan Queensland, Sydney and Melbourne.

Principal activities and significant changes (continued)

Funding for loans is raised through a combination of retail and wholesale deposits as well as through securitisation markets. In June 2017 Auswide Bank settled $300m in new residential mortgage backed securities via ABA Trust 2017-1. The residential mortgage loans were originated by Auswide Bank's branch network and brokers with all underwriting completed by Auswide Bank loans consultants.

Following the progress made with the implementation of the strategies contained in the three year strategic plan adopted in May 2013, a refreshed three year strategic plan was adopted by the Board in March of 2016.

The strategic plan focused on the structure, transformation, growth and strength of the bank, which is to be achieved by:

- Restructuring of the sales channels, products and marketing to provide better allocation of resources to improve customer experience;
- Implementation and re-engineering of the end to end home loan process;
- Automation of process and simplification of products, including online loans and account opening;
- Building the 'Auswide' brand with consistency of messaging and enhanced customer service;
- Continued investment in technology, skills and training;
- Strengthening the bank through management capabilities, risk and audit processes and capital strength;
- Continued drive to lower, and further enhance, the cost to income ratio; and
- Review of M&A and Fintech opportunities as they arise.

Merger Implementation

In December 2015 the Group entered into a Merger Implementation Agreement with YCU. On 19 May 2016 the court approved Scheme of Arrangement was implemented, and Auswide Bank acquired 100% of the shares of YCU. The transaction represented the first merger between a listed ADI and a mutual in 11 years.

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Branch network

The company has a diversified Branch Network consisting of 23 branches and agencies across Queensland, and a business centre in Brisbane. The company also employs Business Development Managers in Sydney and Melbourne to conduct interstate business. All regional loan staff and panel valuers are locally based ensuring an in depth knowledge of the local economy and developments in the real estate market.

During the 2016/17 financial year the Caboolture and Maroochydore branches were amalgamated and relocated to new premises at North Lakes. This restructure was undertaken with a view to provide more opportunity in a targeted growth area. There is an ongoing review of the existing branch footprint to ensure it is better aligned to customer demographics and trends whilst delivering strong performance for both shareholders and customers.

Technology

Auswide has invested in the deployment of a new automated loan origination system, LendFast, generating increased and significant processing efficiencies. Loan origination now uses automated valuation request and fulfilment, credit policy assessment and exception management, as well as loan tracker access for lenders and customers. Through use of the LendFast origination platform, Auswide can now originate loans through branches, contact centres and soon in digital channels across mortgages, business and consumer lending. Further stakeholder benefits include back channel messaging at origination milestones, and electronic document capture and assessment.

Principal activities and significant changes (continued)

Technology (continued)

Auswide Bank continued its investment in online banking throughout the 2016/17 financial year. Recent upgrades to the online banking platform provide a refreshed interface and facilitate an enhanced customer experience. Additional self-serve capabilities such as password reset, card activation and locking, and historical interest information increase online capabilities and self-serve functionality.

Credit cards

Auswide's development of on-balance sheet credit card products is progressing with successful testing of cards and origination processes. The project which has been principally developed in-house will allow personal banking customers to apply for Auswide credit cards prior to the close of the 2017 calendar year. Credit cards complement the bank's existing financing activities and will build stronger banking relationships with customers. The bank will maintain its partnership with Citibank Card Services in respect of its existing card portfolio and providing Platinum rewards credit cards to customers.

Net Interest Margin

The Net Interest Margin (NIM) continued to decline across the sector exacerbated by interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2016/17 financial year. In order to maintain stability in NIM, the Product Pricing Committee closely monitors the competitive pricing of products whilst Treasury continues to proactively manage assets and liabilities.

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The Board is satisfied that the provisions set aside cover the risks arising from current and future doubtful debts.

Risk

While Auswide Bank has a robust risk culture, further strengthening the risk management of the organisation has been a focus of the Board and management of Auswide in the 2016/17 financial year, and continues to remain a key focus for the 2017/18 financial year.

Auswide Bank takes a proactive approach to risk management, which can be demonstrated by the Group's adoption of various methodologies to curtail excessive exposures to risky product markets. The introduction of Investor, High LVR and Interest Only lending initiatives ensured that Auswide Bank was well placed to manage the risks associated with its lending portfolio well ahead of APRA tightening regulatory controls over residential mortgages.

In addition, there has been an increase in measurement, monitoring and reporting of risk related matters throughout the financial year. The Board Risk Committee provides strong oversight of this process and of the risk framework across the organisation. The Board remains focused on the improvement of credit quality as the loan book grows.

Acquisitions

The Board will continue to monitor opportunities to acquire loan books or suitable institutions as they arise and the Board will review any offers made which may complement the overall operations of the Group.

Matters subsequent to the end of the financial year

There has been no other matter or circumstance since the end of the financial year that will significantly affect the results of operations in future years or the state of affairs of the company.

Capital

The capital adequacy ratio for the Auswide Group at 30 June 2017 was 14.58% (2016: 14.31%). The tier 1 capital ratio at 30 June 2017 was 12.20% (2016: 11.90%).

The total capital level remains strong and in excess of the Board target of 13.50%.

Dividends

A fully franked interim dividend of 14.0 cents per ordinary share was declared and paid on 30 March 2017 (30 March 2016 - 14.0 cents). A fully franked final dividend of 17.0 cents per ordinary share has been declared by the Board and will be paid on 22 September 2017 (30 September 2016 - 16.0 cents).

Dividends (continued)

Auswide Bank has entered into an agreement to underwrite Auswide Bank's Dividend Reinvestment Plan (DRP) in respect of the 2017 Final Dividend. The capital raised through the underwritten DRP will strengthen the Bank's Tier 1 Capital position and the proceeds will be used for the general business purposes of the Bank.

Directors

The names and particulars of the Directors of the Company in office during or since the end of the financial year are:

Professor John S Humphrey LL.B

Professor Humphrey was appointed to the Board on 19 February 2008, and was appointed Chairman following the 2009 Annual General Meeting. He was a senior partner in the Brisbane office of international law firm, King & Wood Mallesons (until 1 January 2013), where he specialised in commercial law and corporate mergers and acquisitions. He is now Executive Dean of the Faculty of Law at Queensland University of Technology. He was a Non-Executive Director of Downer-EDI Limited (until November 2016) and is currently a Non-Executive Director of Horizon Oil Limited. Professor Humphrey is a member of the Audit Committee and is an independent Director.

Mr Barry Dangerfield

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield is a Director of MoneyPlace Holdings Ltd, and a Director of the Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg and is Chairman of the Institute's Audit and Risk Committee. Mr Dangerfield is the Chairman of the Group Board Remuneration Committee, a member of the Audit Committee, a member of the Risk Committee and is an independent Director.

Mr Gregory N Kenny GAICD, GradDipFin

Mr Kenny was appointed to the Board on 19 November 2013. Mr Kenny has had a long and successful career with Westpac Banking Corporation and St George Bank Ltd, and prior to that with Bank of New York and Bank of America in Australia. At St George Bank he held the positions of Managing Director (NSW and ACT), General Manager Corporate and Business Bank and General Manager Group Treasury and Capital Markets. Mr Kenny is currently a Director of MoneyPlace Holdings Ltd. Mr Kenny is the Chairman of the Risk Committee, a member of the Audit Committee, a member of the Group Board Remuneration Committee and is an independent Director.

Mr Martin J Barrett BA(ECON), MBA

Mr Barrett commenced as Chief Executive Officer of Wide Bay Australia Ltd (now Auswide Bank Ltd) on 4 February 2013, and was subsequently appointed Managing Director on 19 September 2013. Mr Barrett has extensive experience in the banking sector, having previously held the positions of Managing Director (Queensland, Western Australia and National Motor Finance Business) and General Manager NSW/ACT Corporate & Business Bank at St George Bank Ltd. Prior to working at St George Bank, Mr Barrett held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Mr Barrett is currently a Director of MoneyPlace Holdings Ltd. Mr Barrett is an Executive Director.

Ms Sandra C Birkensleigh BCom, CA, GAICD, ICCP (Fellow)

Ms Birkensleigh was appointed to the Board on 2 February 2015. Ms Birkensleigh was previously a partner at PricewaterhouseCoopers for 16 years until 2013. During her career her predominant industry focus has been Financial Services (Banking and Wealth Management). Ms Birkensleigh has also advised on risk management in other sectors such as retail and consumer goods, retail and wholesale electricity companies, resources and the education sector. Ms Birkensleigh is currently a Non-Executive Director of MLC Insurance Limited, the National Disability Insurance Agency, Horizon Oil Limited, 7-11 Holdings and its subsidiaries and the Sunshine Coast Children's Therapy Centre. She is an independent member of the Audit Committee of the Reserve Bank of Australia, and a Council Member of the University of the Sunshine Coast. Ms Birkensleigh is the Chairperson of the Audit Committee, a member of the Group Board Remuneration Committee, a member of the Risk Committee and is an independent Director.

Company secretary

Mr William R Schafer BCom, CA

Mr Schafer was appointed Company Secretary in August 2001. He has extensive experience in public accounting and management. He is an Associate of the Institute of Chartered Accountants.

Directors' meetings

During the financial year, 12 meetings of the Directors, 6 meetings of the Audit Committee, 3 meetings of the Remuneration Committee and 7 meetings of the Risk Committee were held, in respect of which each Director attended the following number:

	BOARD		AUDIT		REMUNERATION		RISK	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
JS Humphrey	12	12	6	6	n/a	n/a	n/a	n/a
B Dangerfield	12	12	6	5	3	3	7	7
GN Kenny	12	11	6	6	3	3	7	7
MJ Barrett	12	12	6	6*	n/a	n/a	7	7*
SC Birkensleigh	12	12	6	6	3	3	7	7

* Mr Barrett who is not a member of the Audit or Risk Committees, attended the Audit and Risk Committee meetings by invitation.

Directors’ shareholdings

The Directors currently hold shares of the Company in their own name or a related body corporate as follows:

	Ordinary Shares
JS Humphrey	31,551
MJ Barrett	149,818
B Dangerfield	43,291
GN Kenny	15,000

Related party disclosure

No persons or entities related to key management personnel provided services to the Company during the year.

Remuneration report

The Board Remuneration Committee consists of independent Directors Mr Barry Dangerfield, Mr Greg Kenny and Ms Sandra Birkensleigh. Mr Barry Dangerfield is Chairman of the Committee.

The objective of the Board Remuneration Policy is to maintain behaviour that supports the sustained financial performance and security of Auswide Bank Ltd and to reward efforts which increase shareholder and customer value. This objective is upheld by:

- appropriately balanced measures of performance weighted towards long-term shareholder interests;
- variable performance based pay for the Executive Management Team involving a long-term incentive plan subject to an extended period of performance assessment;
- recognition and reward for strong performance;
- a considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the shareholders; and
- short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company.

Remuneration of Non-Executive Directors

The fees payable for Non-Executive Directors are determined with reference to industry standards, the size of the Company, performance and profitability. The Directors’ fees are approved by the shareholders at the Annual General Meeting in the aggregate and the individual allocation is approved by the Board. The Company’s Non-Executive Directors receive only fees (including superannuation) for their services. They are not entitled to receive any benefit on retirement or resignation (other than superannuation) and do not participate in any share based remuneration.

Remuneration of Executive Directors and Senior Executives

Remuneration of the Managing Director for 2016/17 was subject to review and recommendation of the Remuneration Committee and ratification by the Board. Remuneration of the Executive Management Team for 2016/17 was subject to ratification by the Remuneration Committee. The Remuneration Policy for executives uses a range of components to focus the Managing Director and the Executive Management Team toward achieving Auswide Bank’s strategy and business objectives. Auswide’s overall philosophy is to adopt, where possible, a Total Target Reward methodology which links remuneration directly to the performance and behaviour of an individual with Auswide’s results.

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

The Total Target Reward framework is designed to:

- reward those who deliver the highest relative performance through the Company's incentive programs;
- attract, recognise, motivate and retain high performers;
- provide competitive, fair and consistent rewards, benefits and conditions; and
- align the interests of senior executives and shareholders through ownership of Company shares.

In setting an individual's Total Target Reward, the Committee considers:

- input from the Company's Managing Director on the Total Target Reward for the Executive Management Team who report directly to the Managing Director;
- market data from comparable roles in the financial services industry;
- the performance of both the individual and Auswide Bank Ltd over the last year; and
- general remuneration market environment and trends.

Each individual's actual remuneration will reflect:

- the degree of individual achievement in meeting key performance measures under the performance management framework;
- parameters approved by the Board based on the Company's financial and risk performance and other qualitative factors;
- Auswide Bank Ltd's share price performance and relative shareholder returns; and
- the timing and level of deferral in relation to any vesting conditions applicable.

Components of the Total Target Reward include:

- Fixed Annual Remuneration (FAR) provided as cash and benefits (including employer superannuation and fringe benefits);
- cash based Short-Term Incentives (STI) reflecting both individual and business performance for the current year that supports the longer term objectives of Auswide Bank; and
- equity based Long-Term Incentives (LTI) provided to drive management decisions focused on the long-term prosperity of Auswide Bank through the use of challenging performance hurdles.

Short Term Incentives (STI)

Payment of STIs is conditional upon the achievement of key performance measures tailored to the respective role. The performance measures and objectives are selected to provide a robust link between executive reward and the key business drivers of long term shareholder value. The KPIs are measured relating to Company and personal performance accountabilities and include financial, strategic, operational and customer/stakeholder measures. These measures are chosen and weighted to best align the individual's reward to the KPIs of the Company and its overall performance.

The financial performance objectives are profit before and after income tax compared to budgeted amounts and management of costs in line with divisional organisational budgets. These measures reasonably capture the effects of a number of material risks and minimise actions that promote short-term results at the expense of longer-term business growth and success.The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, compliance and support of the Company's risk management policies and compliance culture, customer satisfaction, communication and staff development.

Performance based payments were made to the Executive Management Team under the STI scheme as an incentive payment to recognise and reward the achievement of KPI targets relating to the financial year ended 30 June 2017. Cash payments were granted on the 23 September 2016, and allocated to the Executive Management Team as follows;

- Mr MJ Barrett (Managing Director): $25,000;
- Mr WR Schafer (Chief Financial Officer): $15,298;
- Mr SM Caville (Chief Information Officer): $13,260;
- Mrs GM Job (Chief People Officer): $13,298;
- Mr CA Lonergan (Chief Risk Officer): $15,000; and
- Mr MS Rasmussen (Chief Operating Officer): $15,721.

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

The payment of STIs is at the complete discretion of the Board and can be adjusted downwards to zero, if necessary, to protect the financial soundness of the Company and taking into account a qualitative overlay that reflects Auswide Bank's management of business risks, shareholder expectations and quality of the financial results.

Executive Long Term Incentive Plan (ELTIP)

The ELTIP was established by the Board to encourage the Executive Management Team to drive the long-term prosperity of Auswide Bank and have a greater involvement in the achievement of the Company's objectives.

Under the ELTIP an offer may be made to the members of the Executive Management Team every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the Executive Management Team. The maximum percentages used are up to 50.0% for the Managing Director and up to 30.0% for Executive Managers.

In order for the shares to vest, certain performance criteria must be satisfied within a predetermined performance period. KPI targets were considered by the Remuneration Committee to be appropriate measures of performance, as they had been specifically chosen for each executive with the aim of achieving the strategy and business objectives of the Company. The KPI targets for the Managing Director were assessed by the Remuneration Committee. The KPI targets for the other senior executives were assessed by the Managing Director and then ratified by the Remuneration Committee.

Any reward payable to the Executive Management Team under the ELTIP offer will be calculated as follows:

- no reward will be payable if Total Shareholder Return (TSR) is negative irrespective of the benchmark group performance;
- Auswide Bank's share price performance baseline for TSR calculation for the financial year ELTIP offer is below the set value;
- Auswide Bank's NPAT performance baseline for growth calculation for the financial year ELTIP offer is below the set value.

Actual and potential ELTIP allocations

Share based payment arrangements affecting remuneration of key management personnel in the current year or future financial years are detailed in the following table.

Offer	KMP	Performance period	Grant date	Maximum value $	Vesting date	Vested in the 16/17 financial year $	Not yet assessed for vesting $
2014	Barrett, MJ	1 July 2014 to 30 June 2018	30/06/2014	25,000	1/07/2016	25,000	-
			30/06/2014	25,000	1/07/2017	-	25,000
			30/06/2014	25,000	1/07/2018	-	25,000
2015	Barrett, MJ	1 July 2015 to 30 June 2019	30/06/2015	30,000	1/07/2017	-	30,000
			30/06/2015	30,000	1/7/2018	-	30,000
			30/06/2015	30,000	1/7/2019	-	30,000
2016	Barrett, MJ	1 July 2016 to 30 June 2020	1/09/2016	25,000	1/7/2018	-	25,000
			1/09/2016	25,000	1/7/2019	-	25,000
			1/09/2016	25,000	1/7/2020	-	25,000
	Schafer, WR		1/09/2016	5,000	1/7/2018	-	5,000
			1/09/2016	5,000	1/7/2019	-	5,000
			1/09/2016	5,000	1/7/2020	-	5,000
	Caville, SM		1/09/2016	4,333	1/7/2018	-	4,333
			1/09/2016	4,333	1/7/2019	-	4,333
			1/09/2016	4,333	1/7/2020	-	4,333
	Job, GM		1/09/2016	4,333	1/7/2018	-	4,333
			1/09/2016	4,333	1/7/2019	-	4,333
			1/09/2016	4,333	1/7/2020	-	4,333
	Lonergan, CA		1/09/2016	5,000	1/7/2018	-	5,000
			1/09/2016	5,000	1/7/2019	-	5,000
			1/09/2016	5,000	1/7/2020	-	5,000
	Rasmussen, MS		1/09/2016	5,000	1/7/2018	-	5,000
			1/09/2016	5,000	1/7/2019	-	5,000
			1/09/2016	5,000	1/7/2020	-	5,000

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

Vesting of shares to key management personnel is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary, to protect the financial soundness of the Company and taking into account a qualitative overlay that reflects Auswide Bank's management of business risks, shareholder expectations and quality of the financial results.

The remuneration report includes 27 fortnightly pays for the year ended 30 June 2017.

Details of the nature and amount of each major element of the remuneration of each Director and each of the named Officers of the company receiving the highest remuneration and the key management personnel are:

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2017	Short-term employee benefits			Post employment benefits			
	Cash salary and fees $ *Fixed*	Cash bonus $ *Performance based*	Non-monetary $	Super-annuation $	Other long term benefits $	Share based payments $ *Performance based*	Total $
SPECIFIED DIRECTORS							
Humphrey, JS Chairman (non-exec)	146,119	-	-	13,881	-	-	160,000
Dangerfield, B Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Kenny, GN Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Barrett, MJ Managing Director	550,364	25,000	-	19,616	10,834	25,003	630,817
Birkensleigh, S Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Total remuneration - Specified Directors	**970,455**	**25,000**	**-**	**59,525**	**10,834**	**25,003**	**1,090,817**
OTHER KEY MANAGEMENT PERSONNEL							
Schafer, WR Chief Financial Officer	325,872	15,298	-	19,616	7,833	-	368,619
Caville, SM Chief Information Officer	187,149	13,260	-	18,082	4,529	-	223,020
Hearne, D Chief Customer Officer	272,940	-	-	19,616	4,880	-	297,436
Job, GM Chief Customer Officer	187,682	13,298	-	18,120	5,369	-	224,469
Lonergan, CA Chief Risk Officer	195,060	15,000	-	18,321	3,673	-	232,054
Rasmussen, MS Chief Operating Officer	221,877	15,721	-	19,616	4,294	-	261,508
Total remuneration - Specified Executives	**1,390,580**	**72,577**	**-**	**113,371**	**30,578**	**-**	**1,607,106**

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2016	Short-term employee benefits			Post employment benefits			
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Other long term benefits $	Share based payments $	Total $
	Fixed	*Performance based*				*Performance based*	
SPECIFIED DIRECTORS							
Humphrey, JS Chairman (non-exec)	146,119	-	-	13,881	-	-	160,000
Dangerfield, B Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Kenny, GN Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Barrett, MJ Managing Director	519,400	25,000	-	19,308	11,277	37,504	612,489
Birkensleigh, S Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Total remuneration - Specified Directors	**939,491**	**25,000**	**-**	**59,217**	**11,277**	**37,504**	**1,072,489**
OTHER KEY MANAGEMENT PERSONNEL							
Schafer, WR Chief Financial Officer	305,810	15,000	-	19,308	7,802	-	347,920
Caville, SM Chief Information Officer	177,567	15,000	-	17,101	4,947	-	214,615
Lonergan, CA Chief Risk Officer	186,001	17,500	-	17,416	3,850	-	224,767
Rasmussen, MS Chief Operating Officer	210,383	10,000	-	19,308	4,262	-	243,953
Nevis, CM General Manager Third Party & Business Banking	168,164	10,000	-	16,232	3,445	-	197,841
McArdle, AJ General Manager Sales & Distribution (ceased 28/08/2015)	50,485	-	-	3,471	-	-	53,956
Total remuneration - Specified Executives	**1,098,410**	**67,500**	**-**	**92,836**	**24,306**	**-**	**1,283,052**

Remuneration report (continued)

Employment contracts

All named Key Management Personnel and the Managing Director have employment contracts. Major provisions of those agreements are summarised below:

Current Personnel

Managing Director - M J Barrett

- Original contract dated - 4 February 2013
- Amended contract dated - 15 July 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or M J Barrett may terminate this agreement by providing six months written notice or provide payment in lieu of the notice period.
- Payment of six months redundancy pay on termination of employment if position is made redundant.
- Short Term Incentive (STI) - Up to a maximum of $150,000 on achieving KPIs on the basis of percentage allocation in terms of CEO scorecard and measured by populating actual results and discretionary. The CEO must complete a full year of service to be eligible to receive the STI for each applicable financial year, the bonus entitlement will be calculated based on the 30th June results and the overall performance including discretionary as determined by the Board Remuneration Committee and paid on the 30th September.
- Long Term Incentive (LTI) - Grant of performance rights up to a maximum value of $150,000 (or such other amount determined by the Board), and as determined by the Board Remuneration Committee. The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, to subscribe for or be transferred at no cost one share for every performance right exercised. The Managing Director must complete a full year of service to be eligible to receive the LTI for each applicable financial year, the bonus entitlement will be calculated based on the 30th June results and overall performance including discretionary as determined by the Board Remuneration Committee and paid on the 1st July. The performance rights carry no dividend or voting rights. Subject to the vesting conditions 33.33% of the performance rights vest on the second anniversary of the measured performance year, 33.33% on the third anniversary and 33.33% on the fourth anniversary. The vesting conditions are as follows:
    - the Managing Director must be employed at the vesting date;
    - any personal income tax payable on exercise of the performance rights is payable by the Managing Director.
    - the number of performance rights will be adjusted for any capital reconstructions (eg consolidation or splits).

Chief Financial Officer & Company Secretary - W R Schafer

- Original contract dated - 28 May 2007
- Amended contract dated - 6 December 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or W R Schafer may terminate this agreement by providing four months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover and not being offered ongoing employment in Bundaberg in an equivalent position, equal to six months salary plus two weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.
- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 15.0% of base salary to the 30th June each year on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) - The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of $30,000 or such other amount determined by the Board Remuneration Committee. Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Chief Risk Officer - C A Lonergan

- Original Contract dated - 10 February 2014
- Amended contracts dated - 1 July 2014, 9 December 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or C A Lonergan may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.
- Payment of six months redundancy pay on termination of employment if position is made redundant.

Remuneration report (continued)

Employment contracts (continued)

Current Personnel (continued)

- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 15.0% of base salary to the 30th June each year on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) - The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of $30,000 or such other amount determined by the Board Remuneration Committee. Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Chief Information Officer - S M Caville

- Original contract dated - 1 November 2010
- Amended contract dated - 8 December 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or S M Caville may terminate this agreement by providing four months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover and not being offered ongoing employment in Bundaberg in an equivalent position, equal to six months salary plus two weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.
- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 15.0% of base salary to the 30th June each year on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) - The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of $30,000 or such other amount determined by the Board Remuneration Committee. Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Chief Operating Officer - M S Rasmussen

- Original contract dated - 3 February 2014
- Amended contracts dated - 29 January 2015, 12 December 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or M S Rasmussen may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.
- Payment of six months redundancy pay on termination of employment if position is made redundant.
- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 15.0% of base salary to the 30th June each year on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) - The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of $30,000 or such other amount determined by the Board Remuneration Committee. Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Chief Customer Officer - D Hearne

- Contract dated - 20 June 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or D Hearne may terminate this agreement by providing four months written notice or provide payment in lieu of the notice period.
- Payment of six months redundancy pay on termination of employment if position is made redundant.

Remuneration report (continued)

Employment contracts (continued)

Current Personnel (continued)

- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 25.0% of base salary to the 30th June 2017 adjusted on a pro-rata basis depending on length of service completed and on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) -The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of 15.0% of your base salary up to 30th June 2017 adjusted on a pro-rata basis depending on length of service completed (or such other amount determined by the Board Remuneration Committee). Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Chief People Officer - G M Job

- Original contract dated - 4 June 2007
- Amended contract dated - 6 December 2016
- Term of agreement - no fixed term
- Auswide Bank Ltd or G M Job may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover and not being offered ongoing employment in Bundaberg in an equivalent position, equal to four months salary plus two weeks salary per year of service with a minimum payment of 16 weeks and a maximum payment of 104 weeks.
- Short Term Incentive (STI) - Payment under the STI Scheme will be subject to the Company’s performance as well as the individual’s own performance in accordance with KPIs determined by the Company and advised on an annual basis. STI up to 15.0% of base salary to the 30th June each year on satisfaction of the KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.
- Long Term Incentive (LTI) - The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, is subject to the Company’s performance and the individual’s own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTI up to a maximum value of $30,000 or such other amount determined by the Board Remuneration Committee. Awards made under the LTI are at the absolute and sole discretion of the Board. The right to participate in the LTI on an ongoing basis is subject to the discretion of the Board. The granting of an award to an individual under the LTI in one year does not guarantee that similar awards will be made in the future.

Consequences of performance on shareholder wealth

The tables below set out summary information about the Consolidated Entity's earnings from continuing and discontinued operations and movements in shareholder wealth for the five years to 30 June 2017:

	30 June 2017 $'000	**30 June 2016 $'000**	**30 June 2015 $'000**	**30 June 2014 $'000**	**30 June 2013 $'000**
Net profit before tax	21,708	17,606	19,028	20,192	3,728
Net profit after tax	15,149	11,699	13,262	14,062	2,887

	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Share price at start of year	$5.08	$5.05	$5.50	$5.25	$5.81
Share price at end of year	$5.14	$5.08	$5.05	$5.50	$5.25
Interim dividend	14.00 cps	14.00 cps	14.00 cps	13.00 cps	13.00 cps
Final dividend	17.00 cps	16.00 cps	16.00 cps	15.00 cps	4.00 cps
Basic earnings per share	37.35 cps	31.20 cps	36.07 cps	38.75 cps	6.78 cps
Diluted earnings per share	37.35 cps	31.20 cps	36.07 cps	38.75 cps	6.78 cps

Dividends franked to 100% at 30% corporate income tax rate.

Remuneration report (continued)

Loans to key management personnel

The following table outlines the aggregate of loans to key management personnel. Details are provided on an individual basis for each of the key management personnel whose indebtedness exceeded $100,000 at any time during this reporting period.

Loans have been made in accordance with the normal terms and conditions offered by the company and charged at 135 basis points below the standard variable rate or 20 basis points below the standard fixed rate on applicable loan types, available to the general public at any time. Similar rates are, however, available to the general public, therefore this interest rate would approximate an arm's length interest rate offered by the company.

Loans are also made in accordance with the Staff Share Plan approved by shareholders in 1992. The loans are repayable over 5 years at 0% interest, with the loans being secured by a lien over the relevant shares. Such loans are only available to employees of the company and there is no applicable arm's length interest to take into account.

Loans for the year ended 30 June 2017	Balance* 30 June 2016	Interest charged $	Write-off $	Balance* 30 June 2017	Number in Group 30 June 2017
Directors	(1,910,317)	62,203	-	(1,806,591)	1
Executives	(1,618,330)	18,546	-	(589,242)	4
Total: Key management personnel	(3,528,647)	80,749	-	(2,395,833)	5

Loans for the year ended 30 June 2016	Balance* 30 June 2015 $	Interest charged $	Write-off $	Balance* 30 June 2016 $	Number in Group 30 June 2016
Directors	(694,675)	8,291	-	(1,910,317)	1
Executives	(1,643,366)	46,264	-	(1,618,330)	5
Total: Key management personnel	(2,338,041)	54,555	-	(3,528,647)	6

Individuals with loans above $100,000 in reporting period	Balance 30 June 2016 $	Interest** charged $	Write-off $	Balance* 30 June 2017 $	Highest in period $
Directors					
MJ Barrett	(1,910,317)	62,203	-	(1,806,591)	(1,910,317)
Executives					
WR Schafer	(495,318)	17,815	-	(478,247)	(499,802)

Does not include SM Caville, GM Job or CA Lonergan as their loans were less than $100,000.
* Balance at financial year end or the date the individuals ceased being key management personnel.
** Actual interest charged is affected by the use of the company's offset account.
Balances are for the period individuals were considered key management personnel.

Remuneration report (continued)

Equity holdings and transactions

The following table is in respect of ordinary shares held directly, indirectly or beneficially by key management personnel.

	Balance 30 June 2016	Received as remuneration	Options exercised	Net change other	Balance* 30 June 2017
Directors					
JS Humphrey	31,551	-	-	-	31,551
MJ Barrett	143,148	4,160	-	2,510	149,818
GN Kenny	15,000	-	-	-	15,000
B Dangerfield	43,291	-	-	-	43,291
Executives					
WR Schafer	29,290	-	-	4,710	34,000
SM Caville	44,240	-	-	-	44,240
GM Job	99,521	-	-	6,449	105,970
CA Lonergan	2,000	-	-	6,064	8,064
Total	408,041	4,160	-	19,733	431,934

* Balance at financial year end or the date the individuals ceased being key management personnel.

Indemnities and insurance premiums for officers and auditors

During the financial year the Company has paid premiums to cover directors and officers for losses arising from claims or allegations made against them for wrongful acts committed or alleged to have been committed by them in their capacities as directors or officers of the Company. The policy will also reimburse the Company where it is permitted by law to indemnify Insured Persons in relation to such claims or allegations. Cover is provided for the costs of defending such claims or allegations. During the reporting period and subsequent to 30 June 2017, no amounts have been paid pursuant to the policy.

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Company's Auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor, and in accordance with advice provided by the Board Audit Committee, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

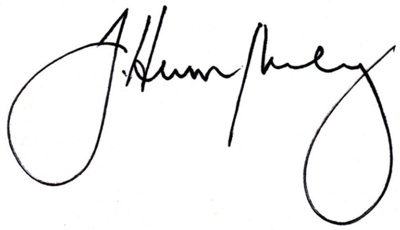
- All non-audit services were subject to the Corporate Governance procedures adopted by the Company and have been reviewed by the Board Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included in the Directors' Statutory Report.

Non-audit services paid to Deloitte Touche Tohmatsu are as follows:

	2017 $000	2016 $000
Services provided in connection with:		
Tax advisory services	**77**	61
Other assurance services	**102**	52
	179	113

This Report is signed for and on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.



JS Humphrey
Director

SC Birkensleigh
Director

Brisbane
18 August 2017

Deloitte Touche Tohmatsu
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The Board of Directors
Auswide Bank Ltd
PO Box 1063
Bundaberg
QLD 4760

18 August 2017

Dear Board Members

Auswide Bank Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Auswide Bank Ltd.

As lead audit partner for the audit of the financial statements of Auswide Bank Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Interest revenue	2	**125,909**	124,293	**125,905**	124,293
Interest expense	2	**(68,400)**	(70,400)	**(68,397)**	(70,514)
Net interest revenue		**57,509**	53,893	**57,508**	53,779
Other non interest income	3	**10,222**	9,103	**9,760**	9,523
Employee benefits expense		**19,088**	18,692	**18,935**	18,692
Depreciation expense		**1,918**	1,708	**1,918**	1,696
Amortisation expense		**848**	429	**662**	429
Occupancy expense		**2,358**	2,627	**2,353**	2,688
Bad and doubtful debts expense	10	**979**	(568)	**979**	(568)
Fees and commissions		**9,690**	9,001	**9,682**	9,001
General and administration expenses		**10,984**	13,672	**10,701**	13,638
Other expenses	3	**158**	322	**158**	322
Profit before income tax expense		**21,708**	17,113	**21,880**	17,404
Income tax expense	4	**6,699**	5,759	**6,677**	5,725
Profit for the year from continuing operations		**15,009**	11,354	**15,203**	11,679
Profit/(loss) for the year from discontinued operations	34	**-**	345	**-**	-
Profit for the year		**15,009**	11,699	**15,203**	11,679
Other comprehensive income, net of income tax					
Items that may be reclassified to profit or loss					
Revaluation of cash flow hedge to fair value		**861**	347	**861**	347
Revaluation of RMBS investments to fair value		**(12)**	(64)	**(12)**	(64)
Income tax relating to these items		**(255)**	(85)	**(255)**	(85)
Other comprehensive income/(loss) for the year, net of income tax		**594**	198	**594**	198
Total comprehensive income for the year		**15,603**	11,897	**15,797**	11,877
Profit for the year attributable to:					
Owners of the Company		**15,149**	11,699	**15,203**	11,679
Non-controlling interests		**(140)**	-	**-**	-
		15,009	11,699	**15,203**	11,679
Total comprehensive income attributable to:					
Owners of the Company		**15,743**	11,897	**15,797**	11,877
Non-controlling interests		**(140)**	-	**-**	-
		15,603	11,897	**15,797**	11,877
Earnings per share					
From continuing and discontinued operations					
Basic (cents per share)	26	**37.35**	31.20		
Diluted (cents per share)	26	**37.35**	31.20		
From continuing operations					
Basic (cents per share)	26	**37.35**	30.28		
Diluted (cents per share)	26	**37.35**	30.28		

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Cash and cash equivalents	6	**120,065**	67,792	**121,142**	67,792
Due from other financial institutions	7	**11,763**	22,014	**11,763**	22,014
Accrued receivables	8	**6,735**	12,818	**6,714**	11,534
Financial assets	9	**291,948**	225,045	**322,334**	252,186
Loans and advances	10	**2,773,220**	2,666,412	**2,773,390**	2,664,697
Other investments	11	**1,069**	512	**5,153**	1,771
Property, plant and equipment	12	**14,606**	15,544	**14,606**	15,544
Other intangible assets	15	**7,935**	2,719	**2,564**	2,719
Deferred tax assets	4	**5,256**	5,441	**5,256**	5,441
Other assets	13	**8,406**	7,751	**8,260**	7,751
Goodwill	14	**48,975**	46,363	**46,363**	46,363
Total assets		**3,289,978**	3,072,411	**3,317,545**	3,097,812
LIABILITIES					
Deposits and short term borrowings	16	**2,304,604**	2,183,902	**2,304,604**	2,184,224
Payables and other liabilities	17	**18,637**	25,355	**18,325**	24,921
Loans under management	10	**708,020**	613,821	**738,406**	640,962
Current tax liabilities	4	**1,222**	(411)	**1,222**	(411)
Deferred income tax liabilities	4	**2,947**	2,210	**1,580**	2,210
Provisions	18	**2,840**	2,879	**2,758**	2,879
Subordinated capital notes	19	**28,000**	28,000	**28,000**	28,000
Total liabilities		**3,066,270**	2,855,756	**3,094,895**	2,882,785
Net assets		**223,708**	216,655	**222,650**	215,027
EQUITY					
Contributed equity	20	**184,752**	182,629	**184,752**	182,629
Reserves	21	**13,978**	13,358	**14,167**	13,572
Retained profits		**23,687**	20,668	**23,731**	18,826
Equity attributable to owners of the Company		**222,417**	216,655	**222,650**	215,027
Non-controlling interests					
Contributed equity		**1,431**	-	**-**	-
Retained profits		**(140)**	-	**-**	-
Total non-controlling interests	22	**1,291**	-	**-**	-
Total equity		**223,708**	216,655	**222,650**	215,027

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Cash flows from operating activities					
Interest received		**126,296**	123,576	**126,292**	123,576
Dividends received		**-**	-	**-**	420
Other non interest income and receivables		**9,350**	6,795	**11,898**	6,955
Interest paid		**(71,532)**	(71,604)	**(71,529)**	(71,718)
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(40,470)**	(36,293)	**(41,406)**	(30,289)
Income tax paid		**(4,398)**	(5,038)	**(5,743)**	(4,886)
Net cash provided by / (used in) operating activities	23	**19,246**	17,436	**19,512**	24,058
Cash flows from investing activities					
Net movement in investment securities		**(65,623)**	(7,344)	**(70,159)**	(10,454)
Net movement in amounts due from other financial institutions		**10,251**	(12,798)	**10,251**	(12,798)
Net movement in loans and advances		**(113,241)**	(336,100)	**(113,842)**	(334,783)
Net movement in other investments		**(557)**	(118)	**(3,382)**	13,882
Payments for non current assets		**(6,001)**	(5,268)	**(1,537)**	(5,276)
Proceeds from sale of property, plant and equipment		**-**	2,767	**-**	532
Net cash provided by / (used in) investing activities		**(175,171)**	(358,861)	**(178,669)**	(348,897)
Cash flows from financing activities					
Net movement in deposits and short-term borrowings		**124,012**	330,622	**125,109**	317,540
Net movement in amounts due to other financial institutions and other liabilities		**94,191**	36,468	**97,411**	36,574
Proceeds from share issue		**349**	477	**349**	477
Dividends paid		**(10,354)**	(9,845)	**(10,362)**	(9,845)
Net cash provided by / (used in) financing activities		**208,198**	357,722	**212,507**	344,746
Net movement in cash and cash equivalents		**52,273**	16,297	**53,350**	19,907
Cash and cash equivalents at the beginning of the financial year		**67,792**	51,495	**67,792**	47,885
Cash and cash equivalents at end of the financial year	6	**120,065**	67,792	**121,142**	67,792

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and deposits on call. The cash at the end of the year can be agreed directly to the consolidated statement of financial position.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Consolidated entity	Attributable to owners of Auswide Bank Ltd									
	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
Balance at 1 July 2015	166,637	19,538	3,897	5,834	2,676	2,388	158	(1,026)	(108)	199,994
Total comprehensive income for the year:										
Profit attributable to members of parent company	-	11,699	-	-	-	-	-	-	-	11,699
Transfer to retained profits of revaluation of assets since sold	-	558	(552)	-	-	-	-	-	-	6
Transfer to/from reserve on consolidation	-	-	-	-	-	-	-	-	(166)	(166)
Issue of shares to employees	-	-	-	-	-	-	-	-	60	60
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(64)	-	-	(64)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	19	-	-	19
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	347	-	347
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(105)	-	(105)
Sub-total	**166,637**	**31,795**	**3,345**	**5,834**	**2,676**	**2,388**	**113**	**(784)**	**(214)**	**211,790**
Issue of share capital for staff share plan	478	-	-	-	-	-	-	-	-	478
Issue of share capital for dividend reinvestment plan	1,281	-	-	-	-	-	-	-	-	1,281
Dividends provided for or paid - ordinary shares	-	(11,127)	-	-	-	-	-	-	-	(11,127)
Issue of share capital for YCU merger	14,233	-	-	-	-	-	-	-	-	14,233
Balance at 30 June 2016	**182,629**	**20,668**	**3,345**	**5,834**	**2,676**	**2,388**	**113**	**(784)**	**(214)**	**216,655**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated entity	Notes	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of Auswide Bank Ltd										
Balance at 1 July 2016		182,629	20,668	3,345	5,834	2,676	2,388	113	(784)	(214)	-	216,655
Total comprehensive income for the year:												
Profit attributable to members of parent company		-	15,149	-	-	-	-	-	-	-	-	15,149
Profit attributable to non-controlling interests		-	-	-	-	-	-	-	-	-	(140)	(140)
Transfer to retained profits due to wind up of wholly owned subsidiaries		-	(2)	-	-	-	-	-	-	-	-	(2)
Issue of shares to employees		-	-	-	-	-	-	-	-	25	-	25
Increase (decrease) due to revaluation of RMBS investments to fair value		-	-	-	-	-	-	(12)	-	-	-	(12)
Deferred tax liability adjustment on revaluation of RMBS investments		-	-	-	-	-	-	4	-	-	-	4
Increase (decrease) due to revaluation of cash flow hedge to fair value		-	-	-	-	-	-	-	861	-	-	861
Deferred tax liability adjustment on revaluation of cash flow hedge		-	-	-	-	-	-	-	(258)	-	-	(258)
Sub-total		**182,629**	**35,815**	**3,345**	**5,834**	**2,676**	**2,388**	**105**	**(181)**	**(189)**	**(140)**	**232,282**
Issue of share capital for staff share plan		349	-	-	-	-	-	-	-	-	-	349
Issue of share capital for dividend reinvestment plan		1,774	-	-	-	-	-	-	-	-	-	1,774
Non-controlling interests arising on acquisition		-	-	-	-	-	-	-	-	-	1,431	1,431
Dividends provided for or paid - ordinary shares		-	(12,128)	-	-	-	-	-	-	-	-	(12,128)
Balance at 30 June 2017		**184,752**	**23,687**	**3,345**	**5,834**	**2,676**	**2,388**	**105**	**(181)**	**(189)**	**1,291**	**223,708**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Company	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2015	166,637	18,115	3,504	5,834	2,676	2,388	158	(1,026)	-	-	198,286
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	11,679	-	-	-	-	-	-	-	-	11,679
Transfer to retained profits of revaluation of assets since sold	-	159	(159)	-	-	-	-	-	-	-	-
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(64)	-	-	-	(64)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	19	-	-	-	19
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	347	-	-	347
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(105)	-	-	(105)
Sub-total	**166,637**	**29,953**	**3,345**	**5,834**	**2,676**	**2,388**	**113**	**(784)**	**-**	**-**	**210,162**
Issue of share capital for staff share plan	478	-	-	-	-	-	-	-	-	-	478
Issue of share capital for dividend reinvestment plan	1,281	-	-	-	-	-	-	-	-	-	1,281
Issue of share capital for YCU merger	14,233	-	-	-	-	-	-	-	-	-	14,233
Dividends provided for or paid - ordinary shares	-	(11,127)	-	-	-	-	-	-	-	-	(11,127)
Balance at 30 June 2016	**182,629**	**18,826**	**3,345**	**5,834**	**2,676**	**2,388**	**113**	**(784)**	**-**	**-**	**215,027**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Company	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2016	182,629	18,826	3,345	5,834	2,676	2,388	113	(784)	-	-	215,027
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	15,203	-	-	-	-	-	-	-	-	15,203
Transfer to retained profits due to wind up of wholly owned subsidiaries	-	1,838	-	-	-	-	-	-	-	-	1,838
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(12)	-	-	-	(12)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	4	-	-	-	4
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	861	-	-	861
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(258)	-	-	(258)
Sub-total	**182,629**	**35,867**	**3,345**	**5,834**	**2,676**	**2,388**	**105**	**(181)**	**-**	**-**	**232,663**
Issue of share capital for staff share plan	349	-	-	-	-	-	-	-	-	-	349
Issue of share capital for dividend reinvestment plan	1,774	-	-	-	-	-	-	-	-	-	1,774
Dividends provided for or paid - ordinary shares	-	(12,136)	-	-	-	-	-	-	-	-	(12,136)
Balance at 30 June 2017	**184,752**	**23,731**	**3,345**	**5,834**	**2,676**	**2,388**	**105**	**(181)**	**-**	**-**	**222,650**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group (or the 'Consolidated Entity'), consisting of Auswide Bank Ltd ('the Company') and subsidiaries, and the separate financial statements of Auswide Bank Ltd as an individual parent entity. Auswide Bank Ltd is a for-profit listed public company, incorporated and domiciled in Australia.

The financial statements comply with all International Financial Reporting Standards ('IFRS') in their entirety.

The financial statements have been prepared on an accrual basis and are based on historical costs, except for land and buildings, hedging instruments, financial assets held at fair value through profit or loss, and available-for-sale financial assets that have been measured at fair value.

The presentation currency of the financial statements is Australian Dollars (AUD).

The following is a summary of the material accounting policies applied by the Group in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Auswide Bank Ltd ('the Company'), being the parent entity, and entities controlled by the Company and its subsidiaries. The Company and its subsidiaries together are referred to in these financial statements as the Group.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company has power when it has rights that give it the current ability to direct the activities that significantly affect the investee’s returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

The Company reassesses whether it has control of an investee if facts and circumstances indicate changes to the aforementioned elements have occurred. A list of the controlled entities is provided in Note 11.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

Equity interests in a subsidiary not attributable, directly or indirectly, to the consolidated entity are presented as 'non-controlling interests'. The consolidated entity initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profits or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the business combination.

(c) Goodwill

A cash-generating unit or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(d) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method of accounting from the date on which the investee becomes an associate. The financial statements of the associate are used by the Group to apply the equity method. The reporting dates and accounting policies of the associate have been aligned to that of the Group where necessary.

Investments in an associate are carried in the consolidated and parent entity statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated and parent entity profit or loss reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated and parent entity statement of changes in equity.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue:
Loan interest revenue is calculated on the daily loan balance outstanding and charged in arrears to the customer's loan account. Loan interest revenue is recognised as it accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset.

When a loan is classified as impaired, the Group generally ceases to recognise interest and other income earned but not yet received. Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, or a judgement has been obtained.

Dividend revenue:
Dividend revenue is recognised when the shareholder's right to receive the payment is established.

Fees and commissions:
Fees and commissions are recognised on an accrual basis once a right to receive consideration has been attained or when service to the customer has been rendered.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The corresponding lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the asset's expected useful life where it is likely that the Group will obtain ownership of the asset at the end of the lease term or over the shorter of the asset's expected useful life and the lease term where there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight line basis over the period of the lease.

Rental income from operating leases where the Group is lessor is recognised in profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position based on their nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(g) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

(g) Employee benefits

Short-term employee benefits

Liabilities for wages, salaries, sick leave and bonuses, that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in the statement of financial position in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits

Liabilities for long service leave and annual leave are not expected to be settled within twelve months of the end of the reporting period. They are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period. Consideration is given to expected future salary and wage increases and periods of service.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

Superannuation

Contributions are made by the Group to an employees' superannuation fund and are charged as an expense when incurred. The Group has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

(h) Taxation

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax loss is recognised in full, using the liability method, on temporary differences, between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable profits will be available against which deductible temporary differences and losses can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation legislation
The Company and all its wholly-owned Australian resident entities have formed an income tax consolidated Group under the Australian Consolidation System as of the financial year ended 30 June 2008. Auswide Bank Ltd is the head entity in the tax consolidated Group, and as a consequence recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. The tax consolidated Group has not entered into a tax sharing agreement.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(i) Goods and Services Tax (GST)

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(k) Financial instruments

Recognition
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets
Financial assets at fair value through profit or loss
A financial asset is classified as fair value through profit or loss (FVTPL) if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets at FVTPL are stated at fair value, with realised and unrealised gains and losses arising from changes in the fair value included in profit or loss in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments
Investment with fixed maturities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. These investments are stated at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets
Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets.

Unquoted equity securities, whose fair value cannot be reliably measured, are carried at cost. Other available-for-sale assets that are traded in an active market are stated at fair value. Unrealised gains and losses arising from changes in fair value are taken directly through equity through other comprehensive income.

Financial liabilities and equity instruments
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised at the proceeds received, net of direct issue costs. Equity instruments include contributed equity.

Financial liabilities
Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities are classified at FVTPL when the liability is either held for trading or is designated as at FVTPL. These liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities, including borrowings, trade payables and other non-derivative financial liabilities are originally measured at fair value. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

(k) Financial instruments

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment
Other than for assets held at FVTPL, the Group assess whether there is objective evidence that a financial instrument has been impaired, at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

Refer to Note 1(n) for further details regarding impairment of financial assets.

Derivative financial instruments
The Group enters into derivative financial instruments, including interest rate swaps, to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting
The Group designates certain hedging instruments, which include interest rate swaps, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(l) Property, plant and equipment

Freehold land and buildings are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation for buildings and subsequent accumulated impairment losses. Freehold land is not depreciated. Revalued amounts are based on periodic, but at least triennial, valuations by external independent valuers.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

(l) Property, plant and equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of freehold land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation periods used for each class of depreciable assets are:

- Buildings - 40 years
- Plant and equipment - 4 to 6 years
- Leasehold improvements - 4 to 6 years or the term of the lease, whichever is the lesser

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(m) Intangible assets

Purchased items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets. Intangible assets are stated in the statement of financial position at cost less any accumulated depreciation and impairment.

Computer software has a finite life and accordingly is amortised on a straight line basis over the expected useful life of the software. Amortisation periods ranging from 4 to 6 years are applied.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal processes and the carrying amount of the assets and are taken to profit or loss at the date of derecognition.

No internally generated intangible assets are recognised by the Group.

(n) Impairment of assets

At the end of each reporting period, the Board assesses whether there is any indication that its tangible and intangible assets may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (for example, in accordance with the revaluation model in AASB 116 'Property, Plant and Equipment'). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(n) Impairment of assets

Further impairment considerations are discussed within the respective policy note throughout this section.

Loans and advances - doubtful debts
A provision for losses on impaired loans is recognised when objective evidence is available that a loss event has occurred and as a consequence it is not likely that all amounts owed will be received.

Specific provisions for doubtful debts are recognised for individual loans that are identified as impaired by undertaking an assessment of estimated future cash flows.

Collective provisions are determined by segmenting the portfolio into asset classes with similar credit risk characteristics. Each exposure within each segment is allocated a probability of default and a loss given default percentage to calculate an expected loss. Key elements determining the segmentation of an exposure include the product type, LVR, whether the exposure is covered by Lenders' Mortgage Insurance and the arrears position.

Where loan terms have been renegotiated (e.g. loans provided hardship relief), impairment provisioning is determined on the basis of the arrears position as if the renegotiation had not taken place. Restructured loans are returned to performing status after meeting restructured terms for a minimum six month period.

A reserve for credit losses is also maintained to cover risks inherent in the loan portfolio. Movements in the reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off, as determined by management, when it is reasonable to expect that the recovery of the debt is unlikely. All write-offs are on a case-by-case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.

(o) Deposits

Deposits are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

Interest on deposits is recognised on an accruals basis. Interest accrued at reporting date is shown as part of deposits.

(p) Securitisation

Where the Group enters into transactions that transfer substantially all the risks and rewards of ownership of the transferred assets, the Group derecognises the transferred assets.

Where the Group enters into transactions that transfer assets recognised on its Statement of Financial Position, but retains substantially all of the risks and rewards of ownership of the transferred assets, the transferred assets are not derecognised and a secured liability for funds raised is recognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement.

Refer to Note 10 for further details regarding the securitisation structure in place.

(q) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

(q) Fair value of assets and liabilities

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are received at each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement. The categories are as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3
Measurement based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques:
The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the economic entity are consistent with one or more of the following valuation approaches:

Market approach
Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
Income approach
Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
Cost approach
Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priorities to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and that reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is ether not available or when the valuation is determined to be significant. External valuers are selected based on market knowledge and reputation.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held in assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(r) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;

(r) Business combinations

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(s) Rounding of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(t) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(u) Critical accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(u) Critical accounting estimates and judgements

Management have made critical accounting estimates when applying the Group's accounting policies with respect to the impairment of financial assets, loans and advances, other investments and goodwill- refer Notes 9, 10, 11 and 14, respectively.

Management have made significant judgements when applying the Group's accounting policies with respect to loans assigned to a special purpose vehicle used for securitisation purposes - refer to Note 10.

Management have made critical accounting estimates and judgements in relation to the assessment of the fair value of the assets and liabilities on the date of acquisition of MoneyPlace Holdings Pty Ltd (MoneyPlace). The Board of Directors considered a range of valuations in relation to the Available for Sale (AFS) financial asset. Key judgements were applied to determine the entities that the Group controlled and valuation adopted - refer to Note 33.

Management have made critical accounting estimates and judgements in relation to the assessment of the fair value of the assets and liabilities on the date of acquisition of Queensland Professional Credit Union (YCU) - refer to Note 33.

In addition, details on critical estimates and judgements in respect of credit risk are disclosed in Note 32.

(v) Application of new and revised Accounting Standards

Amendments to AASBs and the new interpretations that are mandatorily effective for the current year
The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016.

- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interest in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 Amendments to Australian Accounting Standards- Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101
- AASB 1057 Application of Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and are not likely to materially affect future periods.

Standards and Interpretations in issue not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers (and the related clarifications)	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	30 June 2018
AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

(v) Application of new and revised Accounting Standards

AASB 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2017)
The AASB has issued complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new Expected Credit Loss (ECL) model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009- as amended) and AASB 9 (issued in December 2010).

The AASB 9 impairment requirements are based on an Expected Credit Loss model (ECL) that replaces the incurred loss model under the current accounting standard. The Group will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

AASB 9 will change the Group's current methodology for calculating the provision for doubtful debts, in particular for collective provisioning.

The overall impact of transitioning to AASB 9 on the Group's financial statements is still being assessed; however, the level of provisioning for doubtful debts on assets is expected to increase with any adjustments that arise as a result of the transition process being recognised in either retained earnings or an appropriate equity reserve at the date of transition.

AASB 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)
The standard contains a single model that applies to contracts with customers and two approaches to recognition revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management's current assessment of this standard indicates that no material financial implications are expected.

AASB 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)
The standard introduces a model for the identification of lease arrangements and accounting treatments for both lessors and lessees. This standard will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Operating and finance lease distinctions are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Management have identified operating leases that will be required to be recognised on balance sheet. However, the Group has not quantified the financial impact, as this standard does not mandatorily apply before 1 January 2019.

Other standards
The Group has not yet assessed the impact of the other listed Standards; however, none are expected to have a material impact on future or prior periods.

2 Interest revenue and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate from continuing operations. Month end averages are used as they are representative of the entity's operations during the period.

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2017			
Deposits with other financial institutions	**64,836**	**894**	**1.41**
Investment securities	**205,709**	**4,896**	**2.38**
Loans and advances	**2,729,706**	**119,042**	**4.36**
Other	**34,245**	**1,077**	**3.15**
	3,034,496	**125,909**	**4.15**
Interest expense 2017			
Deposits from other financial institutions	**614,050**	**19,371**	**3.15**
Customer deposits	**1,953,439**	**40,466**	**2.07**
Negotiable certificates of deposit (NCDs)	**184,868**	**4,532**	**2.45**
Floating rate notes (FRNs)	**85,667**	**2,257**	**2.63**
Subordinated notes	**28,000**	**1,775**	**6.34**
	2,866,023	**68,400**	**2.39**
Net interest revenue 2017		**57,509**	
Interest revenue 2016			
Deposits with other financial institutions	47,661	935	1.96
Investment securities	187,762	5,435	2.89
Loans and advances	2,494,616	117,458	4.71
Other	21,463	465	2.16
	2,751,502	124,293	4.52
Interest expense 2016			
Deposits from other financial institutions	611,521	21,095	3.45
Customer deposits	1,700,730	40,346	2.37
Negotiable certificates of deposit (NCDs)	218,333	5,924	2.71
Floating rate notes (FRNs)	47,917	1,287	2.69
Subordinated notes	27,000	1,749	6.48
	2,605,500	70,400	2.70
Net interest revenue 2016		53,893	

The following tables show the net interest margin, and are derived by dividing the difference between interest revenue and interest expenditure by the average balance of interest earning assets.

Interest margin and interest spread 2017

Interest revenue	**3,034,496**	**125,909**	**4.15**
Interest expense	**2,866,023**	**68,400**	**2.39**
Net interest spread			**1.76**
Benefit of net interest-free assets, liabilities and equity			**0.13**
Net interest margin - on average interest earning assets	**3,034,496**	**57,509**	**1.90**

Interest margin and interest spread 2016

Interest revenue	2,751,502	124,293	4.52
Interest expense	2,605,500	70,400	2.70
Net interest spread			1.82
Benefit of net interest-free assets, liabilities and equity			0.14
Net interest margin - on average interest earning assets	2,751,502	53,893	1.96

3 Profit before income tax

Profit before income tax from continuing operations includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated Group.

Included in the profit before income tax are the following revenue items:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Other non interest income				
Dividends				
Controlled entities	**-**	-	**-**	420
Fees and commissions	**9,259**	8,310	**9,057**	8,310
Other income	**963**	793	**703**	793
	10,222	9,103	**9,760**	9,523

The profit before income tax is arrived at after charging the following items:

	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Other expenses				
Provisions for employee entitlements	**158**	322	**158**	322
	158	322	**158**	322
Superannuation contributions paid	**1,455**	1,441	**1,455**	1,441

4 Income tax relating to continuing operations

(a) Income tax recognised in profit or loss

(i) Major components of income tax expense for the year are:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current income tax	**6,319**	4,606	**6,431**	4,572
Deferred income tax	**380**	1,153	**246**	1,153
Income tax expense reported in profit or loss	**6,699**	5,759	**6,677**	5,725

(ii) Numerical reconciliation of income tax expense to prima facie tax payable:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Tax on profit before income tax at 30% (2016: 30%)	**6,512**	5,134	**6,564**	5,221
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	**49**	53	**49**	53
Merger expenses	**80**	590	**80**	590
Less:				
Intra-group dividend (MRM)	**-**	-	**-**	(126)
Other items - net	**58**	(18)	**(16)**	(13)
Income tax expense	**6,699**	5,759	**6,677**	5,725

(b) Income tax recognised in other comprehensive income

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Current income tax				
Other	**-**	-	**-**	-
	-	-	**-**	-
Deferred income tax				
Arising on items that may be reclassified to profit or loss:				
Fair value remeasurement of available-for-sale financial assets	**(3)**	(19)	**(3)**	(19)
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**258**	104	**258**	104
	255	85	**255**	85
Arising on items that will not be reclassified to profit or loss:				
	-	-	**-**	-
Total income tax recognised directly in other comprehensive income	**255**	85	**255**	85

(c) Current tax assets and liabilities

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Current tax liabilities				
Current tax liabilities	**1,222**	(411)	**1,222**	(411)
	1,222	(411)	**1,222**	(411)

(d) Deferred tax balances

Deferred tax balances are presented in the statement of financial position as follows:

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Deferred tax assets	**5,256**	5,441	**5,256**	5,441
Deferred income tax liabilities	**(2,947)**	(2,210)	**(1,580)**	(2,210)
	2,309	3,231	**3,676**	3,231

(d) Deferred tax balances

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Deferred income tax assets				
Employee leave provisions	**815**	864	**815**	864
Other provisions	**1,294**	1,514	**1,294**	1,514
Property, plant & equipment	**729**	598	**729**	598
Unrealised losses on investments	**1,886**	1,886	**1,886**	1,886
Project acquisition costs	**280**	136	**280**	136
Premium on loans purchased (First Mac)	**131**	138	**131**	138
Subordinated notes prepaid expenses	**24**	14	**24**	14
Other items	**97**	291	**97**	291
	5,256	5,441	**5,256**	5,441

In respect of each temporary difference the adjustment was charged to income.

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Deferred tax liabilities				
Asset revaluation reserve	**1,433**	1,434	**1,433**	1,434
Prepayments	**179**	1,064	**179**	1,064
Available for sale reserve	**45**	48	**45**	48
Cash flow hedging reserve	**(77)**	(336)	**(77)**	(336)
Revaluation of financial assets	**1,367**	-	**-**	-
	2,947	2,210	**1,580**	2,210

In respect of each temporary difference the adjustment was charged to income, except for the revaluations of the RMBS investments which were charged to the 'available for sale' reserve in equity, the revaluations of hedging instruments entered into for cash flow hedges which were charged to the 'cash flow hedge' reserve in equity, and the revaluations of land and buildings which were charged to the asset revaluation reserve in equity.

5 Dividends paid

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Dividends paid during the year				
Interim for current year	**5,696**	5,200	**5,696**	5,200
Final for previous year	**6,440**	5,927	**6,440**	5,927
	12,136	11,127	**12,136**	11,127

Dividends paid are fully franked on ordinary shares.

In accordance with Accounting Standards, dividends are only provided for as declared or paid. Subsequent to the reporting date, the Board declared a dividend of 17.0 cents per ordinary share ($6.917m), for the six months to 30 June 2017, payable on 22 September 2017.

Auswide Bank has entered into an agreement to underwrite Auswide Bank's Dividend Reinvestment Plan (DRP) in respect of the 2017 Final Dividend.

The capital raised through the underwritten DRP will strengthen the Bank's Tier 1 Capital position and the proceeds will be used for the general business purposes of the Bank.

The final dividend for the six months to 30 June 2016 ($6.440m) was paid on 30 September 2016, and was disclosed in the 2015/16 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2016: 30%).

The amount of franking credits available for the subsequent financial year are:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Balance as at the end of the financial year	**24,761**	16,925	**24,761**	16,925
Credits/(Debits) that will arise from the payment of income tax payable per the financial statements	**(411)**	(411)	**(411)**	(411)
Debits that will arise from the payment of the proposed dividend	**(2,964)**	(2,760)	**(2,964)**	(2,760)
	21,386	13,754	**21,386**	13,754

Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**17.0**	16.0	**17.0**	16.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**14.0**	14.0	**14.0**	14.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**16.0**	16.0	**16.0**	16.0

6 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**29,825**	13,752	**30,902**	13,752
Deposits on call	**90,240**	54,040	**90,240**	54,040
	120,065	67,792	**121,142**	67,792

Cash held within securitised trusts at 30 June 2017 of $22.996m (2016: $19.335m) is restricted for use only by the trusts.

7 Due from other financial institutions

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deposits with Special Service Providers (SSPs)	**11,638**	9,966	**11,638**	9,966
Subordinated loans	**125**	547	**125**	547
Bank term deposits	**-**	11,501	**-**	11,501
	11,763	22,014	**11,763**	22,014
Maturity analysis				
No maturity specified	**11,763**	22,014	**11,763**	22,014
	11,763	22,014	**11,763**	22,014

Following the acquisition of shares in Queensland Professional Credit Union Ltd on 19 May 2016, $11.501m of term deposits were transferred to Auswide Bank Ltd at fair value as part of the transfer of assets. These term deposits have since matured and funds have been utilised in various alternate investing activities.

8 Accrued receivables

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Interest receivable	**4,509**	4,682	**4,509**	4,682
Securitisation receivables	**1,606**	1,448	**1,606**	1,448
Other	**620**	6,688	**599**	5,404
	6,735	12,818	**6,714**	11,534

9 Financial assets

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Held to maturity financial assets carried at amortised cost				
Certificates of deposit	**253,440**	199,924	**253,440**	199,924
Available for sale financial assets carried at fair value				
External RMBS investments	**1,470**	2,373	**1,470**	2,373
Investment in Managed Investment Scheme (MIS)	**14,042**	3,413	**14,042**	3,413
Financial assets at fair value through profit or loss designated on initial recognition				
Financial assets at amortised cost				
Notes - Securitisation program & other	**22,996**	19,335	**53,382**	46,476
	291,948	225,045	**322,334**	252,186

Maturity analysis				
Up to 3 months	**159,240**	87,724	**159,240**	87,724
From 1 to 5 years	**94,200**	112,200	**94,200**	112,200
Later than 5 years	**38,508**	25,121	**68,894**	52,262
	291,948	225,045	**322,334**	252,186

Cash held within securitised trusts at 30 June 2017 of $22.996m (2016: $19.335m) is restricted for use only by the trusts.

The investment in management investment schemes represents the notes held in the consideration of the funding provided to the Schemes managed by Moneyplace. At the date of this report, the Group holds 88% of the total notes on issue and could be seen to have control of the Scheme. This position is expected to be temporary as additional funders increase their share of the Moneyplace scheme investment notes. If the scheme had been consolidated the impact would have been an increase in assets and liabilities of $1.7 million which represents 0.04% of the total assets of the Group. The scheme does not make residual profits and accordingly there would be no impact on net profit from consolidation of the scheme.

10 Loans and advances

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Term loans	**2,631,078**	2,506,507	**2,631,079**	2,506,507
Loans to controlled entities	**-**	-	**197**	(1,695)
Continuing credit loans	**146,456**	164,952	**146,428**	164,932
	2,777,534	2,671,459	**2,777,704**	2,669,744
Provision for impairment	**(4,314)**	(5,047)	**(4,314)**	(5,047)
Total loans	**2,773,220**	2,666,412	**2,773,390**	2,664,697

On 30 September 2015 all risks and provisions of Mortgage Risk Management Pty Ltd were transferred to the Statement of Financial Position of Auswide Bank Ltd.

Provision for impairment

Specific provision				
Opening balance	**(5,047)**	(1,719)	**(5,047)**	(1,719)
Bad and doubtful debts unwound / (provided for) during the year	**733**	(3,328)	**733**	(3,328)
Total provision for impairment	**(4,314)**	(5,047)	**(4,314)**	(5,047)

Charge to profit or loss for bad and doubtful debts comprises:				
Specific provision	**733**	(3,328)	**733**	(3,328)
Bad debts recognised directly	**(1,712)**	3,896	**(1,712)**	3,896
	(979)	568	**(979)**	568

Maturity analysis				
Up to 3 months	**2,928**	2,658	**2,928**	2,658
From 3 to 12 months	**1,870**	1,119	**1,870**	1,119
From 1 to 5 years	**41,536**	31,920	**41,536**	31,920
Later than 5 years	**2,726,886**	2,630,715	**2,727,056**	2,629,000
	2,773,220	2,666,412	**2,773,390**	2,664,697

Following the acquisition of shares in Queensland Professional Credit Union Ltd on 19 May 2016, a loan book of $130.737m was transferred to Auswide Bank Ltd at fair value as part of the transfer of assets.

The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The special purpose entity established for the securitisation is considered to be controlled in accordance with Australian Accounting Standards & Australian Accounting Interpretations. The Company is entitled to any residual income of the securitisation program after all payments due to investors and costs of the program have been met; to this extent the economic entity retains credit and liquidity risk.

The impact on the Group is an increase in liabilities - Loans under management - of $708.020m (30 June 2016 - $613.821m). B notes of $30.385m which are owned by the Company have been eliminated from the consolidated figures.

Concentration of risk

The loan portfolio of the company does not include any loan which represents 10% or more of capital.

11 Other investments and related parties

	Consolidated 2017 $'000	2016 $'000	Company 2017 $'000	2016 $'000
Unlisted shares - at cost	**1,069**	512	**1,069**	512
Controlled entities - at directors' valuation	**-**	-	**4,084**	1,259
	1,069	512	**5,153**	1,771

(a) Controlled entities

Name	Place of incorporation and operation	Proportion of ownership and voting power held by the Company 2017 %	2016 %	Contribution to consolidated operating profit after income tax 2017 $'000	2016 $'000	Investment carrying value 2017 $'000	2016 $'000
Company							
Auswide Bank Ltd	Australia	**-**	-	**15,203**	11,258	**-**	-
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**100.0**	100.0	**-**	424	**-**	-
MPBS Insurance Pty Ltd	Australia	**-**	100.0	**-**	-	**-**	-
MPBS Holdings Pty Ltd	Australia	**-**	100.0	**-**	16	**-**	1,259
Widcap Securities Pty Ltd	Australia	**100.0**	100.0	**-**	-	**-**	-
Auswide Performance Rights Pty Ltd	Australia	**100.0**	100.0	**-**	-	**-**	-
MoneyPlace Holdings Pty Ltd (MoneyPlace)	Australia	**62.4**	19.3	**(236)**	-	**4,083**	-

All wholly owned subsidiaries are members of the tax consolidated group.

The carrying amounts of unlisted shares were reassessed by the directors as at 30 June 2017 with the reassessments being based on whether there were internal or external indicators that the investment was impaired.

MoneyPlace Holdings Pty Ltd (MoneyPlace)
MoneyPlace commenced loan originations in January 2016 after receiving its retail and wholesale Australian Financial Service Licence and provides loans of $5,000 to $35,000 through its peer-to-peer (P2P) platform. MoneyPlace is Australia's second fully licenced P2P lender.

In December 2015 the Group announced it would be entering into a strategic relationship and equity investment with MoneyPlace Holdings. Auswide Bank Ltd acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. In February 2017 Auswide Bank made a follow-on investment and acquired an additional 44.0% equity stake in MoneyPlace, via a subscription agreement. This bought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace. As a result of a share issue to minority holders, the proportion of ownership in MoneyPlace at 30 June 2017 was 62.4%. Further explanation can be found at Note 33.

The strategic alliance with MoneyPlace provides a technically advanced personal loan system solution to a niche consumer finance market. The relationship provides an avenue to increase the Group's consumer lending ambitions and provides significant opportunities for platform collaboration and value accretion.

Mortgage Risk Management Pty Ltd (MRM)
MRM is a wholly owned subsidiary of Auswide Bank Ltd and was previously registered as a Lenders' Mortgage Insurance provider. MRM has been in wind-down since ceasing to write insurance business in 2012, and is no longer actively trading.

On 13 August 2015 Auswide Bank announced the effective date of 30 September 2015 to wind-up MRM. All risks and provisions were transferred to the Statement of Financial Position of Auswide Bank on that date. The capital invested in MRM was returned to Auswide Bank.

In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the *Insurance Act 1973*, to carry on insurance business in Australia, effective 17 December 2015. Further information in relation to this entity is disclosed in Note 34.

(a) Controlled entities

MPBS Holdings Pty Ltd
MPBS Holdings Pty Ltd was a wholly owned subsidiary of Auswide Bank Ltd which held the property at 73 Victoria Street, Mackay. This property was sold on 19 October 2015 for $2.32m. MPBS Holdings Pty Ltd was deregistered effective 21 May 2017, pursuant to section 601AA(4) of the Corporations Act 2001.

MPBS Insurance Pty Ltd
MPBS Insurance Pty Ltd was a wholly owned subsidiary which is no longer actively trading. MPBS Insurance Pty Ltd was deregistered effective 21 May 2017, pursuant to section 601AA(4) of the Corporations Act 2001.

Widcap Securities Pty Ltd
Widcap Securities Pty Ltd is a wholly owned subsidiary which acts as the manager and custodian for Auswide's public RMBS and Warehouse Securitisation programs.

Auswide Performance Rights Pty Ltd
Auswide Performance Rights Pty Ltd is the trustee company for the Auswide Performance Rights Plan, set up to assist in the retention and motivation of executives, senior managers and qualifying employees.

(b) Warehouse and securitisation trusts

Auswide has an external securitisation program which is comprised of the following trusts:

- Wide Bay Trust No. 5
- Wide Bay Trust No. 6
- WB Trust 2006-1 (matured 16 May 2016)
- WB Trust 2008-1
- WB Trust 2009-1
- WB Trust 2010-1
- WB Trust 2014-1
- ABA Trust 2017-1

These trusts are fully consolidated at the reporting date.

(c) Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30/06/2017	30/06/2016
J1-Plan Pty Ltd (formerly Financial Technology Securities Pty Ltd (FTS))	Financial Planning	Australia	25.0%	25.0%
Finance Advice Matters Group Pty Ltd (FAM)	Financial Planning	Australia	25.0%	25.0%

J1-Plan Pty Ltd (formerly FTS) is accounted for using the equity method in these consolidated financial statements.

Financial Advice Matters Group Pty Ltd (FAM) purchased the financial planning business from J1-Plan Pty Ltd on 29 October 2015.

(d) Investments accounted for using the equity method

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with AASBs.

J1-Plan Pty Ltd

Share of associate's balance sheet:	**2017 $'000**	2016 $'000
Current assets	**326**	637
Current liabilities	**(5)**	(99)
Non-current liabilities	**-**	(43)
Net assets	**321**	**495**

Share of associate's revenue and profit:	**2017 $'000**	2016 $'000
Revenue	**194**	595
Profit / (loss) before income tax	**65**	106
Profit / (loss) after income tax	**65**	106
Total comprehensive income for the year	**65**	**106**
Dividends received from associate during the year	**114**	13

The above figures were based on the unaudited accounts of J1-Plan Pty Ltd.

(d) Investments accounted for using the equity method

Financial Advice Matters Group Pty Ltd (FAM)

Share of associate's balance sheet:	**2017 $'000**	2016 $'000
Current assets	**352**	273
Non-current assets	**528**	462
Current liabilities	**(206)**	(707)
Non-current liabilities	**(357)**	(14)
Net assets	**317**	**14**

Share of associate's revenue and profit:	**2017 $'000**	2016 $'000
Revenue	**1,348**	908
Profit / (loss) before income tax	**78**	23
Income tax	**(22)**	(10)
Profit / (loss) after income tax	**56**	13
Total comprehensive income for the year	**56**	**13**
Dividends received from associate during the year	**129**	-

The above figures were based on the unaudited accounts of Financial Advice Matters Group Pty Ltd (FAM).

(e) Related party transactions

Balances and transactions between the company and its subsidiaries which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

12 Property, plant and equipment

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Carrying amounts of:				
Freehold land and buildings	**8,399**	8,568	**8,399**	8,568
Plant and equipment	**6,207**	6,976	**6,207**	6,976
	14,606	15,544	**14,606**	15,544

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Freehold land and buildings				
At independent valuation - June 2015	**8,750**	8,750	**8,750**	8,750
Provision for depreciation	**(351)**	(182)	**(351)**	(182)
	8,399	8,568	**8,399**	8,568
Movement in carrying amount				
Opening net book amount	**8,568**	11,368	**8,568**	9,121
Disposals	**-**	(2,618)	**-**	(383)
Depreciation charge	**(169)**	(182)	**(169)**	(170)
Carrying amount at end of year	**8,399**	8,568	**8,399**	8,568

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Plant and equipment				
At cost	**27,896**	27,099	**27,896**	27,099
Provision for depreciation	**(21,689)**	(20,123)	**(21,689)**	(20,123)
	6,207	6,976	**6,207**	6,976
Movement in carrying amount				
Opening net book amount	**6,976**	4,757	**6,976**	4,757
Additions	**1,023**	3,600	**1,023**	3,600
Additions due to business combinations	**-**	350	**-**	350
Disposals	**(42)**	(205)	**(42)**	(205)
Depreciation charge	**(1,750)**	(1,526)	**(1,750)**	(1,526)
Carrying amount at end of year	**6,207**	6,976	**6,207**	6,976

All land and buildings were revalued as at 3 June 2015 by certified practicing valuers Jim Webster and Richard Lysnar of Propell National Valuers QLD. The valuations were assessed to fair market values. The company's policy is to engage external experts to comprehensively revalue freehold land and buildings every three years with an assessment performed by the Board of Directors in intervening years.

13 Other assets

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Prepayments	**8,406**	7,751	**8,260**	7,751
	8,406	7,751	**8,260**	7,751

14 Goodwill

(a) MoneyPlace Holdings Pty Ltd

Auswide Bank Ltd acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. In February 2017 Auswide Bank made a follow-on investment and acquired an additional 44.0% equity stake in MoneyPlace, via a subscription agreement. This bought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace.

Upon gaining a controlling interest in MoneyPlace, an independent valuation was procured. After applying the principles of acquisition accounting, the initial equity investment was revalued to facilitate the calculation of the consideration transferred. The independent valuation identified the net assets (including intangible assets such as software and customer contracts), and it was established that the resultant difference be recognised as goodwill on consolidation.

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and as set out in Notes 1(c) & (r), and recognises the acquisition date as 28 February 2017.

(b) Queensland Professional Credit Union Ltd (YCU)

On 19 May 2016, the Group acquired 100% of the shares of Queensland Professional Credit Union Ltd trading as Your Credit Union (YCU), via a court approved Scheme of Arrangement which involved the demutualisation of YCU and resulted in Auswide Bank Ltd obtaining control of YCU. All of YCU's assets, liabilities and obligations, whether actual or contingent were transferred to Auswide Bank Ltd. In addition, all duties, obligations, immunities, rights and privileges which apply to YCU, had YCU continued in existence, apply to Auswide Bank Ltd as a continuation of, and the same legal entity as YCU.

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and as set out in Notes 1(c) & (r), and recognises the acquisition date as 19 May 2016.

(c) Mackay Permanent Building Society Ltd (MPBS)

Pursuant to a bidder's statement lodged with the Australian Securities & Investments Commission on 15 November 2007, the company issued an off-market takeover offer for 100% of the ordinary shares in Mackay Permanent Building Society Ltd (MPBS).

On 11 January 2008 the company announced the fulfilment of conditions pertaining to the off-market takeover offer set out in the bidder's statement and gave notice that the offer was unconditional effective 10 January 2008.

In accordance with APRA's approval for the transfer of business the financial and accounting records of the entities were merged on 1 June 2008.

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and as set out in Notes 1(c) & (r), and recognises the acquisition date as 10 January 2008.

Movements in Goodwill:

	Consolidated		**Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Balance at the beginning of the year	**46,363**	46,363	**46,363**	46,363
Additional Goodwill due to the acquisition of MoneyPlace	**2,612**	-	**-**	-
Balance at the end of the year	**48,975**	46,363	**46,363**	46,363

Impairment testing

The cash-generating unit selected for impairment testing of goodwill was the Auswide Bank Ltd parent entity, as it is impractical to identify a separate MPBS cash generating unit, or YCU cash generating unit, within the Company and Consolidated entities.

A separate cash generating unit has been identified as a result of the acquisition of MoneyPlace. Upon the acquisition, an independent valuation was procured and goodwill was assessed as part of this process.

The goodwill disclosed in the Statement of Financial Position at 30 June 2017 was supported by the impairment testing and no impairment adjustment was required.

Impairment testing

Impairment testing of goodwill was carried out by comparing the net present value of cash flows from the cash-generating unit to the carrying value of the cash generating unit. The cash flows were based on projections of future earnings before taxation, depreciation and amortisation, minus forecast capital expenditure.

The cash flows have been projected over a period of three years. The terminal value of the business beyond year three has been determined using a constant growth perpetuity.

The key assumptions used in carrying out the impairment testing were as follows:

*	Budgeted trading result for the financial years ending 30 June 2018/19	Represents the cash-generating potential of the parent entity based on the forecast approved by the Board of Directors.
*	Estimated growth rate	5.0% (2016: 6.0%) represents growth in cash-generating unit cash flows over years one to three (beyond 30 June 2017). (Such growth is considered to be reasonable by management and the Board of Directors given historical loan book growth and strategic long-term growth targets).
*	Terminal growth rate	5.0% (2016: 6.0%) represents the terminal growth rate (beyond three years).
*	Pre-tax discount rate	12.2% (2016: 12.0%) is the pre-tax discount rate used in impairment testing representing the Cost of Equity to the consolidated group at 30 June 2017.

The trigger points at which the carrying value of the cash-generating unit would exceed its recoverable amount, while holding all other variables constant, are as follows:

- terminal growth rate - 4.0% (2016: 1.9%); and
- discount rate - 13.1% (2016: 15.6%).

15 Other intangible assets

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Carrying amounts of:				
Software	**7,935**	2,719	**2,564**	2,719
	7,935	2,719	**2,564**	2,719

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Software				
At cost	**14,427**	8,549	**9,056**	8,549
Provision for amortisation	**(6,492)**	(5,830)	**(6,492)**	(5,830)
	7,935	2,719	**2,564**	2,719
Movement in carrying amount				
Balance at 1 July	**2,719**	1,822	**2,719**	1,822
Additions	**905**	1,326	**507**	1,326
Additions due to business combinations	**5,160**	-	**-**	-
Disposals	**-**	-	**-**	-
Amortisation	**(849)**	(429)	**(662)**	(429)
Balance at 30 June	**7,935**	2,719	**2,564**	2,719

16 Deposits and short term borrowings

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Call deposits	**726,103**	675,823	**726,103**	676,145
Term deposits	**1,331,229**	1,218,062	**1,331,229**	1,218,062
Negotiable certificates of deposit (NCDs)	**147,272**	215,017	**147,272**	215,017
Floating rate notes (FRNs)	**100,000**	75,000	**100,000**	75,000
	2,304,604	2,183,902	**2,304,604**	2,184,224
Maturity analysis				
On call	**909,521**	820,408	**909,521**	820,730
Up to 3 months	**613,597**	801,872	**613,597**	801,872
From 3 to 12 months	**756,275**	538,954	**756,275**	538,954
From 1 to 5 years	**25,211**	22,668	**25,211**	22,668
	2,304,604	2,183,902	**2,304,604**	2,184,224

The Company's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

Following the acquisition of shares in Queensland Professional Credit Union Ltd on 19 May 2016, $178.728m of call and term deposits were transferred to Auswide Bank Ltd at fair value as part of the transfer of liabilities.

17 Payables and other liabilities

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade creditors	**3,235**	4,686	**3,032**	4,678
Accrued interest payable	**10,814**	13,947	**10,814**	13,947
Other creditors	**4,588**	6,722	**4,479**	6,296
	18,637	25,355	**18,325**	24,921
Maturity analysis				
Up to 3 months	**12,473**	17,954	**12,231**	17,520
From 3 to 12 months	**5,987**	7,189	**5,917**	7,189
From 1 to 5 years	**177**	212	**177**	212
	18,637	25,355	**18,325**	24,921

18 Provisions

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Employee entitlements				
Balance at beginning of year	**2,881**	2,647	**2,881**	2,647
Provided for during the year	**575**	527	**493**	527
Used during the year	**(656)**	(293)	**(656)**	(293)
Balance at end of year	**2,800**	2,881	**2,718**	2,881

Maturity analysis				
Current provision	**2,439**	2,492	**2,357**	2,492
Non-current provision	**361**	389	**361**	389
	2,800	2,881	**2,718**	2,881

Unearned direct premiums and outstanding claims				
Balance at beginning of year	**-**	4,456	**-**	-
Transfers to/(from) the provision during the year	**-**	(4,344)	**-**	-
Payments from the provision during the year	**-**	(112)	**-**	-
Balance at end of year	**-**	-	**-**	-

Other provisions	**40**	(1)	**40**	(1)
Total provisions	**2,840**	2,879	**2,758**	2,879

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

As at 30 June 2017 the unearned direct premiums and outstanding claims provision is nil due to the wind down of Mortgage Risk Management Pty Ltd.

Premium revenues are earned over 10 years in accordance with actuarial advice based on historical claim patterns. The unearned portion is recognised as unearned premium liability.

The outstanding claims liability is based on independent actuarial advice and estimates of claims incurred but not settled at balance date. The estimation is based on statistical analyses of historical experience.

19 Subordinated capital notes

	Consolidated		**Company**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Inscribed debenture stock	**28,000**	28,000	**28,000**	28,000
Maturity analysis				
Later than 5 years	**28,000**	28,000	**28,000**	28,000

20 Contributed equity

Fully paid ordinary shares	**2017 Shares No.**	**2017 Shares $'000**	2016 Shares No.	2016 Shares $'000
Balance at beginning of year	**40,251,196**	**182,629**	37,040,654	166,637
Issued during the year				
Staff share plan	**77,095**	**349**	99,479	478
Dividend reinvestment plan	**357,742**	**1,774**	264,423	1,281
YCU merger shares *	**-**	**-**	2,846,640	14,233
Balance at end of year	**40,686,033**	**184,752**	40,251,196	182,629

* Refer to Note 33 for information as to the issue of shares in relation to the merger with YCU.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

All ordinary shares have equal voting, dividend and capital repayment rights.

(a) Staff Share Plan

9 November 2016 - 77,095 ordinary shares were issued.

Shares issued pursuant to the company's staff share plan were at a price of 90% of the weighted average price of the company's shares traded on the Australian Securities Exchange for the 10 days prior to the issue of the invitation to subscribe for the shares.

The members of the company approved a staff share plan in 1992 enabling the staff to participate to a maximum of 10% of the shares of the company. The share plan is available to all employees under the terms and conditions as decided from time to time by the Directors, but in particular, limits the maximum loan to each participating employee to 40% of their gross annual income. The plan requires employees to provide a deposit of 10% with the balance able to be repaid over a period of 5 years at no interest.

	Consolidated		**Company**	
	2017 Shares No.	2016 Shares No.	**2017 Shares No.**	2016 Shares No.
The total number of shares issued to employees since the inception of the staff share plan	**2,861,007**	2,783,912	**2,861,007**	2,783,912
The total number of shares issued to employees during the financial year	**77,095**	99,479	**77,095**	99,479
	$'000	$'000	**$'000**	$'000
The total market value at date of issue, 9 November 2016 (1 December 2015)	**393**	536	**393**	536
The total amount paid or payable for the shares at that date	**349**	478	**349**	478

(b) Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to maintain the DRP for the final dividend payable on 30 September 2016 for the 2015/16 financial year. The Board of Directors resolved to suspend the DRP for the interim dividend payable on 30 March 2017 for the 2016/17 financial year.

30 September 2016 - 357,742 ordinary shares were issued

Shares issued under the plan rank equally in every respect with existing fully paid permanent ordinary shares and participate in all cash dividends declared after the date of issue. The shares issued under the DRP on 30 September 2016 were issued at a discount of 2.5% on the weighted sale price of the company's shares sold during the five trading days immediately following the Record Date.

(c) Auswide Performance Rights Pty Ltd.

As at the reporting date Auswide Performance Rights Pty Ltd holds 28,920 shares ($189,268) for the purpose of facilitating the Executive LTI scheme.

21 Reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Available for sale reserve	**105**	113	**105**	113
Asset revaluation reserve	**3,345**	3,345	**3,345**	3,345
Cash flow hedge reserve	**(181)**	(784)	**(181)**	(784)
Share-based payment reserve	**(189)**	(214)	**-**	-
Statutory reserve	**2,676**	2,676	**2,676**	2,676
General reserve	**5,834**	5,834	**5,834**	5,834
Doubtful debts reserve	**2,388**	2,388	**2,388**	2,388
	13,978	13,358	**14,167**	13,572

Movements in reserves:

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Available for sale reserve				
Balance at beginning of year	**113**	158	**113**	158
Increase/(decrease) due to revaluation of RMBS investments to mark-to-market	**(12)**	(64)	**(12)**	(64)
Deferred tax liability adjustment on revaluation of RMBS investments	**4**	19	**4**	19
Balance at end of year	**105**	113	**105**	113

The balance of this reserve represents the excess of the mark-to-market valuation over the original cost of the RMBS investments.

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Asset revaluation reserve				
Balance at beginning of year	**3,345**	3,897	**3,345**	3,504
Decrease due to transfer to retained profits of revaluation of assets since sold	**-**	(552)	**-**	(159)
Balance at end of year	**3,345**	3,345	**3,345**	3,345

The balance of this reserve represents the excess of the independent valuation over the original cost of the land and buildings.

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Cash flow hedge reserve				
Balance at beginning of year	**(784)**	(1,026)	**(784)**	(1,026)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges				
Interest rate swaps	861	347	861	347
Deferred tax related to gains/losses recognised in other comprehensive income	**(258)**	(105)	**(258)**	(105)
Balance at end of year	**(181)**	(784)	**(181)**	(784)

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

There were no cumulative gains/losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year.

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000

Share based payments reserve				
Balance at beginning of year	**(214)**	(108)	**-**	-
Increase in reserve on acquisition of shares	**-**	(166)	**-**	-
Issue of shares held by entity to employees	**25**	60	**-**	-
Balance at end of year	**(189)**	(214)	**-**	-

The share based payments reserve relates to shares available for long term incentive (LTI) based payments to employees.

Statutory reserve				
Balance at end of year	**2,676**	2,676	**2,676**	2,676

This is a statutory reserve created on a distribution from the Queensland Building Society Fund.

General reserve				
Balance at end of year	**5,834**	5,834	**5,834**	5,834

A special reserve was established upon the company issuing fixed share capital in 1992. The special reserve represented accumulated members' profits at that date and was transferred to the general reserve over a period of 10 years being finalised in 2001/2002.

Doubtful debts reserve				
Balance at end of year	**2,388**	2,388	**2,388**	2,388

Under APRA Prudential Standard 220, the company is required to hold a general reserve for credit losses. The current reserve has been assessed and meets the requirements of Auswide's impairment policy.

Total reserves	**13,978**	13,358	**14,167**	13,572

22 Non-controlling interest

Reconciliation of non-controlling interest in controlled entities:

	Consolidated	
	2017	2016
	$'000	$'000
Non-controlling interests arising on the acquisition of MoneyPlace	**1,431**	-
Share of operating profit/(loss) for the year	**(140)**	-
Balance at end of year	**1,291**	-

23 Cash flow statement

Reconciliation of profit from ordinary activities after tax to the net cash flows from operations:

	Consolidated		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Profit after tax from continuing operations	**15,149**	11,699	**15,203**	11,679
Depreciation and amortisation	**2,790**	2,136	**2,603**	2,124
Bad debts expense	**979**	(568)	**979**	(568)
(Profit)/loss on disposal of non-current assets	**28**	56	**28**	56
Movement in assets				
Accrued interest on investments	**173**	(757)	**173**	(757)
Prepayments and other receivables	**(658)**	(2,759)	**2,352**	(2,107)
Deferred tax asset	**185**	462	**185**	262
Movement in liabilities				
Creditors and accruals	**(1,396)**	10,807	**(2,475)**	12,383
Deferred tax payable	**738**	647	**(630)**	817
Income tax payable	**1,633**	(155)	**1,633**	(155)
Employee benefit provisions	**(81)**	234	**(163)**	234
Other provisions	**(39)**	(4,281)	**(121)**	175
Reserves	**(255)**	(85)	**(255)**	(85)
Net cash generated from operating activities	**19,246**	17,436	**19,512**	24,058

Cash flows arising from the following activities are presented on a net basis:

- Deposits to and withdrawals from customer deposit accounts.
- Advances and repayments on loans, advances and other receivables.
- Sales and purchases of investment securities.
- Insurance and reinsurance premiums.
- (Profit)/loss on disposal of fixed assets.

24 Expenditure commitments

	Consolidated		Company	
	2017	2016	**2017**	2016
Capital expenditure commitments	**$'000**	$'000	**$'000**	$'000
Capital expenditure contracted for within one year	**1,463**	1,288	**1,463**	1,288

	Consolidated		Company	
	2017	2016	**2017**	2016
Lease expenditure commitments (as Lessee)	**$'000**	$'000	**$'000**	$'000
Non-cancellable operating leases				
Up to 1 year	**2,166**	2,449	**2,166**	2,449
From 1 to 2 years	**1,669**	1,853	**1,669**	1,853
From 2 to 5 years	**1,813**	2,867	**1,813**	2,867
Later than 5 years	**74**	163	**74**	163
	5,722	7,332	**5,722**	7,332

Non-cancellable operating leases relate to leases of branches across Queensland and other states of Australia.

25 Contingent liabilities and credit commitments

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Approved but undrawn loans	**55,264**	53,951	**55,264**	53,951
Approved but undrawn credit limits	**88,364**	93,706	**88,364**	93,706
Bank guarantees	**550**	191	**550**	191
	144,178	147,848	**144,178**	147,848

26 Earnings per share

	2017 Cents per share	2016 Cents per share
Basic earnings per share		
From continuing operations	**37.35**	30.28
From discontinued operations	**-**	0.92
Total basic earnings per share	**37.35**	31.20
Diluted earnings per share		
From continuing operations	**37.35**	30.28
From discontinued operations	**-**	0.92
Total diluted earnings per share	**37.35**	31.20

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are calculated as follows:

	2017 $'000	2016 $'000
Profit for the year attributable to owners of the Company	**15,149**	11,699
Earnings used in the calculation of basic earnings per share	**15,149**	11,699
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**-**	(345)
Earnings used in the calculation of basic earnings per share from continuing operations	**15,149**	11,354

	2017 Shares No.	2016 Shares No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	**40,567,981**	37,491,046

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2017 $'000	2016 $'000
Earnings used in the calculation of basic earnings per share	**15,149**	11,699
Earnings used in the calculation of diluted earnings per share	**15,149**	11,699
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	**-**	(345)
Earnings used in the calculation of diluted earnings per share from continuing operations	**15,149**	11,354

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2017 Shares No.	2016 Shares No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**40,567,981**	37,491,046
Shares deemed to be issued for no consideration	**-**	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**40,567,981**	37,491,046

27 Key management personnel disclosures

(a) Details of key management personnel

Key management personnel have been taken to comprise the Directors and members of Executive Management who are collectively responsible for the day-to-day financial and operational management of the Group and the Company.

The following were key management personnel for the entire reporting period unless otherwise stated.

(i) Directors

JS Humphrey	Chairman - Non-executive Director
MJ Barrett	Managing Director
B Dangerfield	Director - Non-executive
GN Kenny	Director - Non-executive
SC Birkensleigh	Director - Non-executive

(ii) Executives

WR Schafer	Chief Financial Officer, Company Secretary
SM Caville	Chief Information Officer
D Hearne	Chief Customer Officer
GM Job	Chief People Officer
CA Lonergan	Chief Risk Officer
MS Rasmussen	Chief Operating Officer

Each of the key management personnel, relatives of key management personnel and related business entities which hold share capital and/or deposits with the Company do so on the same conditions as those applying to all other members of the Company.

(b) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below.

(b) Key management personnel compensation

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Short term benefits				
Cash salary and fees	**2,361**	2,038	**2,361**	2,038
Cash bonus	**98**	93	**98**	93
Post employment benefits				
Superannuation	**173**	152	**173**	152
Share based payments	**25**	38	**25**	38
Other long term benefits	**41**	36	**41**	36
	2,698	2,357	**2,698**	2,357

Remuneration is calculated based on the period each employee was classified as key management personnel. Remuneration to Directors was approved at the previous Annual General Meeting of the Company.

(c) Other transactions with key management personnel

Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the general public.

The Bank's policy for receiving deposits from other related parties and in respect of other related party transactions is that all transactions are approved and deposits are accepted on the same terms and conditions that apply to members of the general public for each type of deposit.

Dividends of $126,363 (2016: $90,697) were paid to key management personnel and associates. These were made on terms no more favourable than those made on dividend payments to other shareholders.

There were no other transactions in which key management personnel provided services to the Company.

28 Remuneration of auditors

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Amounts received or due and receivable by the auditors of Auswide Bank Ltd, Deloitte Touche Tohmatsu, are as follows:				
Audit and review of financial statements	**417**	325	**417**	325
Tax advisory services	**77**	61	**77**	61
Other assurance services	**102**	52	**102**	52
	596	438	**596**	438

	Consolidated 2017 $'000	Consolidated 2016 $'000	Company 2017 $'000	Company 2016 $'000
Amounts received or due and receivable by the auditors of Mortgage Risk Management Pty Ltd, KPMG, are as follows:				
Audit and review of the financial statements	**-**	11	**-**	-
	-	11	**-**	-
Total auditors' remuneration	**596**	449	**596**	438

29 Events subsequent to balance date

The financial statements were approved by the Board of Directors on the date the directors' declaration was signed.

30 Business and geographical segment information

The company operates predominantly in one industry. The principal activities of the company are confined to the raising of funds and the provision of finance for housing, personal loans and business banking.

The company commenced funding personal loans in May 2013. The personal loans portfolio was immaterial at balance date and has not been reported as a segment.

Funding of business loans commenced in April 2014. The business loans portfolio was immaterial at balance date and has not been reported as a segment.

The company operates principally within the states of Queensland, New South Wales and Victoria.

31 Concentration of assets and liabilities and off balance sheet items

The Directors are satisfied that there is no undue concentration of risk by way of geographical area, customer group or industry group.

32 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Capital risk
- Market risk
- Liquidity risk
- Credit risk

(a) Capital risk management

The Board and Management of Auswide Bank Ltd are responsible for instituting a Risk Management Framework (RMF) including policies and processes to reduce such risks to prudent levels at both a Company and Group level. The Board has established the following committees and delegated responsibilities to develop and monitor risk within their relevant areas and consistent with the Group wide Risk Management Framework:

The Board Risk Committee;

- assists the Board in the effective discharge of its responsibilities to set and oversee the risk profile and the risk management framework of Auswide;
- ensures management have appropriate risk systems and practices to effectively operate within the Board approved risk profile for Auswide; and
- deals with, and where applicable resolve, determine and recommend, all matters falling within the scope of its purpose and duties as set out in this Charter and other matters that may be delegated by the Board to the Committee from time to time.

The Board Audit Committee;

- overviews the management of the financial reporting and disclosure practices;
- overviews the internal audit functions;
- reviews compliance with APRA reporting and other statutory requirements;
- oversight of financial accounts;
- addresses changes in the adoption of accounting principles and the application thereof in interim and annual reports;
- reviews reports from the External Auditors; and
- reviews reports from the Internal Auditor, the Internal Audit program and any Management responses to issues raised.

The Asset and Liability Management Committee (ALCO);

- reviews the balance sheet and recommends changes with regard to capital management, funding and securitisation activities (including product related issues);
- reviews measures of liquidity and capital adequacy position against the policy and guidelines established in the Board policy.

(a) Capital risk management

APRA's Prudential Standard APS 110 *Capital Adequacy* aims to ensure the Authorised Deposit-taking Institutions (ADI's) maintain adequate capital, on both an individual and group basis, to act as a buffer against the risks associated with the group's activities. APRA requires capital to be allocated against credit, market and operational risk, and the group has adopted the 'standard model' approach to measure the capital adequacy ratio.

The Board of Directors takes responsibility to ensure the Company and Group maintain a level and quality of capital commensurate with the type, amount and concentration of risks to which the company and consolidated group are exposed from their activities. The Board has regard to prospective changes in the risk profile and capital holdings.

The Company's management prepares a three year capital plan and monitors actual risk-based capital ratios on a monthly basis to ensure the capital ratio complies with Board targets. The Board's target is for the capital adequacy ratio to be maintained above 13.5%. During the 2017 and 2016 financial years the capital adequacy ratios of both the Group and Company were maintained above the target ratio, with the exception of the month ended 31 May 2016 where the ratio temporarily fell below the board target due to a delay in the issue of a Tier 2 Capital Instrument. At all times the capital ratio was in excess of APRA's Prescribed Capital Ratio (PCR).

The capital adequacy calculations at 30 June 2017 and 30 June 2016 have been prepared in accordance with the revised prudential standards incorporating the Basel III principles.

APRA Prudential Standards and Guidance Notes for ADIs provide guidelines for the calculation of capital and specific parameters relating to Tier 1, Common Equity Tier 1 and Total Capital. Tier 1 capital comprises the highest quality components of capital and includes ordinary share capital, general reserves and retained earnings less specific deductions. Tier 2 capital comprises other capital components including general reserve for credit losses and cumulative subordinated debt.

Consistent with Basel III, the approach to capital assessment provides for a quantitative measure of the capital adequacy and focuses on:

- credit risk arising from on-balance sheet and off-balance sheet exposures;
- market risk arising from trading activities;
- operational risk associated with banking activities;
- securitisation risks; and
- the amount, form and quality of capital held to act as a buffer against these and other exposures.

Details of the capital adequacy ratio on a Company and consolidated basis are set out below:

	Consolidated		**Company**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Total risk weighted assets	**1,276,080**	1,262,861	**1,269,670**	1,261,387
Capital base	**186,007**	180,695	**184,532**	178,541
Risk-based capital ratio	**14.58%**	14.31%	**14.53%**	14.15%

(b) Market risk management

Market risk is the risk, that changes in market prices, such as interest rates, will affect Auswide Bank Ltd's income or the worth of its holdings of financial instruments. The Board's objective is to manage market risk exposures while optimising the return on risk.

Interest rate risk

Interest rate risk is the potential for loss of earnings to Auswide Bank Ltd due to adverse movements in interest rates.

The Asset and Liability Management Committee (ALCO) is responsible for the analysis and management of interest rate risk inherent in the balance sheet through balance sheet and financial derivative alternatives. These risks are quantified in the Visual Risk Report. The ALCO’s functions and roles include:

(i) review measures of profitability, particularly net interest and fee income including strategies and directives;
(ii) review management interest rate view as well as asset and liability repricing data;
(iii) receive and review reports from management concerning the organisation's credit risk;
(iv) receive and review management reports on interest rate risk against guidelines and limits established in Board policy;
(v) consider and approve pricing on interest bearing assets and liabilities as well as fee revenue attached to these products in co-operation with the Product Pricing sub-committee;

(b) Market risk management

(vi) oversee lending and depositing activities, including the provision of discretion pursuant to Board policies;
(vii) receive and review reports from management regarding significant asset and liability exposure;
(viii) oversee securitisation activities for the organisation, including recommendations for future securitisation transactions;
(ix) review and maintain liquidity and capital management plans, including contingency measures;
(x) make recommendations to the Board on changes to the following policies;
- Lending;
- Term Deposits;
- Finance related policies (including capital and liquidity).

At the reporting date, if interest rates had been 2.0% higher or lower and all other variables were held constant, the group's net profit would decrease by $7.547m or increase by $6.781 (2016: decrease by $10.955m or increase by $10.453). This is mainly due to the company's exposures to fixed and variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from the Visual Risk Report which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities. The parameters used were consistent with those adopted for the prior period.

(c) Liquidity risk management

The Board of Directors have approved an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, credit facilities and reserve borrowing facilities, and daily monitoring and forecasting cash flows.

Liquidity is monitored by management and a projection of near future liquidity (30 days) is calculated daily. This information is used by management to manage expected liquidity requirements.

An additional reserve equivalent to a minimum of 6% of the company’s liability base assessed on a quarterly basis is set aside and isolated as additional liquidity available in a crisis situation via the RBA repurchase facility (Repo).

The undrawn limits on the securitisation warehouses were as follows:

Securitisation trust	**2017**	2016
	$'000	$'000
Wide Bay Trust No. 5	**168,647**	52,688
Wide Bay Trust No. 6	**143,326**	8,657
Total	**311,973**	61,345
Maturity analysis		
Up to 1 year	**311,973**	61,345

The maturity analysis for the respective groups of financial assets and liabilities have been included in the notes to the financial statements.

Counterparty risk

As part of Auswide Bank Ltd’s investment policy individual counterparties need to have the appropriate investment grading and are monitored in respect of their credit rating. Further, limits are placed on the amount of funds which may be placed with institutions with certain credit ratings.

(d) Credit risk management

Under the direction of the Board of Directors, management has developed risk management policies and procedures to establish and monitor the credit risk of the company. The risk management procedures define the credit principles, lending policies and the decision making processes which control the credit risk of the company.

Credit risk is minimised by the availability and application of insurances including lenders' mortgage insurance, property insurance, mortgage protection insurance and consumer credit insurance. Credit risk in the loan portfolio is managed by generally protecting all loans in excess of 80% LVR with one of the recognised mortgage insurers and by securing the loans by first mortgages of residential property.

The company has a diversified Branch Network consisting of 23 branches and agencies across Queensland, and a business centre in Brisbane city. The company also employs Business Development Managers in Sydney and Melbourne to conduct interstate business. All regional loan staff and panel valuers are locally based ensuring an in depth knowledge of the local economy and developments in the real estate market.

(d) Credit risk management

The Board of Directors and management receive reports on a monthly basis to monitor and supervise the past due loans in the portfolio and ensure credit procedures are adhered to on a timely and accurate basis.

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The maximum credit risk exposure does not take into account the value of any security held or the value of any mortgage or other insurance to cover the risk exposure.

The past due loans and advances for the group (excluding effects of hardship accounts) comprise:

	Consolidated		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
30 days and less than 60 days	**6,418**	4,401	**6,418**	4,401
60 days and less than 90 days	**2,867**	6,714	**2,867**	6,714
90 days and less than 182 days	**4,676**	8,223	**4,676**	8,223
182 days and less than 273 days	**2,234**	2,266	**2,234**	2,266
273 days and less than 365 days	**278**	553	**278**	553
365 days and over	**3,676**	4,406	**3,676**	4,406
	20,149	26,563	**20,149**	26,563

As at 30 June 2017 there were 14 loans totalling $3.208m (30 June 2016: 13 loans totalling $4.023m) on which interest was not being accrued due to impairment.

Concentration of credit risk

The company minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers principally within the states of Queensland, New South Wales and Victoria.

The concentration of the loans and advances throughout Australia are as follows:

	2017 %	2016 %
Queensland	**78.9**	81.1
New South Wales	**9.9**	9.0
Victoria	**7.7**	6.9
South Australia	**0.9**	0.8
Western Australia	**1.8**	1.6
Tasmania	**0.1**	0.1
Northern Territory	**0.7**	0.5
	100.0	100.0

(e) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instruments	Notes to accounts	Accounting policies	Terms and conditions
FINANCIAL ASSETS			
Short term deposits	6,7	Short term deposits are stated at amortised cost. Interest is recognised when earned.	Short term deposits have an effective interest rate of 1.17% (2016 - 1.72%).
Accrued receivables	8	Amounts receivable are recorded at their recoverable amount.	
Bills of exchange and promissory notes	9	Bills of exchange and promissory notes are stated at amortised cost.	Bills of exchange and promissory notes have an effective interest rate of 0% (not applicable for 2017) (2016 - 0%).
Certificates of deposit	9	Certificates of deposit are carried at amortised cost. Interest revenue is recognised when earned.	Certificates of deposit have an effective interest rate of 2.07% (2016 - 3.47%).
Notes	9	Notes are carried at amortised cost.	These notes are an overcover required as part of the securitisation of loans. They have an effective interest rate of 3.41% (2016 - 3.71%).
RMBS investments	9	RMBS investments are recorded at fair value through the Available for Sale Reserve.	
Loans and advances	10	Loan interest is calculated on the closing daily outstanding balance and is charged in arrears to the customer's account on a monthly basis. Loans and advances are recorded at amortised cost.	New mortgage loans approved with an LVR in excess of 80% will be insured under an arrangement with QBE, and are secured by first mortgage over residential property. Personal loans are approved on both a secured and unsecured basis and are not insured. Loans made for the purchase of staff shares are secured by the shares themselves. Certain of the company's loans have been securitised and continue to be managed by the company. Further details are disclosed in Note 10. The securitisation notes have a maturity period of greater than 30 years. The securitisation notes are eligible for repayment once the balance of the trust falls below 10% of the invested amount. Interest paid to the note holders is repriced on a monthly basis at a set margin above BBSW.

(e) Terms, conditions and accounting policies

FINANCIAL LIABILITIES			
Deposits	16	Deposits are recorded at the principal amount. Interest is brought to account on an accrual basis.	Details of maturity of the deposits are set out in Note 16. Interest is calculated on the daily balance.
Payables and other liabilities	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms.
Dividends payable	5	Dividends payable are recognised when declared by the company.	Details of the final dividend declared by the company for the financial year ended 30 June 2017 are disclosed in Note 5.
Subordinated capital notes	19	The subordinated capital notes are inscribed debenture stock.	These notes are issued for a period of 10 years non call 5 years, at which time they can be redeemed. Interest is repriced quarterly at a set margin above 90 day BBSW.

(f) Derivatives

Each of the securitisation trusts has an Interest Rate Swap in place to hedge against fixed rate loans held in the trust. The mark-to-market values at the end of the year were as follows:

	2017 $'000	2016 $'000
Wide Bay Trust No. 5	**48**	39
WB Trust 2008-1	**864**	755
WB Trust 2009-1	**77**	110
WB Trust 2010-1	**43**	52
WB Trust 2014-1	**269**	268
ABA Trust 2017-1	**43**	-

Auswide Bank enters into interest rate swaps from time to time and has International Swaps and Derivatives (ISDAs) in place with the ANZ and Wesptac Banks. Auswide currently has three interest rate swaps, two with ANZ and one with Westpac Bank. These are designated as effective hedges and are accounted for as cash flow hedges. Refer to Note 1(k) for further details.

(g) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow and lend funds at both fixed and variable interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and variable rate assets and liabilities and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost effective hedging strategies are applied. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the risk management section of this note.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

(g) Interest rate risk

			Fixed interest rate maturing in:									
	Variable interest rate		**1 Year or less**		**From 1 to 5 years**		**Non interest bearing**		**Total carrying amount per balance sheet**		**Weighted average effective interest rate**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Financial instruments	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**%**	%
Financial assets												
Cash and cash equivalents	**119,520**	67,145	**-**	-	**-**	-	**544**	647	**120,065**	67,792	**1.11**	1.69
Due from other financial institutions	**11,668**	21,919	**-**	-	**-**	-	**95**	95	**11,763**	22,014	**1.60**	1.94
Accrued receivables	**-**	-	**-**	-	**-**	-	**6,676**	12,766	**6,676**	12,766	**-**	-
Financial assets	**22,996**	19,335	**254,910**	202,297	**14,042**	3,413	**-**	-	**291,948**	225,045	**2.20**	3.36
Loans and advances	**2,037,948**	2,062,003	**161,551**	264,233	**578,035**	345,223	**-**	-	**2,777,534**	2,671,459	**4.26**	4.75
Other investments	**-**	-	**-**	-	**-**	-	**1,069**	552	**1,069**	552	**-**	-
Total financial assets	**2,192,132**	2,170,402	**416,461**	466,530	**592,077**	348,636	**8,384**	14,060	**3,209,055**	2,999,628		
Financial liabilities												
Deposits and short term borrowings	**726,103**	675,823	**1,553,290**	1,485,410	**25,211**	22,668	**-**	-	**2,304,604**	2,183,902	**1.65**	2.42
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**18,637**	25,355	**18,637**	25,355	**-**	-
Securitised loans	**519,492**	473,786	**41,181**	60,713	**147,347**	79,322	**-**	-	**708,020**	613,821	**2.84**	3.32
Provisions	**-**	-	**-**	-	**-**	-	**2,840**	2,879	**2,840**	2,879	**-**	-
Subordinated capital notes	**-**	-	**28,000**	28,000	**-**	-	**-**	-	**28,000**	28,000	**6.34**	6.50
Total financial liabilities	**1,245,595**	1,149,609	**1,622,471**	1,574,123	**172,558**	101,990	**21,477**	28,234	**3,062,101**	2,853,957		

(h) Financial instruments

This section provides information about how the Group determines the fair values of various financial assets and financial liabilities.

	Methods & assumptions used to determine net fair values	Total carrying amount per balance sheet 2017 $'000	2016 $'000	Aggregate net fair value 2017 $'000	2016 $'000
Financial assets					
Cash and cash equivalents	Carrying amount approximates fair value due to short term to maturity.	**120,065**	67,792	**120,065**	67,792
Due from other financial institutions	Estimated using discounted cash flow analysis based on current lending rates for similar types of investments.	**11,763**	22,014	**11,763**	22,014
Accrued receivables	Fair value approximates carrying value due to short term nature.	**6,676**	12,766	**6,676**	12,766
Financial assets	Fair value is quoted market price (if available) adjusted for any realisation costs.	**291,948**	225,045	**293,261**	226,490
Loans and advances	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans.	**2,777,534**	2,671,459	**2,788,979**	2,678,922
Other investments	Carrying amount considered to be a reasonable estimate of net fair value.	**1,069**	552	**1,069**	552
Total financial assets		**3,209,055**	2,999,628	**3,221,813**	3,008,536
Financial liabilities					
Deposits and short term borrowings	Estimated using discounted cash flow analysis based on current lending rates for similar types of deposits.	**2,304,604**	2,183,902	**2,298,306**	2,177,906
Payables and other liabilities	For short term liabilities, carrying value approximates fair value. For the liabilities which are long term the fair value is estimated using discounted cash flow analysis, based on current rates for similar types of liabilities.	**18,637**	25,355	**18,637**	25,355
Securitised loans	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans.	**708,020**	613,821	**710,937**	615,536
Provisions	Carrying amount approximates fair value.	**2,840**	2,879	**2,841**	2,879
Subordinated capital notes	Carrying amount approximates fair value.	**28,000**	28,000	**28,000**	28,000
Total financial liabilities		**3,062,101**	2,853,957	**3,058,721**	2,849,676

(h) Financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular the valuation technique(s) and inputs used).

Consolidated entity	Fair value		FV hierarchy	Valuation technique(s) and key input(s)
	2017 $'000	2016 $'000		
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	**253,440**	199,924	Level 1	Quoted price
Financial assets held at amortised cost:				
Notes - securitisation program	**22,996**	19,335	Level 2	Held at amortised cost
Loans and advances	**2,788,979**	2,678,922	Level 3	Held at amortised cost
Financial assets at fair value through profit or loss:				
Investment in floating rate notes	-	-	Level 2	Mark-to-market value based on consideration, maturity and interest rates
Shares in unlisted companies	**1,069**	512	Level 3	Market approach using recent observable market data including cost value or net present value of future cash flows
Financial assets available for sale:				
External RMBS investments	**1,470**	2,373	Level 2	Mark-to-market value based on consideration, maturity and interest rates
Investment in Managed Investment Scheme (MIS)	**14,042**	3,413	Level 3	Market approach using recent observable market data including cost value and net present value of future cash flows
Total	**3,081,996**	2,904,480		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	**2,298,306**	2,177,906	Level 3	Held at amortised cost
Securitised loans	**710,937**	615,536	Level 2	Held at amortised cost
Total	**3,009,243**	2,793,442		

(h) Financial instruments

Company	**Fair value**		**FV hierarchy**	**Valuation technique(s) and key input(s)**
	2017 $'000	2016 $'000		
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	**253,440**	199,924	Level 1	Quoted price
Financial assets held at amortised cost:				
Notes - securitisation program	**53,382**	46,476	Level 2	Held at amortised cost
Loans and advances	**2,788,979**	2,678,922	Level 3	Held at amortised cost
Financial assets at fair value through profit or loss:				
Shares in unlisted companies	**5,153**	1,771	Level 3	Market approach using recent observable market data including cost value or net present value of future cash flows
Financial assets available for sale:				
External RMBS investments	**1,470**	2,373	Level 2	Mark-to-market value based on consideration, maturity and interest rates
Investment in Managed Investment Scheme (MIS)	**14,042**	3,413	Level 3	Market approach using recent observable market data including cost value and net present value of future cash flows
Total	**3,116,464**	2,932,879		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	**2,310,901**	2,190,219	Level 3	Held at amortised cost
Securitised loans	**710,937**	615,536	Level 2	Held at amortised cost
Total	**3,021,838**	2,805,755		

Reconciliation of Level 3 fair value measurements:

Consolidated entity	**Shares in unlisted companies**		**Investments in MIS**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Opening balance	**512**	395	**3,413**	-
Total gains or losses:				
- in profit or loss	-	-	-	-
- in other comprehensive income	-	-	-	-
Purchases	**557**	118	**12,629**	3,413
Disposals	**-**	-	**(2,000)**	-
Closing balance	**1,069**	512	**14,042**	3,413

Company	**Shares in unlisted companies**		**Investments in MIS**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Opening balance	**1,771**	15,654	**3,413**	-
Total gains or losses:				
- in profit or loss	**-**	-	**-**	-
- in other comprehensive income	**-**	-	**-**	-
Purchases	**4,640**	118	**12,629**	3,413
Disposals	**(1,259)**	(14,000)	**(2,000)**	-
Closing balance	**5,153**	1,771	**14,042**	3,413

33 Business combination

(a) MoneyPlace Holdings Pty Ltd

In December 2015 the Group announced it would be entering into a strategic relationship and equity investment with MoneyPlace Holdings (Moneyplace). Auswide Bank Ltd acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. In February 2017 Auswide Bank made a follow-on investment and acquired an additional 44.0% equity stake in MoneyPlace, via a subscription agreement. This bought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace Holdings.

MoneyPlace commenced loan originations in January 2016 after receiving its retail and wholesale Australian Financial Service Licence and provides loans of $5,000 to $35,000 through its peer-to-peer (P2P) platform. MoneyPlace is Australia's second fully licenced P2P lender.

The strategic alliance with MoneyPlace provides a technically advanced personal loan system solution to a niche consumer finance market. The relationship provides an avenue to increase the Group's consumer lending ambitions and provides significant opportunities for platform collaboration and value accretion.

Consideration Transferred

The consideration paid to obtain 44.0% of Money Place Holdings Pty Ltd equalled $4.344m which was made up of cash, convertible shares and the fair value of previously held investments.

The initial investment of 19.3% was independently revalued to $2,260m on acquisition date in accordance with AASB 3 'Business Combinations', and the resulting gain recognised in profit or loss.

As the investment in additional equity holdings gave the Group control of MoneyPlace, the initial investment must be revalued to fair value before effecting the acquisition accounting. An independent valuation was obtained and fair value movements taken to Profit & Loss and the updated value of the initial tranche was reflected in the consideration applied in the purchase price accounting.

The estimate recognised takes into account all current information available and represents the Group's best estimate based on following a defined process.

The fair value of MoneyPlace was estimated with reference to the following valuation approaches;

- triangulation of discounted cash flow analysis (DCF) and expected returns analysis (3 and 5 year scenarios);
- high level multiple of cumulative loan originations (Loan Multiples) range based on those observed for comparable companies at a similar stage of operation;
- values implied by historical fund raisings and indicative offers implied by recent negotiations with institutional funders.

Acquisition related costs for MoneyPlace amounting to $0.188m have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the 'General and administration expenses' line item.

Assets acquired and liabilities assumed at the date of acquisition at fair value

	2017 $'000
Current assets	
Cash and cash equivalents	**4**
Other assets	**97**
Non-current assets	
Intangible assets	**5,160**
Current liabilities	
Payables and other liabilities	**(1,083)**
Deferred income tax liabilities	**(1,345)**
Provisions	**(97)**
Net assets	**2,736**

No contingent liabilities have been identified from the acquisition of MoneyPlace.

Non-Controlling Interests

The non-controlling interest (36.7% ownership interest in Money Place Holdings Pty Ltd) recognised at acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $1.005m. The fair value of MoneyPlace was estimated with reference to the following valuation approaches;

Goodwill arising on acquisition

	2017 $'000
Consideration transferred	**4,344**
Plus: non-controlling interests (36.7% in MoneyPlace)	**1,005**
Less: fair value of identifiable net assets acquired	**2,736**
Goodwill arising on acquisition	**2,613**

Upon gaining a controlling interest in MoneyPlace, an independent valuation was procured. After applying the principles of acquisition accounting, the initial equity investment was revalued to facilitate the calculation of the consideration transferred. The independent valuation identified the net assets (including intangible assets such as software and customer contracts), and it was established that the resultant difference be recognised as goodwill on consolidation.

None of the goodwill arising on the acquisition of MoneyPlace is expected to be deductible for tax purposes.

Net cash outflow on acquisition

	2017 $'000
Consideration paid in cash	**1,799**
Less: cash and cash equivalent balances acquired	**4**
Net cash outflow on acquisition	**1,795**

Impact of acquisition on the results of the Group

Included in the profit (before tax) for the year is a loss of $0.430m attributable to MoneyPlace. Revenue for the year includes $0.206m in respect of MoneyPlace. The controlling interest portion of the loss is $0.270m, and revenue is $0.129m.

Had this business combination been in effect at 1 July 2016, the revenue from the Group arising from continuing operations would have been $136.433m, and the profit for the year from continuing operations would have been $13.222m. The directors of the Group consider these 'proforma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(b) Queensland Professional Credit Union Ltd

On 19 May 2016, the Group acquired 100 per cent of the shares of Queensland Professional Credit Union Ltd trading as Your Credit Union (YCU), via a court approved Scheme of Arrangement which involved the demutualisation of YCU and resulted in Auswide Bank Ltd obtaining control of YCU. All of YCU's assets, liabilities and obligations, whether actual or contingent were transferred to Auswide Bank Ltd. In addition, all duties, obligations, immunities, rights and privileges which apply to YCU, had YCU continued in existence, apply to Auswide Bank Ltd as a continuation of, and the same legal entity as YCU. The acquisition is expected to provide geographic diversification of earnings, cost synergies and revenue opportunities.

Consideration Transferred

	2016 $'000
Cash	16,585
Fully paid ordinary shares in Auswide Bank Ltd	14,233
Total	30,818

The ordinary shares were issued in part satisfaction of the payment of the consideration under the Scheme of Arrangement between YCU and its members on the acquisition date of 19 May 2016. The fair value of ordinary shares issued was based on the share price of the Group at 19 May 2016, of $5.0001 per share.

Acquisition related costs amounting to $2.499m have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the 'General and administration expenses' line item.

Assets acquired and liabilities assumed at the date of acquisition at fair value

	2016 $'000
Current assets	
Cash and cash equivalents	107
Loans and advances	130,737
Trade and other receivables	899
Investments	74,246
Deferred tax assets	92
Non-current assets	
Plant and equipment	350
Current liabilities	
Creditors and borrowings	(1,593)
Members deposits	(141,785)
Term deposits	(36,943)
Provision for taxation	454
Non-current liabilities	
Provisions	(52)
Net assets	26,511

No contingent liabilities have been identified from the acquisition of YCU.

Goodwill arising on acquisition

	2016 $'000
Consideration transferred	30,818
Less: fair value of identifiable net assets acquired	26,512
Goodwill arising on acquisition	4,306

Goodwill arose in the acquisition of YCU, in part due to existing synergies between Auswide Bank Ltd and YCU, which may not have been paid by potential purchasers as opposed to the goodwill inherent in YCU's business on a stand alone basis. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition

	2016 $'000
Consideration paid in cash	16,575
Less: cash and cash equivalent balances acquired	107
	16,468

34 Discontinued operation

MRM has been in wind-down since ceasing to write insurance business in 2012.

On 13 August 2015 Auswide Bank announced the effective date of 30 September 2015 to wind up MRM. All risks and provisions were transferred to the Statement of Financial Position of Auswide Bank on that date. The capital invested in MRM was returned to Auswide Bank, further strengthening the capital position of the Bank.

In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the *Insurance Act 1973*, to carry on insurance business in Australia, effective 17 December 2015.

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Consolidated	
	2017	2016
Profit for the year from discontinued operations	**$'000**	$'000
Revenue	**-**	1,799
Expenses	**-**	(1,306)
Profit/(loss) before income tax	**-**	493
Income tax expense	**-**	(148)
Profit for the year from discontinued operations (attributable to owners of the Company)	**-**	345

	2017	2016
	$'000	$'000
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	**-**	(6,035)
Net cash inflows/(outflows) from investing activities	**-**	3,953
Net cash inflows/(outflows) from financing activities	**-**	(14,420)
Net cash inflows	**-**	(16,502)

Directors' declaration

In accordance with a resolution of the Directors of Auswide Bank Ltd ('the Company'), we declare that:

(a) the financial statements comprising of the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, and the remuneration disclosures that are contained in the Remuneration Report are in accordance with the *Corporations Act 2001*, and:

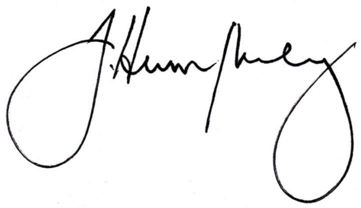
   (i) give a true and fair view of the financial position of the company and consolidated entity as at 30 June 2017 and of the performance for the year ended on that date; and
   (ii) comply with Australian Accounting Standards (including the Australia Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial report complies with International Financial Reporting Standards (IFRS) as disclosed in Note 1; and

(c) in the Directors' opinion there are reasonable grounds to believe that the Company and its subsidiaries will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.

The declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the *Corporations Act 2001*, and is signed for and on behalf of the Directors by:



JS Humphrey
Director

SC Birkensleigh
Director

Brisbane
18 August 2017

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Independent Auditor's Report to the Members of Auswide Bank Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Auswide Bank Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Loan impairment provisions
 	
As at 30 June 2017 the Group has a loan loss impairment provision of $4.3m as disclosed in Note 10.
 	
Significant judgement is required in the application of assumptions, including:
- Historic loss rates;
- Expected future cash flows;
- Availability of Lenders Mortgage Insurance; and
- The recoverability of loans.
	Our audit procedures included, but were not limited to:
	
	- Testing the controls relevant to the approval, recording and monitoring of loans and advances to customers;
	- Evaluating the controls over the determination and review of both specific impairment provisions and the collective impairment models;
	- Testing on a sample basis, the data used in the determination of collective impairments and evaluating whether the modelling assumptions used, considered relevant risks and were reasonable;
	- Assessing loans specifically provided for by identifying loans that met the criteria set out by the Group's accounting policies;
	- Recalculating on a sample basis the specific provision impairment calculation focusing on:
	  - expected future cash flows from customers,
	  - the availability of Lenders Mortgage Insurance; and
	  - the realisation of collateral held.
	- Evaluating both the individual and collective impairment provisions against historic loan loss experience; and
	- Assessing the recoverability of collateral.
	
	We also assessed the appropriateness of the disclosures in Note 10 to the financial statements.

Impairment of non current assets As at 30 June 2017 the Group's goodwill balance of $48.9m comprises goodwill relating to the acquisitions of Mackay Permanent Building Society (MBPS), Queensland Professional Credit Union (YCU) and MoneyPlace Pty Ltd as disclosed in Note 14. The recovery of non-current assets requires significant judgement due to the high level of assumptions and estimates involved in preparing a discounted cash flow model ('value in use'), including: - Future cash flows for the Cash Generating Unit ('CGU'); - Discount rates; and - Terminal value growth rates.	Our audit procedures included, but were not limited to: - Evaluating the appropriateness of management's identification of the Group's CGU and tested key controls over the impairment assessment process, including identifying indicators of impairment; - Assessing the reasonableness of cash flow projections and assessed growth rates against external economic and financial data and the Group's own historical performance; - Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the weighted average cost of capital, the cost of debt and the terminal growth rate; - Evaluating the value in use estimate determined by the Group against its market capitalisation; and

	- Testing the mathematical accuracy of the impairment model. We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.
Acquisition of Money Place On 28 February 2017, Auswide Bank gained control of the MoneyPlace group, increasing its percentage of voting rights held from 19.3% to 63.3%. Management has assessed that the acquisition should be accounted for as a business combination achieved in stages (a step acquisition) as disclosed in Note 33. As a result the company is required to judgementally remeasure its previously held interests at fair value at the date it obtained control of MoneyPlace Group with any difference between fair value and the carrying value of the existing investment recognised in the Statement of Profit or Loss. In addition, following an assessment of the existing group structure, a purchase price accounting exercise was conducted where the fair value of all acquired assets was estimated.	Our audit procedures included, but were not limited to: • Reading the Sale Purchase Agreement to assess the accounting treatment applied by management; • Evaluating the fair value of the initial investment as calculated by management including the assessment of the fair value applied to the convertible notes already held; • Assessing the independent valuations obtained for both the business acquired and the assets of that business; • Evaluating the independence, competence and objectivity of the valuer commissioned by management to value the MoneyPlace business and the assets acquired; • Assessing the group structure to determine the entities within the structure that were required to be fully consolidated; • Evaluating the purchase price allocation performed by management including the assessment of the fair values applied to the assets and liabilities acquired; • Performing sensitivity analysis on the key assumptions in both the business valuation and the purchase price allocation for reasonableness; and • Engaging our valuation specialists to assess the key assumptions and methodology used by management in determining the valuation of the original investment derecognised and the valuation of the separately identifiable assets recognised. We also assessed the appropriateness of the disclosures in Note 33 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Report, Managing Director's Report, Corporate Governance Summary and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Report, Managing Director's Report, Board of Directors and Leadership Team, Corporate Governance Summary and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 15 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, QLD
18 August 2017