Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	30 June 2018
Previous Corresponding Reporting Period	12 months to 30 June 2017

APPENDIX 4E
PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

INCOME FROM OPERATIONS

↑ **6.06%**

Income from operations up 6.06% to $71.837m

PROFIT FROM ORDINARY ACTIVITIES

↑ **18.07%**

Profit from ordinary activities after tax attributable to members up 18.07% to $17.886m

NET PROFIT

↑ **18.07%**

Net profit for the period attributable to members up 18.07% to $17.886m

Review and results of operations

The underlying net profit after tax (NPAT) for the consolidated entity for financial year 2017/18 was $17.108m compared to $15.691m for 2016/17. This represents an increase of 9.0%.

The statutory consolidated NPAT for the 2017/18 financial year was $17.886m compared to the result of $15.149m for the 2016/17 year.

The underlying NPAT has been calculated after adjusting for the effects of discontinued operations on the sale of MoneyPlace. The operating losses arising from the bank's controlling interest and the gain on sale of the investment in MoneyPlace have been adjusted against the consolidated NPAT. In addition, there were professional fees and stamp duty relating to the M&A transactions in the 2016/17 financial year and an amount $0.092m before tax ($0.064m after tax) representing professional fees on the sale of MoneyPlace in the 2017/18 financial year.

The loan book of Auswide Bank Ltd increased from $2.773b at 30 June 2017 to $2.911b at 30 June 2018. Despite modest loan growth in the first half of the financial year due to prudential restrictions on investor lending, the loan book growth for the 2017/18 financial year was 5.0%.

Home loan settlements across the financial year totalled $543.530m, an increase of 1.4% on the $536.066m in home loan settlements for 2016/17.

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 which resulted in the Group obtaining a controlling interest in MoneyPlace Holdings.

On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace.The transaction was completed on 22 January 2018. The sale, which occurred in the Bank's second half, had a one-off positive impact on full financial year results with an NPAT contribution of $1.227m. The sale also had a positive impact on Auswide Bank's strong capital position.

Auswide Bank will continue to receive income from its personal loan investment in MoneyPlace. 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.

Net Interest Margin

The Net Interest Margin (NIM) has been impacted by interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2017/18 financial year, in addition to elevated funding markets in the last quarter of the financial year. In order to maintain stability in NIM, the bank closely monitors the competitive pricing of products and continues to proactively manage assets and liabilities.

The net margin for the 2017/18 year was 1.93% compared to 1.90% in the 2016/17 financial year.

Arrears and collections

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 $20.1m to $14.1m. Arrears have decreased as a percentage of the Group's total loan book from 0.72% at 30 June 2017 to 0.48% at 30 June 2018.

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 2018 was 14.89% (2017: 14.42%). The tier 1 capital ratio at 30 June 2018 was 12.68% (2017: 12.06%).

The Group's strong capital position allows for continued growth with significant capital headroom.

Dividends

	Amount per security	Franked amount per security	Amount per security of foreign source dividend
Interim dividend			
Current year	16.0c	16.0c	Nil
Previous year	14.0c	14.0c	Nil
Final dividend			
Current year	18.0c	18.0c	Nil
Previous year	17.0c	17.0c	Nil
The record date for determining entitlements to the dividends		**11 September 2018**	

Total Dividend (Distribution) per security (Interim Plus Final)	Current year	Previous year
Ordinary securities	34.0c	31.0c

Details of individual and total dividends	Current period $A'000	Previous corresponding period $A'000
Ordinary securities		
Interim dividend paid 26 March 2018 – previous period paid 30 March 2017	6,740	5,696
Final dividend payable 21 September 2018 – previous period paid 22 September 2017	7,583	6,917
Total	14,323	12,613

DIVIDEND REINVESTMENT PLAN

The board of directors resolved to suspend the dividend reinvestment plan for the final dividend for the half year ended 30 June 2018.

Consolidated Retained Profits

	Current period $A'000	Previous corresponding period $A'000
Retained profits (accumulated losses) at the beginning of the financial period	23,687	20,668
Net profit (loss) attributable to members	17,886	15,149
Net transfers from (to) reserves	–	–
Net transfers from (to) reserves Net transfers from (to) Retained Profits due to wind up of wholly owned subsidiary.	1,974	(2)
Dividends and other equity distributions paid or payable	13,649	12,128
Retained profits (accumulated losses) at end of financial period	29,898	23,687

Net Tangible Assets Per Security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	$4.47	$4.10

Details of Associates and Joint Venture Entities

		% Holding		Contribution to consolidated operating profit after income tax	
Controlled entities	Country of incorporation	Current period	Previous corresponding period	Current period $A'000	Previous corresponding period $A'000
Mortgage Risk Management Pty Ltd	Australia	100	100	–	–
Widcap Securities Pty Ltd	Australia	100	100	–	–
Auswide Performance Rights Pty Ltd	Australia	100	100	–	–
MoneyPlace Holdings Pty Ltd	Australia	–	62.4	842	(236)

AUDIT OF ACCOUNTS

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

AUSWIDE BANK

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' statutory report

Review and results of operations

The underlying net profit after tax (NPAT) for the consolidated entity for financial year 2017/18 was $17.108m compared to $15.691m for 2016/17. This represents an increase of 9.0%.

The statutory consolidated NPAT for the 2017/18 financial year was $17.886m compared to the result of $15.149m for the 2016/17 year, an increase of 18.1%.

The underlying NPAT has been calculated after adjusting for the effects of discontinued operations on the sale of MoneyPlace. The operating losses arising from the bank's controlling interest and the gain on sale of the investment in MoneyPlace have been adjusted against the consolidated NPAT. In addition, there were professional fees and stamp duty relating to the M&A transactions in the 2016/17 financial year and an amount $0.092m before tax ($0.064m after tax) representing professional fees on the sale of MoneyPlace in the 2017/18 financial year.

The total loan book increased from $2.773b at 30 June 2017 to $2.911b at 30 June 2018. Despite modest loan book growth in the first half of the financial year due to prudential restrictions on investor lending, the loan book growth for 2017/18 was 5.0%.

Home loan settlements across the financial year totalled $543.530m, an increase of 1.4% on the $536.066m in home loan settlements for 2016/17.

Personal loans

The personal loan book growth improved during the 2017/18 financial year in terms of Auswide Bank's own originations reaching a balance of $17.638m, an increase of $2.577m across the financial year. Personal loans have not been reported as a separate segment for the financial year.

An uplift in loan originations through MoneyPlace has resulted in an increased return on Auswide Bank's investment. The investment in MoneyPlace has grown from $14.042m at 30 June 2017 to $20.813m at 30 June 2018, representing an increase of $6.771m.

Auswide Bank has entered into arrangements with additional consumer lenders and at 30 June 2018 $2.055m and $3.018m had been provided to Ratesetter and SocietyOne respectively.

Customers

Auswide Bank implemented a Customer Service Strategy during the financial year. The key aspects of the strategy include gaining a better understanding of the customer journey, ensuring the service and product objectives meet the requirements of intended segments and evolving technology to attract customers and meet their needs. The successful execution of this strategy will enrich the experience for customers of Auswide Bank.

The Digital Branch - Branch 25

Auswide Bank recognises that customers value online services which provide speed, ease of use and the accessibility of 'banking anywhere anytime'. In response, the customer team is preparing a 'Branch 25' strategy which aims to create an end-to-end digital banking experience for our customers. Auswide Bank is initiating projects to deliver online application capabilities, allowing both new and existing clients to apply for loans, transaction accounts and savings products via the bank's website. By delivering the technical capabilities to support an end-to-end customer experience, Auswide Bank aims to deliver to its customers a truly exceptional online experience which is seamless and stress free.

Business banking

Auswide Bank 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 during 2017/18 aided growth. The appointment of a business banker in Mackay will continue this focus in 2018/19.

Principal activities and significant changes

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

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.

A refreshed three year strategic plan was adopted by the Board in March of 2016. The strategic plan focuses on the structure, transformation, growth and strength of the bank, which is to be achieved by:

Directors' statutory report

Principal activities and significant changes (continued)

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 Bank' 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.

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 which resulted in the Group obtaining a controlling interest in MoneyPlace Holdings.

On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace. The transaction was completed on 22 January 2018. The sale, which occurred in the Bank's second half, had a one-off positive impact on full financial year results with an NPAT contribution of $1.227m. The sale also had a positive impact on Auswide Bank's strong capital position.

Auswide Bank will continue to receive income from its personal loan investment in MoneyPlace. 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.

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.

Technology

Investment in technology continues with a focus on the areas of customer acquisition and on-boarding as well as enhancing IT security and fraud prevention.

Customer acquisition objectives include frictionless and efficient customer on-boarding, development of Auswide Bank digital products 'available anywhere anytime' and dedicated customer support to deliver the same level of convenience as branches.

IT security and fraud enhancements have involved improvements to customer transactional security, fraud detection and prevention. Additional layers of protection have been added through multiple platforms and technologies to make transacting online, by card and other channels safer for customers.

Credit cards

Auswide Bank launched an 'on-balance sheet' credit card in April 2018. The Low Rate Visa credit card was developed and is issued directly by Auswide Bank and includes unique features such as a Reserve Bank of Australia 'cash rate' tracker function and a competitive interest rate on both purchases and cash advances. The credit card complements the Bank's existing financing activities and will build stronger banking relationships with eligible customers. The Bank has maintained its partnership with Card Services, a division of Citigroup Pty Ltd Australian Credit Licence 238098, in respect of its existing card portfolio and providing a premium platinum rewards credit card to eligible customers.

Net Interest Margin

The Net Interest Margin (NIM) has been impacted by interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2017/18 financial year, in addition to elevated funding markets in the last quarter of the financial year. In order to maintain stability in NIM, the bank closely monitors the competitive pricing of products and continues to proactively manage assets and liabilities.

The net interest margin for the 2017/18 year was 1.93% compared to 1.90% in the 2016/17 financial year.

Directors' statutory report

Principal activities and significant changes (continued)

Arrears and collections

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 $20.1m to $14.1m. Arrears have decreased as a percentage of the Group's total loan book from 0.72% at 30 June 2017 to 0.48% at 30 June 2018.

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

Risk

Auswide Bank takes a proactive approach to risk management, which can be demonstrated by the Bank's adoption of methodologies to curtail excessive exposures to risky product markets.

The early introduction of Investor, High LVR and Interest Only lending initiatives together with continued review of underwriting and serviceability assessments ensured that Auswide Bank was well placed to manage the risks associated with its lending portfolio together with regulatory requirements.

The Board Risk Committee provides strong oversight of the risk framework across the organisation. The Board remains focused on the portfolio quality as the loan book grows and this is highlighted by the continuing positive trend in relation to loan arrears.

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 Bank Group at 30 June 2018 was 14.89% (2017: 14.42%). The tier 1 capital ratio at 30 June 2018 was 12.68% (2017: 12.06%).

The Group's strong capital position allows for continued growth with significant capital headroom.

Dividends

A fully franked interim dividend of 16.0 cents per ordinary share was declared and paid on 26 March 2018 (30 March 2017 - 14.0 cents). A fully franked final dividend of 18.0 cents per ordinary share has been declared by the Board and will be paid on 21 September 2018 (22 September 2017 - 17.0 cents).

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 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 Dangerfield served as a Director of Money Place Holdings Pty Ltd until January 2018. Mr Dangerfield is currently 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.

Directors' statutory report

Directors (continued)

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 served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. 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 served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. 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' statutory report

Directors' meetings

During the financial year, 15 meetings of the Directors, 5 meetings of the Audit Committee, 3 meetings of the Remuneration Committee and 6 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	15	14	5	3	n/a	n/a	n/a	n/a
B Dangerfield	15	15	5	5	3	3	6	6
GN Kenny	15	14	5	4	3	3	6	6
MJ Barrett	15	15	5	5*	n/a	n/a	6	6*
SC Birkensleigh	15	15	5	5	3	3	6	5

* 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	158,970
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 2017/18 was subject to review and recommendation of the Remuneration Committee and ratification by the Board. Remuneration of the Executive Management Team for 2017/18 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 Bank'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 Bank's results.

Directors' statutory report

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 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 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 21 September 2017, and allocated to the Executive Management Team as follows;

- Mr MJ Barrett (Managing Director): $37,500;
- Mr WR Schafer (Chief Financial Officer): $23,400;
- Mr SM Caville (Chief Information Officer): $13,525
- Mr D Hearne (Chief Customer Officer): $20,250;
- Mrs GM Job (Chief People Officer): $13,563;
- Mr CA Lonergan (Chief Risk Officer): $15,524; and
- Mr MS Rasmussen (Chief Operating Officer): $16,003.

Directors' statutory report

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.

Directors' statutory report

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

KMP	Maximum value	Vesting date	Vested in the 17/18 financial year	Not yet assessed for vesting
	$		$	$
2014 offer - June 2014		**July 2014 - June 2018**		
Barrett, MJ	25,000	1/07/2017	25,000	-
	25,000	1/07/2018	-	25,000
2015 offer - June 2015		**July 2015 - June 2019**		
Barrett, MJ	30,000	1/07/2017	30,000	-
	30,000	1/07/2018	-	30,000
	30,000	1/07/2019	-	30,000
2016 offer - September 2016		**July 2016 - June 2020**		
Barrett, MJ	25,000	1/07/2018	-	25,000
	25,000	1/07/2019	-	25,000
	25,000	1/07/2020	-	25,000
Schafer, WR	5,000	1/07/2018	-	5,000
	5,000	1/07/2019	-	5,000
	5,000	1/07/2020	-	5,000
Caville, SM	4,333	1/07/2018	-	4,333
	4,333	1/07/2019	-	4,333
	4,333	1/07/2020	-	4,333
Job, GM	4,333	1/07/2018	-	4,333
	4,333	1/07/2019	-	4,333
	4,333	1/07/2020	-	4,333
Lonergan, CA	5,000	1/07/2018	-	5,000
	5,000	1/07/2019	-	5,000
	5,000	1/07/2020	-	5,000
Rasmussen, MS	5,000	1/07/2018	-	5,000
	5,000	1/07/2019	-	5,000
	5,000	1/07/2020	-	5,000
2017 offer - September 2017		**July 2017 - June 2021**		
Barrett, MJ	12,500	1/07/2019	-	12,500
	12,500	1/07/2020	-	12,500
	12,500	1/07/2021	-	12,500
Schafer, WR	5,333	1/07/2019	-	5,333
	5,333	1/07/2020	-	5,333
	5,333	1/07/2021	-	5,333
Caville, SM	5,333	1/07/2019	-	5,333
	5,333	1/07/2020	-	5,333
	5,333	1/07/2021	-	5,333
Hearne, D	6,374	1/07/2019	-	6,374
	6,374	1/07/2020	-	6,374
	6,374	1/07/2021	-	6,374
Job, GM	5,333	1/07/2019	-	5,333
	5,333	1/07/2020	-	5,333
	5,333	1/07/2021	-	5,333
Lonergan, CA	5,333	1/07/2019	-	5,333
	5,333	1/07/2020	-	5,333
	5,333	1/07/2021	-	5,333
Rasmussen, MS	5,333	1/07/2019	-	5,333
	5,333	1/07/2020	-	5,333
	5,333	1/07/2021	-	5,333

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.

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:

Directors' statutory report

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2018	Short-term employee benefits			Post employment benefits			
	Cash salary and fees $	Cash bonus $	Non-monetary $	Superannuation $	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
Birkensleigh, S Director (non-exec)	91,324	-	-	8,676	-	-	100,000
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	552,052	37,500	-	20,049	11,187	55,006	675,794
Total remuneration - Specified Directors	**972,143**	**37,500**	**-**	**59,958**	**11,187**	**55,006**	**1,135,794**
OTHER KEY MANAGEMENT PERSONNEL							
Schafer, WR Chief Financial Officer	317,891	23,400	-	20,049	7,872	-	369,212
Caville, SM Chief Information Officer	183,942	13,525	-	18,454	4,688	-	220,609
Hearne, D Chief Customer Officer	268,427	20,250	-	20,049	5,061	-	313,787
Job, GM Chief Customer Officer	184,466	13,563	-	18,492	5,546	-	222,067
Lonergan, CA Chief Risk Officer	191,560	15,524	-	18,697	3,817	-	229,598
Rasmussen, MS Chief Operating Officer	227,541	16,003	-	20,049	4,409	-	268,002
Total remuneration - Specified Executives	**1,373,827**	**102,265**	**-**	**115,790**	**31,393**	**-**	**1,623,275**

Directors' statutory report

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
Birkensleigh, S Director (non-exec)	91,324	-	-	8,676	-	-	100,000
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
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**

Directors' statutory report

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.

Directors' statutory report

Remuneration report (continued)

Employment contracts (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.

Directors' statutory report

Remuneration report (continued)

Employment contracts (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. The STI will be calculated up to 25.0% of base salary as at the 30th June each year 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. The LTI will be calculated up to a maximum value of 15.0% of base salary as at the 30th June each year (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 2018:

	30 June 2018 $'000	**30 June 2017 $'000**	**30 June 2016 $'000**	**30 June 2015 $'000**	**30 June 2014 $'000**
Net profit before tax	**25,158**	21,870	17,606	19,028	20,192
Net profit after tax	**17,886**	15,149	11,699	13,262	14,062

	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2015**	**30 June 2014**
Share price at start of year	**$5.14**	$5.08	$5.05	$5.50	$5.25
Share price at end of year	**$5.63**	$5.14	$5.08	$5.05	$5.50
Interim dividend	**16.00 cps**	14.00 cps	14.00 cps	14.00 cps	13.00 cps
Final dividend	**18.00 cps**	17.00 cps	16.00 cps	16.00 cps	15.00 cps
Basic earnings per share	**42.83 cps**	37.35 cps	31.20 cps	36.07 cps	38.75 cps
Diluted earnings per share	**42.83 cps**	37.35 cps	31.20 cps	36.07 cps	38.75 cps

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

Directors' statutory report

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 140 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 2018	**Balance 30 June** 2017	**Interest charged $**	**Write-off $**	**Balance 30 June** 2018	**Number in Group 30 June** 2018
Directors	**(1,806,591)**	**64,387**	**-**	**(1,846,339)**	**1**
Executives	**(589,242)**	**7,079**	**-**	**(172,494)**	**4**
Total: Key management personnel	**(2,395,833)**	**71,466**	**-**	**(2,018,833)**	**5**

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

Individuals with loans above $100,000 in reporting period	**Balance 30 June 2017 $**	**Interest* charged $**	**Write-off $**	**Balance 30 June 2018 $**	**Highest in period $**
Directors					
MJ Barrett	**(1,806,591)**	**64,387**	**-**	**(1,846,339)**	**(1,906,203)**
Executives					
WR Schafer	**(478,247)**	**6,593**	**-**	**(66,842)**	**(499,099)**

Does not include SM Caville, GM Job or CA Lonergan as their loans were less than $100,000.
* Actual interest charged is affected by the use of the Company's offset account.

Directors' statutory report

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 2017	Received as remuneration	Options exercised	Net change other	Balance 30 June 2018
Directors					
JS Humphrey	31,551	-	-	-	31,551
B Dangerfield	43,291	-	-	-	43,291
GN Kenny	15,000	-	-	-	15,000
MJ Barrett	149,818	9,152	-	-	158,970
Executives					
WR Schafer	34,000	-	-	8,000	42,000
SM Caville	44,240	-	-	-	44,240
GM Job	105,970	-	-	6,494	112,464
CA Lonergan	8,064	-	-	3,936	12,000
Total	431,934	9,152	-	18,430	459,516

Directors' statutory report

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 2018, 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:

	2018 $	2017 $
Services provided in connection with:		
Tax advisory services	**88,841**	76,804
Other services	**87,166**	82,114
	176,007	158,918

Directors' statutory report

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
23 August 2018

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

23 August 2018

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 2018, 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		Company	
		2018	2017	**2018**	2017
		$'000	$'000	**$'000**	$'000
Interest revenue	2	**128,933**	125,905	**128,933**	125,905
Interest expense	2	**(67,913)**	(68,397)	**(67,913)**	(68,397)
Net interest revenue		**61,020**	57,508	**61,020**	57,508
Other non interest income	3	**9,348**	9,760	**9,348**	9,760
Employee benefits expense		**19,427**	18,935	**19,427**	18,935
Depreciation expense		**1,992**	1,918	**1,992**	1,918
Amortisation expense		**690**	662	**690**	662
Occupancy expense		**2,320**	2,353	**2,320**	2,353
Bad and doubtful debts expense	10	**1,320**	979	**1,320**	979
Fees and commissions		**8,847**	9,594	**8,847**	9,594
General and administration expenses		**10,671**	10,701	**10,671**	10,701
Other expenses		**702**	246	**702**	246
Profit before income tax expense		**24,399**	21,880	**24,399**	21,880
Income tax expense	4	**7,355**	6,677	**7,355**	6,677
Profit for the year from continuing operations		**17,044**	15,203	**17,044**	15,203
Profit/(loss) for the year from discontinued operations	35	**611**	(194)	**2,301**	-
Profit for the year		**17,655**	15,009	**19,345**	15,203
Other comprehensive income, net of income tax					
Items that may be reclassified to profit or loss					
Revaluation of cash flow hedge to fair value		**(265)**	861	**(265)**	861
Revaluation of RMBS investments to fair value		**(3)**	(12)	**(3)**	(12)
Income tax relating to these items		**80**	(255)	**80**	(255)
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings to fair value	21	**1,446**	-	**1,446**	-
Income tax relating to this item		**(434)**	-	**(434)**	-
Other comprehensive income/(loss) for the year, net of income tax		**824**	594	**824**	594
Total comprehensive income for the year		**18,479**	15,603	**20,169**	15,797
Profit for the year attributable to:					
Owners of the Company		**17,886**	15,149	**19,345**	15,203
Non-controlling interests	22	**(231)**	(140)	**-**	-
		17,655	15,009	**19,345**	15,203
Total comprehensive income attributable to:					
Owners of the Company		**18,710**	15,743	**20,169**	15,797
Non-controlling interests	22	**(231)**	(140)	**-**	-
		18,479	15,603	**20,169**	15,797
Earnings per share					
From continuing and discontinued operations					
Basic (cents per share)	26	**42.83**	37.35		
Diluted (cents per share)	26	**42.83**	37.35		
From continuing operations					
Basic (cents per share)	26	**40.81**	37.48		
Diluted (cents per share)	26	**40.81**	37.48		

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 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Cash and cash equivalents	6	**86,361**	120,065	**86,361**	121,142
Due from other financial institutions	7	**15,389**	11,763	**15,389**	11,763
Accrued receivables	8	**5,298**	6,735	**5,298**	6,714
Financial assets	9	**254,293**	291,948	**286,679**	322,334
Loans and advances	10	**2,910,847**	2,773,220	**2,910,990**	2,773,390
Other investments	11	**1,144**	1,069	**1,144**	5,153
Property, plant and equipment	12	**15,576**	14,606	**15,576**	14,606
Other intangible assets	15	**1,956**	7,935	**1,956**	2,564
Deferred tax assets	4	**4,573**	5,256	**4,573**	5,256
Other assets	13	**8,475**	8,406	**8,476**	8,260
Goodwill	14	**46,363**	48,975	**46,363**	46,363
Total assets		**3,350,275**	3,289,978	**3,382,805**	3,317,545
LIABILITIES					
Deposits and short term borrowings	16	**2,446,825**	2,304,604	**2,446,860**	2,304,604
Payables and other liabilities	17	**26,007**	18,637	**26,000**	18,325
Loans under management	10	**607,166**	708,020	**639,552**	738,406
Current tax liabilities	4	**721**	1,222	**1,182**	1,222
Deferred income tax liabilities	4	**1,891**	2,947	**1,891**	1,580
Provisions	18	**2,923**	2,840	**2,923**	2,758
Subordinated capital notes	19	**28,000**	28,000	**28,000**	28,000
Total liabilities		**3,113,533**	3,066,270	**3,146,408**	3,094,895
Net assets		**236,742**	223,708	**236,397**	222,650
EQUITY					
Contributed equity	20	**191,612**	184,752	**191,746**	184,752
Reserves	21	**15,232**	13,978	**15,232**	14,167
Retained profits		**29,898**	23,687	**29,419**	23,731
Equity attributable to owners of the Company		**236,742**	222,417	**236,397**	222,650
Non-controlling interests					
Contributed equity		**-**	1,431	**-**	-
Retained profits		**-**	(140)	**-**	-
Total non-controlling interests	22	**-**	1,291	**-**	-
Total equity		**236,742**	223,708	**236,397**	222,650

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

Consolidated statement of cash flows

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Cash flows from operating activities					
Interest received		**128,674**	126,296	**128,674**	126,292
Other non interest income and receivables		**17,721**	9,350	**19,089**	11,898
Interest paid		**(66,757)**	(71,532)	**(66,757)**	(71,529)
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(32,831)**	(40,470)	**(32,441)**	(41,406)
Income tax paid		**(8,472)**	(4,398)	**(6,754)**	(5,743)
Net cash provided by / (used in) operating activities	23	**38,335**	19,246	**41,811**	19,512
Cash flows from investing activities					
Net movement in financial assets		**37,651**	(65,623)	**35,651**	(70,159)
Net movement in amounts due from other financial institutions		**(3,626)**	10,251	**(3,626)**	10,251
Net movement in loans and advances		**(141,788)**	(113,241)	**(141,762)**	(113,842)
Net movement in other investments		**(75)**	(557)	**4,008**	(3,382)
Payments for non current assets		**(1,679)**	(6,001)	**(1,679)**	(1,537)
Net cash inflow/ (outflow) from discontinued operations		**6,660**	-	**-**	-
Net cash provided by / (used in) investing activities		**(102,857)**	(175,171)	**(107,408)**	(178,669)
Cash flows from financing activities					
Net movement in deposits and short-term borrowings		**137,263**	124,012	**135,324**	125,109
Net movement in loans under management		**(99,656)**	94,191	**(97,845)**	97,411
Proceeds from share issue		**291**	349	**291**	349
Treasury shares		**(134)**	-	**-**	-
Dividends paid		**(6,946)**	(10,354)	**(6,954)**	(10,362)
Net cash provided by / (used in) financing activities		**30,818**	208,198	**30,816**	212,507
Net movement in cash and cash equivalents		**(33,704)**	52,273	**(34,781)**	53,350
Cash and cash equivalents at the beginning of the financial year		**120,065**	67,792	**121,142**	67,792
Cash and cash equivalents at end of the financial year	6	**86,361**	120,065	**86,361**	121,142

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	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 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.

Consolidated statement of changes in equity

Consolidated entity	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 2017	184,752	23,687	3,345	5,834	2,676	2,388	105	(181)	(189)	1,291	223,708
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	17,886	-	-	-	-	-	-	-	-	17,886
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	(231)	(231)
Deconsolidation of non-controlling interest on disposal of MoneyPlace	-	-	-	-	-	-	-	-	-	(1,060)	(1,060)
Transfer to retained profits due to wind up of subsidiaries	-	1,974	-	-	-	-	-	-	-	-	1,974
Issue of shares to employees	-	-	-	-	-	-	-	-	55	-	55
Recognition of share-based payments	-	-	-	-	-	-	-	-	375	-	375
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(3)	-	-	-	(3)
Increase (decrease) due to revaluation of land and buildings to fair value	-	-	1,446	-	-	-	-	-	-	-	1,446
Deferred tax liability adjustment on revaluation of land and buildings	-	-	(434)	-	-	-	-	-	-	-	(434)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(265)	-	-	(265)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	80	-	-	80
Sub-total	**184,752**	**43,547**	**4,357**	**5,834**	**2,676**	**2,388**	**102**	**(366)**	**241**	**-**	**243,531**
Issue of share capital for staff share plan	291	-	-	-	-	-	-	-	-	-	291
Issue of share capital for dividend reinvestment plan	6,914	-	-	-	-	-	-	-	-	-	6,914
Share issue costs	(211)	-	-	-	-	-	-	-	-	-	(211)
Treasury shares	(134)	-	-	-	-	-	-	-	-	-	(134)
Dividends provided for or paid - ordinary shares	-	(13,649)	-	-	-	-	-	-	-	-	(13,649)
Balance at 30 June 2018	**191,612**	**29,898**	**4,357**	**5,834**	**2,676**	**2,388**	**102**	**(366)**	**241**	**-**	**236,742**

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

Consolidated statement of changes in equity

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 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.

Consolidated statement of changes in equity

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 2017	184,752	23,731	3,345	5,834	2,676	2,388	105	(181)	-	-	222,650
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	19,345	-	-	-	-	-	-	-	-	19,345
Recognition of share-based payments	-	-	-	-	-	-	-	-	241	-	241
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(3)	-	-	-	(3)
Increase (decrease) due to revaluation of land and buildings to fair value	-	-	1,446	-	-	-	-	-	-	-	1,446
Deferred tax liability adjustment on revaluation of land and buildings	-	-	(434)	-	-	-	-	-	-	-	(434)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(265)	-	-	(265)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	80	-	-	80
Sub-total	**184,752**	**43,076**	**4,357**	**5,834**	**2,676**	**2,388**	**102**	**(366)**	**241**	**-**	**243,060**
Issue of share capital for staff share plan	291	-	-	-	-	-	-	-	-	-	291
Issue of share capital for dividend reinvestment plan	6,914	-	-	-	-	-	-	-	-	-	6,914
Share issue costs	(211)	-	-	-	-	-	-	-	-	-	(211)
Dividends provided for or paid - ordinary shares	-	(13,657)	-	-	-	-	-	-	-	-	(13,657)
Balance at 30 June 2018	**191,746**	**29,419**	**4,357**	**5,834**	**2,676**	**2,388**	**102**	**(366)**	**241**	**-**	**236,397**

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.

Significant accounting policies

(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.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(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.

Significant accounting policies

(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.

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.

Significant accounting policies

(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.

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.

Significant accounting policies

(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 1n 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.

Significant accounting policies

(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.

Significant accounting policies

(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.

(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 structures 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).

Significant accounting policies

(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;

Significant accounting policies

(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. Prior year figures have been adjusted to recognise discontinued operations for comparative purposes.

(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.

Significant accounting policies

(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.

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 2017.

AASB 2016-2 Amendments to Australian Accounting Standards - *Disclosure Initiative: Amendments to AASB 107*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities consist of borrowings (Note 16) and certain other financial liabilities (Note 17). A reconciliation between the opening and closing balances of these items is provided in Note 16. Consistent with transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosures in Note 16, the application of these amendments has had no impact on the Group's consolidated financial statements.

AASB 2016-1 Amendments to Australian Accounting Standards - *Recognition of Deferred Tax Assets for Unrealised Losses*

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

AASB 2017-2 Amendments to Australian Accounting Standards - *Further Annual Improvements 2014-2016 Cycle*

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 2018 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 2016-5 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

Significant accounting policies

(v) Application of new and revised Accounting Standards

AASB 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

AASB 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for hedge accounting. Another revised version of AASB 9 was released in July 2014 mainly to include impairment requirements for financial assets and amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain debt instruments.

Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cashflow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- the Held to Maturity (HTM) and Available for Sale (AFS) asset categories will be removed;
- a new asset category measured at Fair Value through Other Comprehensive Income (FVOCI) is introduced. This applies to financial asset debt instruments with contractual cashflow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cashflows and selling financial assets;
- a new asset category for non-traded equity investments measured at FVOCI is introduced ;and
- all other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

The classification and measurement of financial liabilities will remain largely unchanged for the Group.

The Group has identified the following assets as financial assets that are required to be assessed under AASB 9;

- cash and cash equivalents;
- due from other financial institutions;
- loans and advances;
- investments in managed investment schemes;
- certificates of deposits;
- external RMBS investments;
- securitisation notes;
- loans to controlled entities; and
- unlisted shares.

Assessments of each category of financial asset are underway; consideration is being given to the contractual cash flows received as well as the intention of the business to hold these assets.

Significant progress has been made and the majority of assessments have been completed. Further consideration is required for the classification of a limited number of instruments.

Impairment

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-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to debt instruments accounted for at amortised cost or at FVOCI. AASB 9 will change the Group's current methodology for calculating the provision for doubtful debts, in particular for collective provisioning.

The AASB 9 impairment requirements are based on an expected credit loss model with a three stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised costs with assets migrating through the following three stages based on the change in credit quality since initial recognition;

(1) ***12 month ECL*** - exposures where there has not been a significant increase in credit risk since initial recognition, and that are not credit impaired. Modelling has been performed based on the probability of default events occurring within the next 12 months is recognised.
(2) ***Lifetime ECL - not credit impaired*** - for credit exposures where there has been a significant increase in credit risk since initial recognition, but are not credit impaired. Modelling has been performed on the probability of default over the estimated life of the loan with a lifetime ECL recognised.
(3) ***Lifetime ECL - credit impaired*** - financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The Bank's methodology for specific provisions remains unchanged.

Auswide Bank is now undertaking modelling for an overlay for macroeconomic factors using reasonable and supportable forecasts of future economic conditions including management judgement to estimate the amount of the ECL. It is expected that there will be an increase to the provision for doubtful debts once this modelling is finalised. Any increase to the provision as a result of adopting AASB 9 will be recognised through an adjustment to opening retained earnings, in accordance with AASB9.

Significant accounting policies

(v) Application of new and revised Accounting Standards

Hedge Accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

The information provided in this note is focused upon material items; it does not represent a complete list of expected adjustments.

Transition impact

Any adjustments that arise as a result of the transition process will be recognised in either retained earnings or an appropriate equity reserve at the date of transition. The quantitative impact continues to be calculated and will be recognised as an adjustment to opening retained earnings in the financial results at 31 December 2018.

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.

A significant portion of Auswide Bank's revenues are outside the scope of AASB 15 Revenue from contracts with customers, as they are within the scope of AASB 9 Financial assets. 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 held for branches and vehicles, with the exception of short-term leases and leases of low value assets.

Management have identified operating leases held for branches and vehicles 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.

AASB 2016-5 Amendments to Australian Accounting Standards - *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018)

The Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

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 2018			
Deposits with other financial institutions	**62,816**	**967**	**1.54**
Investment securities	**204,856**	**4,680**	**2.28**
Loans and advances	**2,841,792**	**121,086**	**4.26**
Other	**47,780**	**2,200**	**4.60**
	3,157,244	**128,933**	**4.08**
Interest expense 2018			
Deposits from other financial institutions	**622,330**	**19,886**	**3.20**
Customer deposits	**2,025,886**	**39,412**	**1.95**
Negotiable certificates of deposit (NCDs)	**205,623**	**4,713**	**2.29**
Floating rate notes (FRNs)	**80,769**	**2,142**	**2.65**
Subordinated notes	**28,000**	**1,760**	**6.29**
	2,962,608	**67,913**	**2.29**
Net interest revenue 2018		**61,020**	
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	119,038	4.36
Other	34,245	1,077	3.15
	3,034,496	125,905	4.15
Interest expense 2017			
Deposits from other financial institutions	614,050	19,371	3.15
Customer deposits	1,953,439	40,462	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
	2,866,024	68,397	2.39
Net interest revenue 2017		57,508	

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 2018			
Interest revenue	**3,157,244**	**128,933**	**4.08**
Interest expense	**2,962,608**	**67,913**	**2.29**
Net interest spread			**1.79**
Benefit of net interest-free assets, liabilities and equity			**0.14**
Net interest margin - on average interest earning assets	**3,157,244**	**61,020**	**1.93**
Interest margin and interest spread 2017			
Interest revenue	3,034,496	125,905	4.15
Interest expense	2,866,024	68,397	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	57,508	1.90

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Other non interest income				
Fees and commissions	**8,874**	9,057	**8,874**	9,057
Other income	**474**	703	**474**	703
	9,348	9,760	**9,348**	9,760

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

	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Provisions for employee entitlements	**323**	158	**323**	158
Superannuation contributions paid	**1,474**	1,455	**1,474**	1,455
	1,797	1,613	**1,797**	1,613

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Current income tax	**6,732**	6,431	**6,732**	6,431
Deferred income tax	**623**	246	**623**	246
Income tax expense reported in profit or loss	**7,355**	6,677	**7,355**	6,677

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

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Tax on profit before income tax at 30% (2017: 30%)	**7,320**	6,564	**7,320**	6,564
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	**49**	49	**49**	49
Merger expenses	**-**	80	**-**	80
Less:				
Other items - net	**(14)**	(16)	**(14)**	(16)
Income tax expense	**7,355**	6,677	**7,355**	6,677

Income tax relating to continuing operations

(b) Income tax recognised in other comprehensive income

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'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	**(1)**	(3)	**(1)**	(3)
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**(79)**	258	**(79)**	258
	(80)	255	**(80)**	255
Arising on items that will not be reclassified to profit or loss:				
Fair value remeasurement of land and buildings	**434**	-	**434**	-
	434	-	**434**	-
Total income tax recognised directly in other comprehensive income	**354**	255	**354**	255

(c) Current tax assets and liabilities

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Current tax liabilities				
Current tax liabilities	**721**	1,222	**1,182**	1,222
	721	1,222	**1,182**	1,222

(d) Deferred tax balances

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

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Deferred tax assets	**4,573**	5,256	**4,573**	5,256
Deferred income tax liabilities	**(1,891)**	(2,947)	**(1,891)**	(1,580)
	2,682	2,309	**2,682**	3,676

Income tax relating to continuing operations

(d) Deferred tax balances

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Deferred income tax assets				
Employee leave provisions	**865**	815	**865**	815
Other provisions	**959**	1,294	**959**	1,294
Property, plant & equipment	**819**	729	**819**	729
Capital losses available	**1,466**	1,886	**1,466**	1,886
Project acquisition costs	**179**	280	**179**	280
Premium on loans purchased	**124**	131	**124**	131
Subordinated notes prepaid expenses	**34**	24	**34**	24
Other items	**127**	97	**127**	97
	4,573	5,256	**4,573**	5,256

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

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Deferred tax liabilities				
Asset revaluation reserve	**1,867**	1,433	**1,867**	1,433
Prepayments	**137**	179	**137**	179
Available for sale reserve	**44**	45	**44**	45
Cash flow hedging reserve	**(157)**	(77)	**(157)**	(77)
Revaluation of financial assets	**-**	1,367	**-**	-
	1,891	2,947	**1,891**	1,580

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 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Dividends paid during the year				
Interim for current year	**6,740**	5,696	**6,740**	5,696
Final for previous year	**6,917**	6,440	**6,917**	6,440
	13,657	12,136	**13,657**	12,136

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 18.0 cents per ordinary share ($7.583m), for the six months to 30 June 2018, payable on 21 September 2018.

The final dividend for the six months to 30 June 2017 ($6.917m) was paid on 22 September 2017, and was disclosed in the 2016/17 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2017: 30%).

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

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Balance as at the end of the financial year	**26,266**	24,761	**26,266**	24,761
Credits/(debits) that will arise from the payment of income tax payable per the financial statements	**721**	1,222	**1,182**	1,222
Debits that will arise from the payment of the proposed dividend	**(3,250)**	(2,964)	**(3,250)**	(2,964)
	23,737	23,019	**24,198**	23,019

Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**18.0**	17.0	**18.0**	17.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**16.0**	14.0	**16.0**	14.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**17.0**	16.0	**17.0**	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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**35,801**	29,825	**35,801**	30,902
Deposits on call	**50,560**	90,240	**50,560**	90,240
	86,361	120,065	**86,361**	121,142

7 Due from other financial institutions

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Deposits with Special Service Providers (SSPs)	**15,264**	11,638	**15,264**	11,638
Subordinated loans	**125**	125	**125**	125
	15,389	11,763	**15,389**	11,763
Maturity analysis				
No maturity specified	**15,389**	11,763	**15,389**	11,763
	15,389	11,763	**15,389**	11,763

8 Accrued receivables

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Interest receivable	**4,850**	4,509	**4,850**	4,509
Securitisation receivables	**-**	1,606	**-**	1,606
Other	**448**	620	**448**	599
	5,298	6,735	**5,298**	6,714

9 Financial assets

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Held to maturity financial assets carried at amortised cost				
Certificates of deposit	**210,178**	253,440	**210,178**	253,440
Available for sale financial assets carried at fair value				
External RMBS investments	**1,147**	1,470	**1,147**	1,470
Investment in Managed Investment Scheme (MIS)	**25,886**	14,042	**25,886**	14,042
Financial assets at amortised cost				
Notes - Securitisation program & other	**17,082**	22,996	**49,468**	53,382
	254,293	291,948	**286,679**	322,334
Maturity analysis				
Up to 3 months	**102,178**	159,240	**102,178**	159,240
From 1 to 5 years	**108,000**	94,200	**108,000**	94,200
Later than 5 years	**44,115**	38,508	**76,501**	68,894
	254,293	291,948	**286,679**	322,334

Cash held within securitised trusts at 30 June 2018 of $17.082m (2017: $22.996m) is restricted for use only by the trusts.

10 Loans and advances

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Term loans	**2,782,321**	2,631,078	**2,782,322**	2,631,079
Loans to controlled entities	**-**	-	**142**	197
Continuing credit loans	**131,723**	146,456	**131,723**	146,428
	2,914,044	2,777,534	**2,914,187**	2,777,704
Provision for impairment	**(3,197)**	(4,314)	**(3,197)**	(4,314)
Total loans	**2,910,847**	2,773,220	**2,910,990**	2,773,390
Provision for impairment				
Total provision				
Opening balance	**(4,314)**	(5,047)	**(4,314)**	(5,047)
Bad and doubtful debts unwound / (provided for) during the year	**1,117**	733	**1,117**	733
Total provision for impairment	**(3,197)**	(4,314)	**(3,197)**	(4,314)
Charge to profit or loss for bad and doubtful debts comprises:				
Total provision	**1,117**	733	**1,117**	733
Bad debts recognised directly	**(2,437)**	(1,712)	**(2,437)**	(1,712)
	(1,320)	(979)	**(1,320)**	(979)
Maturity analysis				
Up to 3 months	**3,039**	2,928	**3,039**	2,928
From 3 to 12 months	**12,259**	1,870	**12,259**	1,870
From 1 to 5 years	**39,045**	41,536	**39,045**	41,536
Later than 5 years	**2,856,504**	2,726,886	**2,856,647**	2,727,056
	2,910,847	2,773,220	**2,910,990**	2,773,390

The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The special purpose entities established for the securitisations are 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 $607.166m (30 June 2017 - $708.020m). B notes of $32.395m which are owned by the Company and which represent the Group's exposure on the securitised mortgages 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.

AUSWIDE BANK

11 Other investments and related parties

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Unlisted shares - at cost	**1,144**	1,069	**1,144**	1,069
Controlled entities - at directors' valuation	**-**	-	**-**	4,084
	1,144	1,069	**1,144**	5,153

The carrying amounts of unlisted shares were reassessed by the directors as at 30 June 2018 with the reassessments being based on whether there were internal or external indicators that the investment was impaired.

(a) Controlled entities

Name	Place of incorporation and operation	Proportion of ownership and voting power held by the Company 2018 %	2017 %	Contribution to consolidated operating profit after income tax 2018 $'000	2017 $'000	Investment carrying value 2018 $'000	2017 $'000
Company							
Auswide Bank Ltd	Australia	**-**	-	**17,044**	15,203	**-**	-
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**100.0**	100.0	**-**	-	**-**	-
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	**842**	(236)	**-**	4,083

MoneyPlace Holdings Pty Ltd (MoneyPlace)
In December 2015 the Group entered 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 43.7% equity stake in MoneyPlace, via a subscription agreement. This brought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace Holdings. As a result of a share issue to minority holders, the proportion of ownership in MoneyPlace at 30 June 2017 was 62.4%.

In January 2018, the Group announced that it had entered into an agreement to divest its equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018. The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised. Further information in relation to this entity can be found in Notes 34 and 35.

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.

Widcap Securities Pty Ltd
Widcap Securities Pty Ltd is a wholly owned subsidiary which acts as the manager and custodian for Auswide Bank’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 Bank has an external securitisation program which is comprised of the following trusts:

Other investments and related parties

(b) Warehouse and securitisation trusts

- Wide Bay Trust No. 5
- Wide Bay Trust No. 6
- WB Trust 2008-1
- WB Trust 2009-1
- WB Trust 2010-1
- WB Trust 2014-1
- ABA Trust 2017-1
- ABA Trust No. 7

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	
			2018	2017
Finance Advice Matters Group Pty Ltd (FAMG)	Financial Planning	Australia	**25.0%**	25.0%

J1-Plan has been liquidated and was deregistered by ASIC on 17 July 2018.

Financial Advice Matters Group Pty Ltd (FAMG) is accounted for using the equity method in these consolidated financial statements.

Other investments and related parties

(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.

Financial Advice Matters Group Pty Ltd (FAMG)

Share of associate's balance sheet:	2018 $'000	2017 $'000
Current assets	**405**	352
Non-current assets	**527**	528
Current liabilities	**(178)**	(206)
Non-current liabilities	**(59)**	(357)
Net assets	**695**	**317**

Share of associate's revenue and profit:	2018 $'000	2017 $'000
Revenue	**1,203**	1,348
Profit / (loss) before income tax	**102**	78
Income tax	**(28)**	(22)
Profit / (loss) after income tax	**74**	56
Total comprehensive income for the year	**74**	**56**
Dividends received from associate during the year	**-**	129

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

(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 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Carrying amounts of:				
Freehold land and buildings	**9,676**	8,399	**9,676**	8,399
Plant and equipment	**5,900**	6,207	**5,900**	6,207
	15,576	14,606	**15,576**	14,606

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Freehold land and buildings				
At independent valuation - June 2018	**9,690**	8,750	**9,690**	8,750
Provision for depreciation	**(14)**	(351)	**(14)**	(351)
	9,676	8,399	**9,676**	8,399
Movement in carrying amount				
Opening net book amount	**8,399**	8,568	**8,399**	8,568
Revaluation increase	**1,446**	-	**1,446**	-
Depreciation charge	**(169)**	(169)	**(169)**	(169)
Carrying amount at end of year	**9,676**	8,399	**9,676**	8,399

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Plant and equipment				
At cost	**28,581**	27,896	**28,581**	27,896
Provision for depreciation	**(22,681)**	(21,689)	**(22,681)**	(21,689)
	5,900	6,207	**5,900**	6,207
Movement in carrying amount				
Opening net book amount	**6,207**	6,976	**6,207**	6,976
Additions	**1,620**	1,023	**1,620**	1,023
Disposals	**(103)**	(42)	**(103)**	(42)
Depreciation charge	**(1,824)**	(1,750)	**(1,824)**	(1,750)
Carrying amount at end of year	**5,900**	6,207	**5,900**	6,207

All land and buildings were revalued as at 4 June 2018 by certified practicing valuers Henry Brown of Taylor Byrne Pty Ltd. The valuations were assessed to fair market values based on comparable sales in regional Queensland and by capitalisation of assessed net income. 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 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Prepayments	**8,475**	8,406	**8,476**	8,260
	8,475	8,406	**8,476**	8,260

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 43.7% equity stake in MoneyPlace, via a subscription agreement. This brought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace. Auswide Bank's interest in MoneyPlace was subsequently disposed of in January 2018.

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	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Balance at beginning of the year	**48,975**	46,363	**46,363**	46,363
Derecognised on disposal of subsidiary	**(2,612)**	-	**-**	-
Recognised on acquisition of subsidiary	**-**	2,612	**-**	-
Balance at end of year	**46,363**	48,975	**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 was 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. On disposal goodwill was subsequently derecognised.

The goodwill disclosed in the Statement of Financial Position at 30 June 2018 was supported by the impairment testing and no impairment adjustment was required.

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.

Goodwill

Impairment testing

The cash flows have been projected over a period of five years. The terminal value of the business beyond year five 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 2019/20	Represents the cash-generating potential of the parent entity based on the forecast approved by the Board of Directors.
*	Estimated growth rate	7.0% (2017: 5.0%) represents growth in cash-generating unit cash flows over years one to five (beyond 30 June 2018). 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. Due to an enhanced impairment testing model being developed for the 2018 financial year, the 7.0% growth rate is not directly comparable to the 5.0% growth comparative from the prior year.
*	Terminal growth rate	2.0% (2017: 5.0%) represents the terminal growth rate (beyond five years).
*	Discount rate	11.25% (2017: 12.2%) is the discount rate used in impairment testing representing the Cost of Equity to the consolidated Group at 30 June 2018.

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 - 0.0% (2017: 4.0%); and
- discount rate - 13.3% (2017: 13.1%).

15 Other intangible assets

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Carrying amounts of:				
Software	**1,956**	7,935	**1,956**	2,564
	1,956	7,935	**1,956**	2,564

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Software				
At cost	**9,138**	14,427	**9,138**	9,056
Provision for amortisation	**(7,182)**	(6,492)	**(7,182)**	(6,492)
	1,956	7,935	**1,956**	2,564
Movement in carrying amount				
Balance at 1 July	**7,935**	2,719	**2,564**	2,719
Additions	**587**	905	**82**	507
Additions due to business combinations	**-**	5,160	**-**	-
Disposals	**(5,876)**	-	**-**	-
Amortisation	**(690)**	(849)	**(690)**	(662)
Balance at 30 June	**1,956**	7,935	**1,956**	2,564

16 Deposits and short term borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Call deposits	**752,954**	726,103	**752,989**	726,103
Term deposits	**1,355,032**	1,331,229	**1,355,032**	1,331,229
Negotiable certificates of deposit (NCDs)	**257,839**	147,272	**257,839**	147,272
Floating rate notes (FRNs)	**81,000**	100,000	**81,000**	100,000
	2,446,825	2,304,604	**2,446,860**	2,304,604
Maturity analysis				
On call	**752,954**	909,521	**752,989**	909,521
Up to 3 months	**859,632**	613,597	**859,632**	613,597
From 3 to 12 months	**800,335**	756,275	**800,335**	756,275
From 1 to 5 years	**33,904**	25,211	**33,904**	25,211
	2,446,825	2,304,604	**2,446,860**	2,304,604

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

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

Consolidated entity	Opening balance 30 June 2017 $000	Financing cash flows $000	Other changes $000	Consolidation of subsidiary $000	Disposal of subsidiary $000	Closing balance 30 June 2018 $000
Deposits and short term borrowings	2,304,604	137,262	6,968	(35)	(1,974)	**2,446,825**
Loans under management	708,020	(99,655)	(1,199)	-	-	**607,166**

17 Payables and other liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade creditors	**2,573**	3,235	**2,566**	3,032
Accrued interest payable	**12,758**	10,814	**12,758**	10,814
Other creditors	**10,676**	4,588	**10,676**	4,479
	26,007	18,637	**26,000**	18,325
Maturity analysis				
Up to 3 months	**19,550**	12,473	**19,543**	12,231
From 3 to 12 months	**6,195**	5,987	**6,195**	5,917
From 1 to 5 years	**262**	177	**262**	177
	26,007	18,637	**26,000**	18,325

18 Provisions

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'000
Employee entitlements				
Balance at beginning of year	**2,800**	2,881	**2,718**	2,881
Provided for during the year	**238**	575	**320**	493
Used during the year	**(155)**	(656)	**(155)**	(656)
Balance at end of year	**2,883**	2,800	**2,883**	2,718
Maturity analysis				
Current provision	**2,547**	2,439	**2,547**	2,357
Non-current provision	**336**	361	**336**	361
	2,883	2,800	**2,883**	2,718
Other provisions	**40**	40	**40**	40
Total provisions	**2,923**	2,840	**2,923**	2,758

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

19 Subordinated capital notes

	Consolidated 2018 $'000	2017 $'000	Company 2018 $'000	2017 $'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	2018 Shares No.	2018 Shares $'000	2017 Shares No.	2017 Shares $'000
Balance at beginning of year	**40,686,033**	**184,752**	40,251,196	182,629
Issued during the year				
Staff share plan	**59,666**	**291**	77,095	349
Dividend reinvestment plan	**1,383,041**	**6,914**	357,742	1,774
Share issue costs	**-**	**(211)**	-	-
Treasury shares				
Treasury shares	**(19,768)**	**(134)**	-	-
Balance at end of year	**42,108,972**	**191,612**	40,686,033	184,752

Contributed equity

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

17 October 2017 - 59,666 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**	
	2018 Shares No.	2017 Shares No.	**2018 Shares No.**	2017 Shares No.
The total number of shares issued to employees since the inception of the staff share plan	**2,920,673**	2,861,007	**2,920,673**	2,861,007
The total number of shares issued to employees during the financial year	**59,666**	77,095	**59,666**	77,095

	Consolidated		**Company**	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
The total market value at date of issue, 17 October 2017 (09 November 2016)	**323**	393	**323**	393
The total amount paid or payable for the shares at that date	**291**	349	**291**	349

(b) Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to underwrite the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2016/17 financial year, payable on 22 September 2017.

22 September 2017 - 1,383,041 ordinary shares were issued

The Board of Directors resolved to suspend the DRP for the interim dividend payable on 26 March 2018 for the 2017/18 financial year.

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 22 September 2017 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 19,768 shares ($134,262) for the purpose of facilitating the Executive LTI scheme.

21 Reserves

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Available for sale reserve	**102**	105	**102**	105
Asset revaluation reserve	**4,357**	3,345	**4,357**	3,345
Cash flow hedge reserve	**(366)**	(181)	**(366)**	(181)
Share-based payment reserve	**241**	(189)	**241**	-
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
	15,232	13,978	**15,232**	14,167

Movements in reserves:

Available for sale reserve				
Balance at beginning of year	**105**	113	**105**	113
Increase/(decrease) due to revaluation of RMBS investments to mark-to-market	**(3)**	(12)	**(3)**	(12)
Deferred tax liability adjustment on revaluation of RMBS investments	**-**	4	**-**	4
Balance at end of year	**102**	105	**102**	105

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

Asset revaluation reserve				
Balance at beginning of year	**3,345**	3,345	**3,345**	3,345
Increase/(decrease) due to revaluation increment on land and buildings	**1,446**	-	**1,446**	-
Deferred tax liability adjustment on revaluation increment on land and buildings	**(434)**	-	**(434)**	-
Balance at end of year	**4,357**	3,345	**4,357**	3,345

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

Cash flow hedge reserve				
Balance at beginning of year	**(181)**	(784)	**(181)**	(784)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges				
Interest rate swaps	(265)	861	(265)	861
Deferred tax related to gains/losses recognised in other comprehensive income	**80**	(258)	**80**	(258)
Balance at end of year	**(366)**	(181)	**(366)**	(181)

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.

Reserves

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Share based payments reserve				
Balance at beginning of year	**(189)**	(214)	**-**	-
Granted during the year	**375**	-	**241**	-
Vested during the year	**55**	25	**-**	-
Balance at end of year	**241**	(189)	**241**	-

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 Bank's impairment policy.

Total reserves	**15,232**	13,978	**15,232**	14,167

22 Non-controlling interest

Reconciliation of non-controlling interest in controlled entities:

	Consolidated	
	2018	2017
	$'000	$'000
Balance at beginning of year	**1,291**	-
Non-controlling interests arising on the acquisition of MoneyPlace	**-**	1,431
Share of operating profit/(loss) for the year	**(231)**	(140)
Deconsolidation of non-controlling interest on the disposal of MoneyPlace	**(1,060)**	-
Balance at end of year	**-**	1,291

In January 2018, Auswide Bank disposed of its holding in MoneyPlace. All holdings relating to the controlling interest in MoneyPlace have been deconsolidated in the financial accounts at 30 June 2018. Further information can be found in Notes 34 and 35.

23 Cash flow statement

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

	Consolidated		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Profit after tax from continuing operations	**17,886**	15,149	**19,345**	15,203
Depreciation and amortisation	**2,659**	2,790	**2,659**	2,603
Bad debts expense	**1,320**	979	**1,320**	979
(Profit)/loss on disposal of non-current assets	**(1,188)**	28	**104**	28
Movement in assets				
Accrued interest on investments	**(341)**	173	**(341)**	173
Prepayments and other receivables	**7,722**	(658)	**7,521**	2,352
Deferred tax asset	**683**	185	**683**	185
Movement in liabilities				
Creditors and accruals	**11,339**	(1,396)	**10,354**	(2,475)
Deferred tax payable	**(1,056)**	738	**311**	(630)
Income tax payable	**(501)**	1,633	**(40)**	1,633
Employee benefit provisions	**83**	(81)	**83**	(163)
Other provisions	**82**	(39)	**165**	(121)
Reserves	**(353)**	(255)	**(353)**	(255)
Net cash generated from operating activities	**38,335**	19,246	**41,811**	19,512

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	
Capital expenditure commitments	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Capital expenditure contracted for within one year	**227**	1,463	**227**	1,463

Lease expenditure commitments (as Lessee)

Non-cancellable operating leases				
Up to 1 year	**2,092**	2,166	**2,092**	2,166
From 1 to 2 years	**1,143**	1,669	**1,143**	1,669
From 2 to 5 years	**949**	1,813	**949**	1,813
Later than 5 years	**-**	74	**-**	74
	4,184	5,722	**4,184**	5,722

Non-cancellable operating leases relate to leases of branches across Queensland.

25 Contingent liabilities and credit commitments

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Approved but undrawn loans	**104,447**	55,264	**104,447**	55,264
Approved but undrawn credit limits	**90,479**	88,364	**90,479**	88,364
Bank guarantees	**985**	550	**985**	550
	195,911	144,178	**195,911**	144,178

26 Earnings per share

	2018 Cents per share	2017 Cents per share
Basic earnings per share		
From continuing operations	**40.81**	37.48
From discontinued operations	**2.02**	(0.13)
Total basic earnings per share	**42.83**	37.35
Diluted earnings per share		
From continuing operations	**40.81**	37.48
From discontinued operations	**2.02**	(0.13)
Total diluted earnings per share	**42.83**	37.35

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:

	2018 $'000	2017 $'000
Profit for the year attributable to owners of the Company	**17,886**	15,149
Earnings used in the calculation of basic earnings per share	**17,886**	15,149
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**(842)**	54
Earnings used in the calculation of basic earnings per share from continuing operations	**17,044**	15,203

	2018 Shares No.	2017 Shares No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	**41,771,336**	40,567,981

Earnings per share

Diluted earnings per share

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

	2018 $'000	2017 $'000
Earnings used in the calculation of basic earnings per share	**17,886**	15,149
Earnings used in the calculation of diluted earnings per share	**17,886**	15,149
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	**(842)**	54
Earnings used in the calculation of diluted earnings per share from continuing operations	**17,044**	15,203

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:

	2018 **Shares** **No.**	2017 Shares No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**41,792,633**	40,567,981
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**41,792,633**	40,567,981

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.

Key management personnel disclosures

(b) Key management personnel compensation

	Consolidated 2018 $'000	Consolidated 2017 $'000	Company 2018 $'000	Company 2017 $'000
Short term benefits				
Cash salary and fees	**2,346**	2,361	**2,346**	2,361
Cash bonus	**140**	98	**140**	98
Post employment benefits				
Superannuation	**176**	173	**176**	173
Share based payments	**55**	25	**55**	25
Other long term benefits	**43**	41	**43**	41
	2,760	2,698	**2,760**	2,698

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 on loans to key management personnel 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 $148,507 (2017: $126,363) 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 2018 $	Consolidated 2017 $	Company 2018 $	Company 2017 $
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	**342,436**	417,210	**342,436**	417,210
Other assurance services	**14,000**	19,486	**14,000**	19,486
Total audit and assurance services	**356,436**	436,696	**356,436**	436,696
Tax advisory services	**88,841**	76,804	**88,841**	76,804
Other services	**87,166**	82,114	**87,166**	82,114
Total non-audit services	**176,007**	158,918	**176,007**	158,918
Total auditors' remuneration	**532,443**	595,614	**532,443**	595,614

29 Events subsequent to balance date

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

Events subsequent to balance date

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, consumer lending 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 commenced lending for credit cards in April 2018. The credit card 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 management of its responsibilities to set and oversee the risk profile and the risk management framework of Auswide Bank;
- ensures management have appropriate risk systems and practices to effectively operate within the Board approved risk profile for Auswide Bank; 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 the 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); and
- reviews measures of liquidity and capital adequacy position against the policy and guidelines established in the Board policy.

Financial instruments

(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. During the 2018 and 2017 financial years the capital adequacy ratios of both the Group and Company were maintained above the target ratio.

The capital adequacy calculations at 30 June 2018 and 30 June 2017 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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Total risk weighted assets	**1,375,364**	1,289,918	**1,374,572**	1,283,508
Capital base	**204,827**	186,007	**204,339**	184,532
Risk-based capital ratio	**14.89%**	14.42%	**14.87%**	14.38%

The APS 330 Pillar III Disclosures inclusive of the Capital Disclosure Template, Regulatory Capital reconciliation and the Capital Instruments Disclosures are available in the Prudential Disclosures section of the Bank's website at www.auswidebank.com.au.

(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;

Financial instruments

(b) Market risk management

(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;
(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; and
(x) make recommendations to the Board on changes to the following policies;
- Lending;
- Term Deposits; and
- 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 $8.404m or increase by $7.336 (2017: decrease by $7.547m or increase by $6.781m). 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	2018	2017
	$'000	$'000
Wide Bay Trust No. 5	25,360	168,647
Wide Bay Trust No. 6	-	143,326
ABA Trust No. 7	27,032	-
Total	52,392	311,973
Maturity analysis		
Up to 1 year	52,392	311,973

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.

Financial instruments

(d) Credit risk management

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.

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
30 days and less than 60 days	**4,682**	6,418	**4,682**	6,418
60 days and less than 90 days	**-**	2,867	**-**	2,867
90 days and less than 182 days	**1,682**	4,676	**1,682**	4,676
182 days and less than 273 days	**1,994**	2,234	**1,994**	2,234
273 days and less than 365 days	**1,874**	278	**1,874**	278
365 days and over	**3,826**	3,676	**3,826**	3,676
	14,058	20,149	**14,058**	20,149

As at 30 June 2018 there were 11 loans totalling $2.792m (30 June 2017: 14 loans totalling $3.208m) 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:

	2018	2017
	%	%
Queensland	**77.0**	78.9
New South Wales	**10.6**	9.9
Victoria	**8.1**	7.7
South Australia	**1.0**	0.9
Western Australia	**2.3**	1.8
Tasmania	**0.2**	0.1
Northern Territory	**0.8**	0.7
	100.0	100.0

Financial instruments

(e) Terms, conditions and accounting policies

The Group'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 1.39% (2017 - 1.17%).
Accrued receivables	8	Amounts receivable are recorded at their recoverable amount.	
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 1.97% (2017 - 2.07%).
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 3.33% (2017 - 3.41%).
RMBS investments	9	RMBS investments are recorded at fair value through the Available for Sale Reserve.	
Managed investment schemes	9	Investments in managed investment schemes are recorded at fair value through the Available for Sale Reserve	These investments have an effective interest rate of 9.13% (2017 - 8.83%).
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.

Financial instruments

(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 2018 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.

Financial instruments

(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:

	2018 $'000	2017 $'000
Wide Bay Trust No. 5	**9**	48
WB Trust 2008-1	**850**	864
WB Trust 2009-1	**31**	77
ABA Trust 2017-1	**17**	43
WB Trust 2014-1	**156**	269
WB Trust 2010-1	**42**	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 Bank 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:

Financial instruments

(g) Interest rate risk

Financial instruments	Variable interest rate 2018 $'000	Variable interest rate 2017 $'000	Fixed interest rate maturing in: 1 Year or less 2018 $'000	1 Year or less 2017 $'000	From 1 to 5 years 2018 $'000	From 1 to 5 years 2017 $'000	Non interest bearing 2018 $'000	Non interest bearing 2017 $'000	Total carrying amount per balance sheet 2018 $'000	Total carrying amount per balance sheet 2017 $'000	Weighted average effective interest rate 2018 %	Weighted average effective interest rate 2017 %
Financial assets												
Cash and cash equivalents	**85,841**	119,520	**-**	-	**-**	-	**520**	545	**86,361**	120,065	**1.37**	1.11
Due from other financial institutions	**15,294**	11,668	**-**	-	**-**	-	**95**	95	**15,389**	11,763	**1.48**	1.60
Accrued receivables	**-**	-	**-**	-	**-**	-	**5,228**	6,676	**5,228**	6,676	**-**	-
Financial assets	**17,082**	22,996	**211,325**	254,910	**25,886**	14,042	**-**	-	**254,293**	291,948	**2.59**	2.20
Loans and advances	**2,056,395**	2,037,948	**263,399**	161,551	**594,249**	578,035	**-**	-	**2,914,043**	2,777,534	**4.14**	4.26
Total financial assets	**2,174,612**	2,192,132	**474,724**	416,461	**620,135**	592,077	**5,843**	7,316	**3,275,314**	3,207,986		
Financial liabilities												
Deposits and short term borrowings	**752,953**	726,103	**1,659,967**	1,553,290	**33,905**	25,211	**-**	-	**2,446,825**	2,304,604	**1.49**	1.65
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**26,007**	18,637	**26,007**	18,637	**-**	-
Securitised loans	**428,467**	519,492	**54,882**	41,181	**123,817**	147,347	**-**	-	**607,166**	708,020	**3.09**	2.84
Provisions	**-**	-	**-**	-	**-**	-	**2,923**	2,840	**2,923**	2,840	**-**	-
Subordinated capital notes	**-**	-	**28,000**	28,000	**-**	-	**-**	-	**28,000**	28,000	**6.29**	6.34
Total financial liabilities	**1,181,420**	1,245,595	**1,742,849**	1,622,471	**157,722**	172,558	**28,930**	21,477	**3,110,921**	3,062,101		

Financial instruments

(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 2018 $'000	2017 $'000	Aggregate net fair value 2018 $'000	2017 $'000
Financial assets					
Cash and cash equivalents	Carrying amount approximates fair value due to short term to maturity.	**86,361**	120,065	**86,361**	120,065
Due from other financial institutions	Estimated using discounted cash flow analysis based on current lending rates for similar types of investments.	**15,389**	11,763	**15,389**	11,763
Accrued receivables	Fair value approximates carrying value due to short term nature.	**5,228**	6,676	**5,228**	6,676
Financial assets	Fair value is quoted market price (if available) adjusted for any realisation costs.	**254,293**	291,948	**255,488**	293,261
Loans and advances	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans.	**2,914,043**	2,777,534	**2,926,173**	2,788,979
Total financial assets		**3,275,314**	3,207,986	**3,288,639**	3,220,744
Financial liabilities					
Deposits and short term borrowings	Estimated using discounted cash flow analysis based on current lending rates for similar types of deposits.	**2,446,825**	2,304,604	**2,439,964**	2,298,306
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.	**26,007**	18,637	**26,007**	18,637
Securitised loans	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans.	**607,166**	708,020	**609,693**	710,937
Provisions	Carrying amount approximates fair value due to short term nature.	**2,923**	2,840	**2,923**	2,841
Subordinated capital notes	Carrying amount approximates fair value based on contractual nature.	**28,000**	28,000	**28,000**	28,000
Total financial liabilities		**3,110,921**	3,062,101	**3,106,587**	3,058,721

Financial instruments

(h) Financial instruments

Value of the Group's financial assets and financial liabilities:

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	Value		FV hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
	$'000	$'000		
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	**210,178**	253,440	N/A	Quoted price.
Financial assets held at amortised cost:				
Notes - securitisation program	**17,082**	22,996	N/A	Held at amortised cost.
Loans and advances	**2,926,173**	2,788,979	N/A	Held at amortised cost.
Financial assets at cost:				
Shares in unlisted companies	**1,144**	1,069	N/A	Held at cost.
Financial assets available for sale:				
External RMBS investments	**1,147**	1,470	Level 2	Mark-to-market value based on consideration, maturity and interest rates.
Investment in Managed Investment Schemes (MIS)	**25,886**	14,042	Level 3	The fair value is derived from the value of the underlying assets within the managed investment scheme.
Total	**3,181,610**	3,081,996		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	**2,439,964**	2,298,306	N/A	Held at amortised cost.
Securitised loans	**609,693**	710,937	N/A	Held at amortised cost.
Total	**3,049,657**	3,009,243		

Financial instruments

(h) Financial instruments

Company	Value		FV hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
	$'000	$'000		
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	**210,178**	253,440	N/A	Quoted price.
Financial assets held at amortised cost:				
Notes - securitisation program	**49,468**	53,382	N/A	Held at amortised cost.
Loans and advances	**2,926,173**	2,788,979	N/A	Held at amortised cost.
Financial assets at cost:				
Shares in unlisted companies	**1,144**	5,153	N/A	Held at cost.
Financial assets available for sale:				
External RMBS investments	**1,147**	1,470	Level 2	Mark-to-market value based on consideration, maturity and interest rates.
Investment in Managed Investment Schemes (MIS)	**25,886**	14,042	Level 3	The fair value is derived from the value of the underlying assets within the managed investment scheme.
Total	**3,213,996**	3,116,466		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	**2,453,720**	2,310,901	N/A	Held at amortised cost.
Securitised loans	**609,693**	710,937	N/A	Held at amortised cost.
Total	**3,063,413**	3,021,838		

Reconciliation of Level 3 fair value measurements:

Consolidated entity	**Shares in unlisted companies**		**Investments in MIS**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Opening balance	**1,069**	512	**14,042**	3,413
Total gains or losses:				
- in profit or loss	-	-	-	-
- in other comprehensive income		-	-	-
Purchases	**75**	557	**11,844**	12,629
Disposals	**-**	-		(2,000)
Closing balance	**1,144**	1,069	**25,886**	14,042

Company	**Shares in unlisted companies**		**Investments in MIS**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Opening balance	**5,153**	1,771	**14,042**	3,413
Total gains or losses:				
- in profit or loss	**-**	-	**-**	-
- in other comprehensive income	**-**	-	**-**	-
Purchases	**75**	4,640	**11,844**	12,629
Disposals	**(4,084)**	(1,258)	**-**	(2,000)
Closing balance	**1,144**	5,153	**25,886**	14,042

33 Business combination

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 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 43.7% 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 43.7% 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 or 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.

Business combination

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

Divestment of equity stake in MoneyPlace

In January 2018, the Group announced that it had entered into an agreement to divest its equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018. The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised.

Auswide Bank will continue to receive income from its personal loan investment into MoneyPlace which is expected to continue to grow over time.

Further explanation can be found in Note 35.

34 Disposal of a subsidiary

In January 2018 the Group announced that it had entered into an agreement to divest its 62.4% equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018.

Consideration received

The total consideration received upon the divestment was $6.805m.

Assets and liabilities over which control is lost as a result of this divestment

	2018
	$000
Cash	**145**
Other assets	**175**
Software development	**5,668**
Other intangibles	**208**
Goodwill	**2,612**
Deferred income tax liabilities	**(1,298)**
Loans	**(85)**
Payables and other liabilities	**(723)**
Net assets disposed of	**6,702**

Gain on disposal of a subsidiary

	2018
	$000
Consideration received	**6,805**
Net assets disposed of	**(6,702)**
Non-controlling interests	**1,084**
Gain on disposal	**1,187**

The gain on disposal is included in the profit for the year from discontinued operations, see Note 35 for further explanation.

Disposal of a subsidiary

Net cash inflow on disposal of a subsidiary

	2018
	$000
Consideration received in cash and cash equivalents	6,805
Less: cash and cash equivalent balances disposed of	(145)
	6,660

35 Discontinued operation

In January 2018, the Group announced that it had entered into an agreement to divest its equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018. The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised.

Auswide Bank will continue to receive income from its personal loan investment in MoneyPlace which has continued to increase.

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

	Consolidated		Company	
Profit for the year from discontinued operations	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Revenue	**280**	466	**-**	-
Expenses	**(966)**	(638)	**-**	-
Profit/(loss) before income tax	**(686)**	(172)	**-**	-
Income tax benefit/ expense	**110**	(22)	**-**	-
	(576)	(194)	**-**	-
Gain on disposal of MoneyPlace	**1,187**	-	**2,301**	-
Profit for the year from discontinued operations	**611**	(194)	**2,301**	-
Cash flows from discontinued operations				
Net cash inflows/(outflows) from operating activities	**(505)**	119	**-**	-
Net cash inflows/(outflows) from investing activities	**(356)**	25	**-**	-
Net cash inflows/(outflows) from financing activities	**285**	(1,221)	**-**	-
Net increase in cash generated by the subsidiary	**(576)**	(1,077)	**-**	-

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 2018 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*;

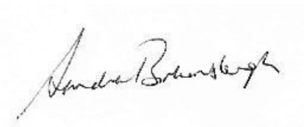
(b) the financial report complies with International Financial Reporting Standards (IFRS) as disclosed in Note 1; and

(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 2018.

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
23 August 2018

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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 2018, the consolidated statement of 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 2018 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 2018 the Group has a loan loss impairment provision of $3.2m 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 impairment model and evaluating whether the modelling assumptions used and the relevant risks considered were reasonable
	- Assessing loans specifically provided for by identifying loans that met the criteria set out by the Group's relevant 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
	  - the realisation of collateral held; and
	- 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 2018 the Group's assets subject to impairment tests include Goodwill of $46.4m, arising from the acquisitions of Mackay Permanent Building Society (MPBS) and Queensland Professional Credit Union (YCU) as disclosed in Note 14. The recovery of non-current assets requires significant judgement due to assumptions required 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.	In conjunction with our valuation specialists, our audit procedures included, but were not limited to: - Evaluating the appropriateness of management's identification of the Group's CGU and testing of 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 - Assessing the key assumptions and methodology used by management supported by external specialists in the externally prepared 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 management against its market capitalisation; and - Testing the mathematical accuracy of the impairment model.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	We also assessed the appropriateness of the disclosures in Note 14 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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 5 to 15 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2018, 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
23 August 2018

Financial glossary

For your reference, this glossary provides definitions for some of the terms used in financial reporting, particularly by financial institutions listed on the ASX.

Not all terms may have been used in the Annual Report and Financial Statements.

ADI	An Authorised Deposit-taking Institution is a corporation authorised under the Banking Act 1959 and includes banks, building societies and credit unions regulated by APRA.
AGM	Annual General Meeting.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
Asset	A resource which has economic value and can be converted to cash. Assets for an ADI include its loans because income is derived from the loan fees and interest payments generated.
ASX	Australian Securities Exchange Limited (ABN 98 008 624 691).
Bad Debt	The amount that is written off as a loss and classified as an expense, usually as a result of a poor-performing loan.
Basel	The Basel Accords are the recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision, which has the purpose of improving the consistency of capital regulations internationally.
Basis Point	One hundredth of one percent or 0.01 percent. The term is used in money and securities markets to define differences in interest rates or yields.
Capital Adequacy Ratio	A ratio of an ADI's capital to its risk, obtained by dividing total capital by risk-weighted assets. This ratio shows an ADI's capacity to meet the payment terms of liabilities and other risks.
Cost-to-income Ratio	Obtained by dividing operating cost by operating income, this ratio shows a company's costs in relation to its income. A lower ratio can be an indication that a company is better at controlling its costs.
Credit Rating	An analysis of a company's ability to repay debt or other obligations.
Dividend	A portion of a company's profits that may be paid regularly by the company to its shareholders.
Dividend Payout Ratio	The amount of dividends paid to shareholders relative to the amount of total net income of a company, represented as a percentage.
Dividend Yield	Computed by dividing the annual dividend by the share price.
DRP	A Dividend Reinvestment Plan allows shareholders to reinvest some or all of their dividends into additional shares.
Earnings per Share	The amount of company earnings per each outstanding share of issued ordinary shares.
Ex-Dividend Date	The date used to determine a shareholder's entitlement to a dividend.
Liability	A company's debts or obligations that arise during the course of business operations. Liabilities for ADIs include interest-bearing deposits.
Liquidity	For an ADI, liquidity is a measure of the ability of the ADI to fund growth and repay debts when they fall due, including the paying of depositors.
Market Capitalisation	The total value of a company's shares calculated by multiplying the shares outstanding by the price per share.
NCD	A Negotiable Certificate of Deposit is a short term security typically issued by an ADI to a larger institutional investor in order to raise funds.
Net Interest Income	The difference between the revenue that is generated from an ADI's assets, and the expenses associated with paying out its liabilities.
Net Interest Margin (NIM)	The difference between the interest income generated by an ADI and the amount of interest the ADI pays out to their depositors, divided by the amount of their interest-earning assets.
Net Profit After Tax (NPAT)	Total revenue minus total expenses, with tax that will need to be paid factored in.

Net Tangible Asset Backing per Share	An indication of the company's net worth, calculated by dividing the underlying value of the company (total assets minus total liabilities) by the number of shares on issue.
Non Interest Income	Income derived primarily from fees and commissions, rather than income from interest-earning assets.
Price-to-Earnings Ratio (P/E Ratio)	A measure of the price paid for a share relative to the annual income or profit earned by the company per share.
Record Date	The date used to identify shares traded and registered up until Ex-Dividend Date.
Return on Average Ordinary Equity	A measurement of how well a company uses the funds provided by its shareholders, represented by a ratio of the company's profit to shareholder's equity.
RMBS	Residential mortgage-backed securities are a type of bond backed by residential mortgages on residential, rather than commercial, real estate.
Securitisation	Refers to setting aside a group of income-generating assets, such as loans, into a pool against which securities are issued. Securitisation is performed by an ADI in order to raise new funds.
SSP	Special Service Provider such as an authorised settlement clearing house.
Subordinated Capital Notes	Subordinated notes or subordinated debentures are a type of capital represented by debt instruments. Subordinated notes have a claim against the borrowing institution that legally follows the claims of depositors. Subordinated notes or debentures come ahead of stockholders.
Tier 1 Capital	Describes the capital adequacy of an ADI. Tier 1 Capital is core capital and includes equity capital and disclosed reserves.
Tier 2 Capital	Describes the capital adequacy of an ADI. Tier 2 Capital is secondary capital that includes items such as undisclosed reserves, general loss reserves, subordinated term debt and more.
Underlying Cash NPAT	The actual reflection of a company's profit. One-off items may be removed from the statutory profit for the company to arrive at this profit figure.