Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	31 December 2018
Previous Corresponding Reporting Period	6 months to 31 December 2017

APPENDIX 4D
HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

INCOME FROM OPERATIONS

↑ 2.11%

Income from operations up 2.11% to $36.098m

PROFIT FROM ORDINARY ACTIVITIES

↑ 5.05%

Profit from ordinary activities after tax attributable to shareholders up 5.05% to $8.467m

NET PROFIT

↑ 5.05%

Net profit for the period attributable to shareholders up 5.05% to $8.467m

Review and results of operations

The statutory consolidated net profit after tax for the half-year to 31 December 2018 was $8.467m. This represents a 5.05% increase from $8.060m in the prior corresponding period.

The profit from continuing operations for the half-year to 31 December 2018 increased to $8.467m compared to $8.445m in the prior corresponding period, an increase of 0.26%. The non-controlling interests in the company's accounts are its equity investment in peer-to-peer lender MoneyPlace Holdings Pty Ltd (MoneyPlace). 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.

Auswide Bank Ltd's total operating income from continuing and discontinued operations for the half-year to 31 December 2018 increased to $36.098m compared to $35.353m for the corresponding period, an increase of 2.11%.

Net interest revenue from continuing operations for the half year increased by 1.37% compared to the corresponding half-year to 31 December 2017, from $30.688m to $31.109m.

The company's NIM for the half-year ended 31 December 2018 was 1.88% compared to the previous six months to 30 June 2018 of 1.91%. Elevated BBSW rates since October increased wholesale funding costs over the period, however reliance on higher cost securitisation funding is decreasing.

The NPAT reflects an increased investment in customer service staff and technology during the half. Investment in technology is continuing in order to deliver our Apply Online platform in the coming months and the upgrade to our core banking system.

Financial Position

The loan book recorded growth on an annualised basis of 4.91% across the half-year, increasing from $2.911 billion at 30 June 2018 to $2.982 billion at 31 December 2018.

Home loan settlements during the half year totalled $301.244m, an increase of 22.8% on the $245.411m in home loan settlements for the first half of 2017/18.

Arrears continued to trend downwards, with total arrears past due 30 days decreasing from $14.058m at 30 June 2018 to $12.611m at 31 December 2018. Arrears past due 30 days represented 0.42% of total loans and advances at 31 December 2018 compared to 0.48% at 30 June 2018.

Retail deposits continue to be Auswide's largest source of funding and saw an increase of 4.52% in the six month period, resulting in an increase to $2.203 billion. This increase allowed a reduction in the balance of securitised loans, which forms one of the more expensive funding lines.

Capital Management

The group is in a strong capital position with the consolidated capital ratio at the end of December 2018 standing at 14.43%, with Tier 1 capital accounting for 12.30%. The consolidated capital ratio has reduced from 14.89% at 30 June 2018. The strength of the capital will facilitate loan book growth in the second half of the financial year.

Outlook and Strategy

Additional appointments of customer service staff including home loan sales staff in the first half of the financial year are expected to result in increased loan portfolio growth across the remainder of the financial year. This investment has been made to support the increased opportunities the Board expects to see as a result of the reputational damage suffered by larger financial institutions during the Hayne Royal Commission, while recognising the ongoing competitiveness in the market.

Investment in technology continues to be a major strategic focus for Auswide Bank, supporting the drive to offer efficient and secure, fit for purpose on-line solutions for customers and supporting the transition to digital channels. Apply Online, the new mobile app and the upgrade of the core banking system are currently major priorities for the bank.

Simplifying products and automating processes to reduce costs will continue to be a driver of the bank's strategy with the dual aim of improving customer experience and driving down the cost to income ratio. Auswide recognises the challenge of enhancing its communication to a wider customer base, including millennials, and will strengthen the omni-channel self-service channels to broaden the customer access to products and services.

Customer service will also be the objective of investment in technology and skills in the Contact Centre, providing customers with effective options to access support as branch services evolve into digitally based processes.

Auswide Bank is focused on building the Auswide Brand through consistent messaging and enhanced customer service. The bank announced in November 2018 it has teamed up with Queensland Rugby League (QRL) as major partner and jersey sponsor of the Queensland Maroons for the State of Origin Series. There is a strong alignment of values, aspirations and commitment to local communities between Auswide Bank and the QRL. The partnership will also see Auswide Bank carry the naming rights to one of the QRL's most prestigious state wide under age competitions, the Auswide Bank Mal Meninga Cup, over the next three years. This partnership, together with the investment in customer services and technology, will increase brand awareness and enable Auswide Bank to increase its footprint across the state.

While the reoccurrence of elevated BBSWs to the cash rate reignites wholesale funding costs and the marketplace remains competitive for both front book lending and term deposit funding, recent repricing of liabilities will assist recovery of the Net Interest Margin in the second half. The strategic focus remains on building the customer deposit base during 2019 and decreasing reliance on higher cost securitisation funding, assisting a more efficient funding mix.

The Board is constantly reviewing opportunities to drive scale. The capital base remains strong and materially in excess of the Board's target which will fund any planned loan book growth and provide opportunity for M&A opportunities and fintech partnering.

Subsequent Events

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

Dividends

Dividends (distributions) – Ordinary shares	Amount per security	Franked amount per security
Final dividend (30 June 2018) – paid 21 September 2018	18.0c	18.0c
Interim dividend (31 December 2018) – to be paid 25 March 2019	16.0c	16.0c
The record date for determining entitlements to the dividends		**1 March 2019**

	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	16.0c	16.0c	Nil

Interim dividends on all securities	Current period $A'000	Previous corresponding period $A'000
Ordinary securities		
Interim dividend paid **25 March 2019** – previous period paid 26 March 2018	6,749	6,741
Total	6,749	6,741

DIVIDEND REINVESTMENT PLAN

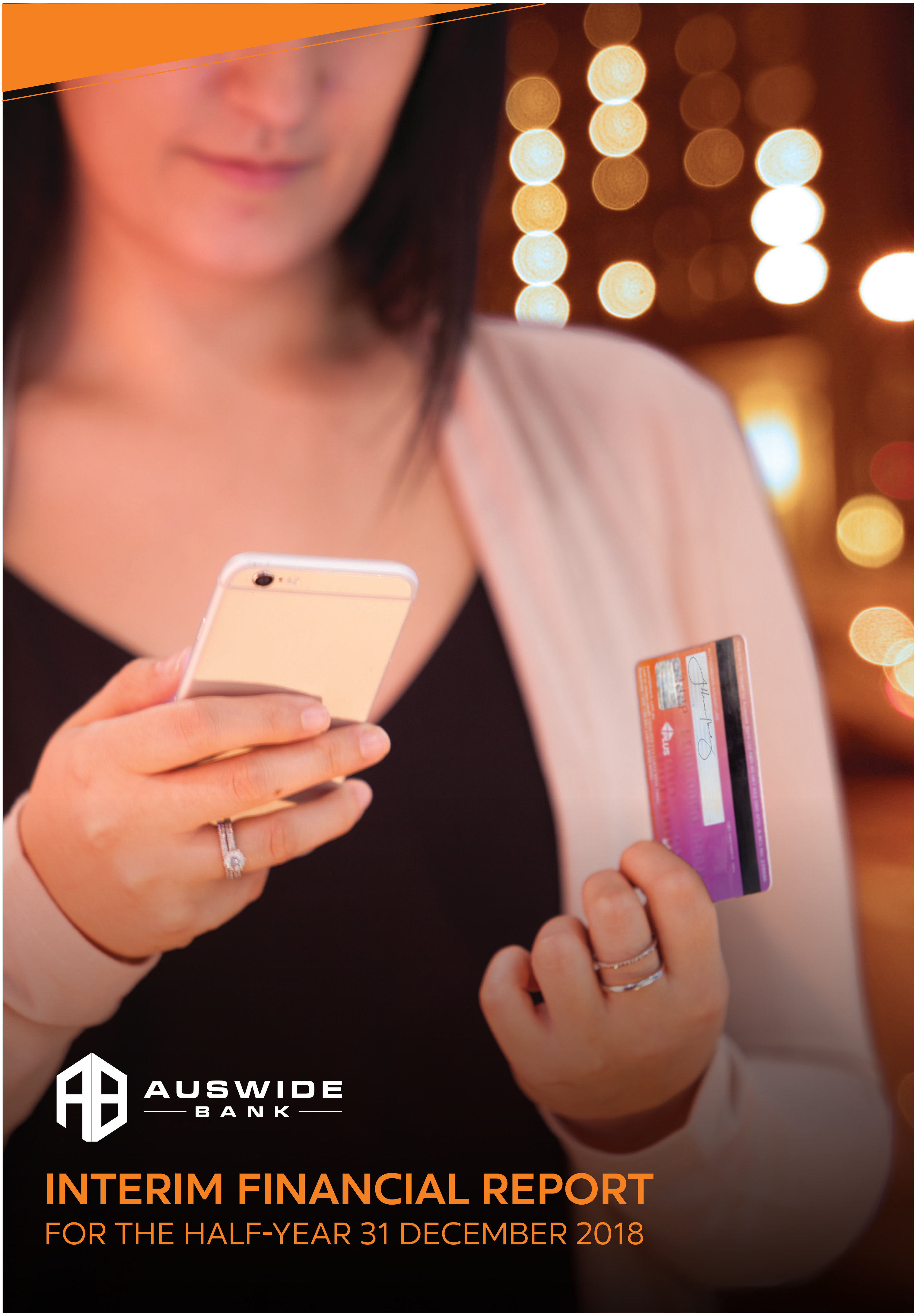
The Board of Directors resolved to suspend the dividend reinvestment plan for the interim dividend for the half year ended 31 December 2018.

Net Tangible Assets Per Security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	$4.48	$4.34

Details of Associates and Joint Venture Entities

Controlled entities	Country of incorporation	% Holding		Contribution to consolidated operating profit after income tax	
		Current period	Previous corresponding period	Current period $A'000	Previous corresponding period $A'000
Mortgage Risk Management Pty Ltd	Australia	100	100	–	–
Widcap Securities Pty Ltd	Australia	100	100	–	–
Mackay Permanent Building Society Ltd	Australia	100	100	–	–
Auswide Performance Rights Pty Ltd	Australia	100	100	–	–
MoneyPlace Holdings Pty Ltd	Australia	0	62.4	–	(385)



AUSWIDE BANK

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR 31 DECEMBER 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

Your directors present their report on the consolidated entity consisting of Auswide Bank Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2018

The Directors present this report on the company's consolidated accounts for the six month period ended 31 December 2018, in accordance with the provisions of the Corporations Act 2001.

DIRECTORS

The names and particulars of the directors of the company during or since the end of the half-year are:

- **Professor John S Humphrey LL.B**
  Independent non-executive Director since February 2008 / Chairman since November 2009
- **Mr Martin J Barrett BA(ECON), MBA**
  Managing Director since September 2013
- **Mr Barry Dangerfield**
  Independent non-executive Director since November 2011
- **Mr Gregory N Kenny GAICD, GradDipFin**
  Independent non-executive Director since November 2013
- **Ms Sandra C Birkensleigh BCom, CA, GAICD, ICCP (Fellow)**
  Independent non-executive Director since February 2015

The independent non-executive Directors each have many years of experience and it is considered with their diverse backgrounds and knowledge that they continue to make an integral contribution to the ongoing development of the company.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Principal activities

Auswide Bank Ltd is an approved deposit-taking institution and licensed credit and financial services provider. Auswide Bank Ltd provides deposit, credit, insurance and banking services to personal and business customers across Australia, principally in regional and metropolitan Queensland, Sydney and Melbourne. The majority of the company's loan book is comprised of residential mortgage loans. Personal loans were offered for the first time in 2013 and business banking commenced in 2014, although these portfolios are not yet a material part of the loan book.

Funding for loans is raised through a combination of retail and wholesale deposits as well as through securitisation markets. The residential mortgage loans were originated by Auswide Bank's branch network and brokers with all underwriting completed by Auswide Bank loans consultants.

There were no significant changes during the period in the nature of the activities of the consolidated entity.

Profitability

The statutory consolidated net profit after tax for the half-year to 31 December 2018 was $8.467m. This represents a 5.05% increase from $8.060m in the prior corresponding period.

The profit from continuing operations for the half-year to 31 December 2018 increased to $8.467m compared to $8.445m in the prior corresponding period, an increase of 0.26%. The non-controlling interests in the company's accounts are its equity investment in peer-to-peer lender MoneyPlace Holdings Pty Ltd (MoneyPlace). 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.

Auswide Bank Ltd's total operating income from continuing and discontinued operations for the half-year to 31 December 2018 increased to $36.098m compared to $35.353m for the corresponding period, an increase of 2.11%.

Net interest revenue from continuing operations for the half year increased by 1.37% compared to the corresponding half-year to 31 December 2017, from $30.688m to $31.109m.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

Profitability (continued)

The company's NIM for the half-year ended 31 December 2018 was1.88% compared to the previous six months to 30 June 2018 of 1.91%. Elevated BBSW rates since October increased wholesale funding costs over the period, however reliance on higher cost securitisation funding is decreasing.

The NPAT reflects an increased investment in both the salesforce and technology during the half. Investment in technology is continuing in order to deliver our Apply Online platform in the coming months and the upgrade to our core banking system. New sales staff have also been appointed during the half.

Financial position

The loan book recorded growth on an annualised basis of 4.91% across the half-year, increasing from $2.911 billion at 30 June 2018 to $2.982 billion at 31 December 2018.

Home loan settlements during the half year totalled $301.244m, an increase of 22.8% on the $245.411m in home loan settlements for the first half of 2017/18.

Arrears continued to trend downwards, with total arrears past due 30 days decreasing from $14.058m at 30 June 2018 to $12.611m at 31 December 2018. Arrears past due 30 days represented 0.42% of total loans and advances at 31 December 2018 compared to 0.48% at 30 June 2018.

Retail deposits continue to be Auswide Bank's largest source of funding and saw an increase of 4.52% in the six month period, resulting in an increase to $2.203 billion. This increase allowed a reduction in the balance of securitised loans, which forms one of the more expensive funding lines.

Capital management

The Group is in a strong capital position with the consolidated capital ratio at the end of December 2018 standing at 14.43%, with Tier 1 capital accounting for 12.30%. The consolidated capital ratio has decreased from 14.89% at 30 June 2018. The strength of the capital will facilitate loan book growth in the second half of the financial year.

Outlook and strategy

Additional appointments of customer service staff including home loan sales staff in the first half of the financial year are expected to result in increased loan portfolio growth across the remainder of the financial year. This investment has been made to support the increased opportunities the Board expects to see as a result of the reputational damage suffered by larger financial institutions during the Hayne Royal Commission, while recognising the ongoing competitiveness in the market.

Investment in technology continues to be a major strategic focus for Auswide Bank, supporting the drive to offer efficient and secure, fit for purpose on-line solutions for customers and supporting the transition to digital channels. Apply Online, the new mobile app and the upgrade of the core banking system are currently major priorities for the bank.

Simplifying products and automating processes to reduce costs will continue to be a driver of the bank's strategy with the dual aim of improving customer experience and driving down the cost to income ratio. Auswide recognises the challenge of enhancing its communication to a wider customer base, including millennials, and will strengthen the omni-channel self-service channels to broaden the customer access to products and services.

Customer service will also be the objective of investment in technology and skills in the Contact Centre, providing customers with effective options to access support as branch services evolve into digitally based processes.

Auswide Bank is focused on building the Auswide Brand through consistent messaging and enhanced customer service. The bank announced in November 2018 it has teamed up with Queensland Rugby League (QRL) as major partner and jersey sponsor of the Queensland Maroons for the State of Origin Series. There is a strong alignment of values, aspirations and commitment to local communities between Auswide Bank and the QRL. The partnership will also see Auswide Bank carry the naming rights to one of the QRL's most prestigious state wide under age competitions, the Auswide Bank Mal Meninga Cup, over the next three years. This partnership, together with the investment in customer services and technology, will increase brand awareness and enable Auswide Bank to increase its footprint across the state.

While the reoccurrence of elevated BBSWs to the cash rate reignites wholesale funding costs and the marketplace remains competitive for both front book lending and term deposit funding, recent repricing of liabilities will assist recovery of the Net Interest Margin in the second half . The strategic focus remains on building the customer deposit base during 2019 and decreasing reliance on higher cost securitisation funding, assisting a more efficient funding mix.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

Outlook and strategy (continued)

The Board is constantly reviewing opportunities to drive scale. The capital base remains strong and materially in excess of the Board's target which will fund any planned loan book growth and provide opportunity for M&A opportunities and fintech partnering.

Dividend

A final dividend in respect of the year ended 30 June 2018 of 18.0 cents per ordinary share (fully franked) was paid on 21 September 2018.

On 15 February 2019 the Directors of Auswide Bank Ltd declared an interim dividend of 16.0 cents per ordinary share (fully franked) in respect of the December 2018 half-year, payable on 25 March 2019. The amount estimated to be appropriated in relation to this dividend is $6.749m. The dividend has not been provided for in the 31 December 2018 half-year financial statements.

The Board has resolved to suspend the Dividend Reinvestment Plan for the interim dividend payable on 25 March 2019.

Subsequent events

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the half year ended 31 December 2018 has been received and been included in this financial report.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the Directors

John Humphrey
Director

Brisbane
15 February 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Riverside Centre
Level 23
123 Eagle Street
Brisbane QLD 4000
GPO Box 1463
Brisbane QLD 4001 Australia

Tel: +61 7 3308 7000
Fax: +61 7 3308 7002
www.deloitte.com.au

The Board of Directors
Auswide Bank Ltd
PO Box 1063
BUNDABERG QLD 4670

15 February 2019

Dear Board Members

Auditor's Independence Declaration to 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 review of the half-year report of Auswide Bank Ltd for the half-year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Auswide Bank Ltd
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2018

	Notes	Consolidated 6 months to 31 Dec 18 $'000	6 months to 31 Dec 17 $'000
Continuing operations			
Interest revenue	2	**67,644**	64,861
Interest expense	2	**(36,535)**	(34,173)
Net interest revenue		**31,109**	30,688
Other non interest income		**4,989**	4,385
Total operating income		**36,098**	35,073
Bad and doubtful debts expense	4	**(384)**	(744)
Other expenses		**(23,587)**	(22,236)
Profit before income tax		**12,127**	12,093
Income tax expense		**(3,660)**	(3,648)
Profit from continuing operations		**8,467**	8,445
Discontinued operation			
Loss from discontinued operations	9	**-**	(616)
Profit for the period		**8,467**	7,829
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Revaluation of reserves to fair value		**630**	(179)
Income tax relating to these items		**(189)**	53
Other comprehensive income for the period, net of income tax		**441**	(126)
Total comprehensive income for the period		**8,908**	7,703
Profit for the period attributable to:			
Owners of the Company		**8,467**	**8,060**
Non-controlling interests		**-**	(231)
		8,467	7,829
Total comprehensive income attributable to:			
Owners of the Company		**8,908**	7,934
Non-controlling interests		**-**	(231)
		8,908	7,703
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		**20.09**	19.44
Diluted (cents per share)		**20.09**	19.44
From continuing operations			
Basic (cents per share)		**20.09**	20.37
Diluted (cents per share)		**20.09**	20.37

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

Auswide Bank Ltd
Condensed consolidated statement of financial position
As at 31 December 2018

	Notes	Consolidated as at 31 Dec 18 $'000	as at 30 Jun 18 $'000
ASSETS			
Cash and cash equivalents		**96,573**	86,361
Due from other financial institutions		**20,994**	15,389
Accrued receivables		**6,128**	5,298
Financial assets		**265,755**	254,293
Loans and advances		**2,982,263**	2,910,847
Other investments		**1,291**	1,144
Property, plant and equipment		**14,875**	15,576
Other intangible assets		**1,688**	1,956
Deferred tax assets		**4,862**	4,573
Other assets		**8,906**	8,475
Goodwill		**46,363**	46,363
Total assets		**3,449,698**	3,350,275
LIABILITIES			
Deposits and short term borrowings		**2,600,968**	2,446,825
Payables and other liabilities		**19,087**	26,007
Loans under management		**559,039**	607,166
Current tax liabilities		**496**	721
Deferred income tax liabilities		**2,069**	1,891
Provisions		**3,017**	2,923
Subordinated capital notes		**28,000**	28,000
Total liabilities		**3,212,676**	3,113,533
Net assets		**237,022**	236,742
EQUITY			
Contributed equity	5	**191,936**	191,612
Reserves		**15,653**	15,232
Retained profits		**29,433**	29,898
Equity attributable to owners of the Company		**237,022**	236,742
Total equity		**237,022**	236,742

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

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	-	8,060	-	-	-	-	-	-	-	(231)	7,829
Issue of shares to employees	-	-	-	-	-	-	-	-	55	-	55
Increase (decrease) due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(1)	-	-	-	(1)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(178)	-	-	(178)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	53	-	-	53
Subtotal	**-**	**8,060**	**-**	**-**	**-**	**-**	**(1)**	**(125)**	**55**	**(231)**	**7,758**
Issue of share capital for staff share plan	291	-	-	-	-	-	-	-	-	25	316
Issue of share capital for dividend reinvestment plan	6,914	-	-	-	-	-	-	-	-	-	6,914
Dividends provided for or paid	-	(6,908)	-	-	-	-	-	-	-	-	(6,908)
Share issue costs	(211)	-	-	-	-	-	-	-	-	-	(211)
Subtotal	6,994	(6,908)	-	-	-	-	-	-	-	25	111
Balance at 31 December 2017	**191,746**	**24,839**	**3,345**	**5,834**	**2,676**	**2,388**	**104**	**(306)**	**(134)**	**1,085**	**231,577**

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

Auswide Bank Ltd
Condensed consolidated statement of changes in equity
For the half-year 31 December 2018
(continued)

		Attributable to owners of Auswide Bank Ltd										
Consolidated entity	Notes	**Share capital ordinary $'000**	**Retained profits $'000**	**Asset revaluation reserve $'000**	**General reserve $'000**	**Statutory reserve $'000**	**Doubtful debts reserve $'000**	**Available for sale reserve $'000**	**Investment revaluation reserve $'000**	**Cash flow hedging reserve $'000**	**Share-based payments $'000**	**Total equity $'000**
Balance at 1 July 2018		191,612	29,898	4,357	5,834	2,676	2,388	102	-	(366)	241	236,742
Total comprehensive income for the year:												
Adjustment on adoption of AASB 9 (net of tax)		-	(896)	-	-	-	-	(102)	102	-	-	(896)
Restated total equity at the beginning of the financial period		**191,612**	**29,002**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**102**	**(366)**	**241**	**235,846**
Profit attributable to members of parent company		-	8,467	-	-	-	-	-	-	-	-	8,467
Transfer to /from retained profits on consolidation		-	(461)	-	-	-	-	-	-	-	-	(461)
Issue of shares to employees		-	-	-	-	-	-	-	-	-	(20)	(20)
Increase (decrease) due to revaluation of RMBS investments to fair value		-	-	-	-	-	-	-	(2)	-	-	(2)
Deferred tax liability adjustment on revaluation of RMBS investments		-	-	-	-	-	-	-	1	-	-	1
Increase (decrease) due to revaluation of cash flow hedge to fair value		-	-	-	-	-	-	-	-	632	-	632
Deferred tax liability adjustment on revaluation of cash flow hedge		-	-	-	-	-	-	-	-	(190)	-	(190)
Subtotal		**-**	**8,006**	**-**	**-**	**-**	**-**	**-**	**(1)**	**442**	**(20)**	**8,427**
Issue of share capital for staff share plan		275	-	-	-	-	-	-	-	-	-	275
Dividends provided for or paid	7	-	(7,575)	-	-	-	-	-	-	-	-	(7,575)
Issue of treasury shares to employees		(29)	-	-	-	-	-	-	-	-	-	(29)
Movement in treasury shares		78	-	-	-	-	-	-	-	-	-	78
Subtotal		324	(7,575)	-	-	-	-	-	-	-	-	(7,251)
Balance at 31 December 2018		**191,936**	**29,433**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**76**	**221**	**237,022**

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

Auswide Bank Ltd
Condensed consolidated statement of cash flows
For the half-year 31 December 2018

	Consolidated	
	6 months to 31 Dec 18 $'000	6 months to 31 Dec 17 $'000
Cash flows from operating activities		
Interest received	**66,958**	64,341
Other non interest income and receivables	**(4,302)**	4,360
Interest paid	**(34,143)**	(33,717)
Income tax paid	**(4,262)**	(5,026)
Cash paid to suppliers and employees (inclusive of goods and services tax)	**(31,798)**	(27,188)
Net cash provided by / (used in) operating activities	**(7,547)**	2,770
Cash flows from investing activities		
Net movement in investment securities	**(11,464)**	80,999
Net movement in amounts due from other financial institutions	**(5,605)**	540
Net movement in loans and advances	**(72,495)**	(25,982)
Net movement in other investments	**(147)**	(30)
Payments for non current assets	**(357)**	(1,422)
Net cash provided by / (used in) investing activities	**(90,068)**	54,105
Cash flows from financing activities		
Net movement in deposits and short-term borrowings	**163,135**	30,029
Net movement in amounts due to other financial institutions and other liabilities	**(48,057)**	(80,249)
Proceeds from share issue	**275**	291
Dividends paid	**(7,575)**	5
Share issue transaction costs	**-**	(211)
Net movement in treasury shares	**49**	-
Net cash provided by / (used in) financing activities	**107,827**	(50,135)
Net movement in cash and cash equivalents	**10,212**	6,740
Cash and cash equivalents at the beginning of the financial year	**86,361**	120,065
Cash and cash equivalents at the end of the period	**96,573**	126,805

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

1 Significant accounting policies

(a) Basis of preparation

These condensed consolidated financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed consolidated financial statements do 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*.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/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. All amounts are presented in Australian dollars.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) New and revised standards adopted by the economic entity

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(c) Application of new and revised Australian Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and interpretations effective for the current financial year, and which have been applied in the preparation of this half-year report, that are relevant to the Group include:

- AASB 9 *Financial Instruments*, and related amending standards; and
- AASB 15 *Revenue from Contracts with Customers* and amending standards.

AASB 9 Financial Instruments and related amending standards

In the current year, the Group has applied AASB 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 introduces new requirements for:

(1) the classification and measurement of financial assets and financial liabilities;
(2) impairment of financial assets; and
(3) general hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied AASB 9 in accordance with the transition provisions set out in AASB 9, having applied the modified retrospective approach.

- **Classification and measurement of financial assets**

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI); and

- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which AASB 3 *Business Combinations* applies in other comprehensive income;

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current period, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The directors of the company reviewed and assessed the Group’s existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Group’s financial assets in regards to their classification and measurement:

- the Group's RMBS investments within financial assets that were classified as available-for-sale financial assets under AASB 139 have been classified as financial assets at FVTOCI. This is because they are held within a business model whose objective is to collect the contractual cash flows and to sell the debt instruments, and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The change in fair value on these redeemable notes continues to be accumulated in the investment revaluation reserve until they are derecognised or reclassified. The change in classification of these investments at 1 July 2018, has resulted in the fair value gain on available-for-sale financial assets being recognised in other comprehensive income of $102,389 (Jun 2017: $104,672) that used to be and continues to be subsequently reclassified to profit or loss; as debt instruments measured at FVTOCI;

- the Group's other investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost under AASB 139 have been designated as at FVTOCI. The change in fair value on these equity instruments will be accumulated in the investment revaluation reserve. No adjustment has been made within the financial statements as this has been deemed immaterial;

- financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and

- financial assets that were measured at FVTPL under the available-for-sale designation under AASB 139 continue to be measured as such under AASB 9.

None of the other reclassifications of financial assets have had any impact on the Group’s financial position, profit or loss, other comprehensive income or total comprehensive income for either period.

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 01 July 2018;

Type of financial instrument	Original measurement category under AASB 139	New measurement category under AASB 9	Original carrying amount under AASB 139	Additional loss allowance	New carrying amount under AASB 9
			$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	86,361	-	86,361
Due from other financial institutions	Loans and receivables	Amortised cost	15,389	-	15,389
Accrued receivables	Loans and receivables	Amortised cost	5,298	-	5,298
Financial assets consisting of:					
- NCDs/ FRNs	Held-to-maturity	Amortised cost	210,178	-	210,178
- External RMBS investments	Available-for-sale	FVTOCI	1,147	-	1,147
- Investments (MIS)	Available-for-sale	FVTPL	25,886	-	25,886
- Notes - securitisation program & other	Loans and receivables	Amortised cost	17,082	-	17,082
Loans and advances	Loans and receivables	Amortised cost	2,910,847	1,280	2,909,567
Equity instruments designated at FVTOCI	Cost	FVTOCI	793	-	793
Financial liabilities					
Deposits and short term borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,446,825	-	2,446,825
Payables and other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	26,007	-	26,007
Loans under management (Securitised loans)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	607,166	-	607,166
Subordinated capital notes	Financial liabilities at amortised cost	Financial liabilities at amortised cost	28,000	-	28,000

- **Impairment of financial assets**

In relation to the impairment of financial assets, AASB 9 requires an Expected Credit Loss (ECL) model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Group to recognise a loss allowance for expected credit losses on;

(i) debt investments subsequently measured at amortised cost or at FVTOCI;
(ii) lease receivables;
(iii) contract assets; and

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

(iv) loan commitments and financial guarantee contracts to which the impairment requirements of AASB 9 apply.
In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for purchased or originated credit-impaired financial assets), the Group is required to measure the loss allowance for that financial instrument at an amount equal to a 12 month ECL. AASB 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 July 2018, the directors of the company reviewed and assessed the Group's existing financial assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July 2018. The result of the assessment is as follows;

Items existing as at 01 July 2018 that are subject to the impairment provisions of AASB 9	**Credit risk attributes at 01 July 2018**	**Cumulative additional loss allowance recognised on 01 July 2018**
		'$000
Cash and cash equivalents, Due from other financial institutions	Cash and cash equivalents have been assessed as having a low credit risk. A 12 month ECL is therefore recognised.	immaterial
Accrued receivables	The Group applies the simplified approach and recognised lifetime ECL for these assets.	immaterial
Financial assets including;		
Certificates of deposit, Floating rate notes, RMBS notes	These items are assessed to have low credit risk at each reporting date based on their respective external credit ratings. As such, the Group assumes that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9 and recognises a 12 month ECL for these assets.	immaterial
Notes – securitisation program and other	These notes relate to securitisation deposits held by securitised trusts serviced by Auswide Bank. The liquidity of these deposits are subject to Auswide Bank carrying out its servicer duties as required, which history illustrates is always achieved. Therefore, credit risk is assumed not to have increased since initial recognition as permitted by AASB 9 and a 12 month ECL is recognised.	immaterial
Loans and advances (including undrawn limits)	Management have developed a model to assess the credit risk of each loan. A lifetime credit risk is recognised on loans considered to have experienced a significant increase in credit risk. A 12 month ECL is recognised on those loans on which credit risk has not increased since initial recognition.	1,210

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

In addition to the items noted above, the following items that are not currently recognised on the consolidated statement of financial position have been assessed for impairment;

Items existing as at 1 July	Credit risk attributes at 01 July 2018	Cumulative additional loss allowance recognised on 01 July 2018
		'$000
Loans approved not advanced	Management have developed a model to assess the credit risk of LANA. A 12 month ECL is recognised in these exposures, as credit risk has been assessed as not having increased since initial recognition.	70
Bank guarantees	Management have assessed bank guarantees as having a low credit risk and a negligible probability of default. A 12 month ECL is therefore recognised.	immaterial

The additional credit loss allowance of $1.280m as at 01 July 2018 has been recognised against retained earnings, net of its related deferred tax impact of $0.384m resulting in a net decrease in retained earnings of $0.896m on 01 July 2018. The additional loss allowance is charged against the respective asset, except for the RMBS investments which are measured at FVTOCI, the loss allowance for which is recognised against the investment revaluation reserve in other comprehensive income.

- **Write-off policy**

Loans and credit exposures are written off when the Group has no reasonable expectation of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

- **Classification and measurement of financial liabilities**

One major change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of AASB 9 has had no impact on the classification and measurement of the Group’s financial liabilities.

- **General hedge accounting**

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

The Group has International Swaps and Derivatives (ISDAs) in place with financial institutions. Each of the securitisation trusts has an interest rate swap in place to hedge against fixed rate loans held within the trust. The interest rate swaps in place at 01 July 2018 qualify as cash flow hedges under AASB 9, as they were under AASB 139.

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

Under AASB 9, cash flow hedges continue to be recognised at inception in the same manner, with effectiveness (in offsetting changes in cash flows of the hedged item attributable to the hedged risk) continuing to be assessed. The effective portion of changes in fair value is recognised in other comprehensive income (OCI), while any gain or loss relating to the ineffective portion is recognised in profit or loss (P&L). The requirements for reclassification from OCI to P&L also remain the same under AASB 9, compared to AASB 139. The conditions surrounding the need to discontinue hedge accounting are also equivalent in AASB 9 for cash flow hedge accounting.

The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships continue to be treated as continuing hedges.

- **Disclosures in relation to initial application of AASB 9**

The following table is a reconciliation of the carrying amounts in the Group's statement of financial position from AASB 139 to AASB 9 as at 01 July 2018;

	AASB 139 carrying amount	Reclassification	Remeasurement	AASB 9 carrying amount	Retained earnings impact
	30 Jun 18			1 Jul 18	1 Jul 18
	'$000	'$000	'$000	'$000	'$000
Investment in Managed Investment Schemes					
Available for sale under AASB 139	25,886	(25,886)			
Reclassification to FVTPL under AASB 9		25,886		25,886	
Investment in equity instruments					
At cost under AASB 139	793	(793)			
Reclassification to FVTOCI under AASB 9		793		793	
Loans and advances					
Amortised cost under AASB 139	2,910,847			2,910,847	
Remeasurement based on Expected Credit Loss (ECL) under AASB 9		-	(1,280)	(1,280)	(1,280)
	2,910,847	**-**	**(1,280)**	**2,909,567**	**(1,280)**
Deferred tax asset					
Opening balance	4,573			4,573	
Tax effect of remeasurement of ECL			384	384	384
	4,573	**-**	**384**	**4,957**	**384**

1 Significant accounting policies (continued)

(c) Application of new and revised Australian Accounting Standards (continued)

AASB 15 Revenue from Contracts with Customers and amending standards

The Group has applied AASB 15 - Revenue from Contracts with Customers (as amended) for the first time in the current period. AASB 15 introduces 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied AASB 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in AASB 15.C5(a), and (b), or for modified contracts in AASB 15.C5(c) but using the expedient in AASB 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

Apart from providing more extensive disclosures on the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group. Significant revenue streams of the Group falling within the scope of AASB 15 are explained below;

Loan fee and bank commission

The Group charges various loan fees and commissions to its customers from time to time from loan initiation to final settlement. Revenue is recognised when services promised under the contract are rendered and performance obligations are satisfied. There has been no adjustment to the current revenue recognition methodology of the Group as a result of adoption of AASB 15.

(d) Comparative figures

The adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 July 2018 resulted in changes to accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. The total impact on the Group's opening retained earnings was a one off adjustment on 1 July 2018 of $896,000.

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

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.

Consolidated entity	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue December 2018			
Deposits with other financial institutions	**53,988**	**452**	**1.67**
Investment securities	**211,013**	**2,660**	**2.52**
Loans and advances	**2,977,514**	**63,023**	**4.23**
Other	**69,808**	**1,509**	**4.32**
	3,312,323	**67,644**	**4.08**
Interest expense December 2018			
Deposits from other financial institutions	**559,429**	**9,399**	**3.36**
Customer deposits	**2,143,567**	**21,318**	**1.99**
Negotiable certificates of deposit (NCDs)	**282,977**	**3,469**	**2.45**
Floating rate notes (FRNs)	**96,571**	**1,437**	**2.98**
Subordinated notes	**28,000**	**912**	**6.51**
	3,110,544	**36,535**	**2.35**
Net interest revenue December 2018		**31,109**	**1.73**

Consolidated entity			
Interest revenue December 2017			
Deposits with other financial institutions	70,116	519	1.48
Investment securities	208,127	2,356	2.26
Loans and advances	2,815,653	60,997	4.33
Other	41,058	989	4.82
	3,134,954	64,861	4.14
Interest expense December 2017			
Deposits from other financial institutions	651,744	10,347	3.18
Customer deposits	2,008,948	19,865	1.98
Negotiable certificates of deposit (NCDs)	175,719	2,014	2.29
Floating rate notes (FRNs)	82,143	1,070	2.61
Subordinated notes	28,000	877	6.27
	2,946,554	34,173	2.32
Net interest revenue December 2017		30,688	1.82

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 & interest spread December 2018			
Interest revenue	**3,312,323**	**67,644**	**4.08**
Interest expense	**3,110,544**	**36,535**	**2.35**
Net interest spread			**1.73**
Benefit of net interest-free assets, liabilities and equity			**0.15**
Net interest margin - on average interest earning assets	**3,312,323**	**31,109**	**1.88**
Interest margin & interest spread December 2017			
Interest revenue	3,134,954	64,861	4.14
Interest expense	2,946,554	34,173	2.32
Net interest spread			1.82
Benefit of net interest-free assets, liabilities and equity			0.14
Net interest margin - on average interest earning assets	3,134,954	30,688	1.96

3 Capital adequacy

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

(i) credit risk arising from on-balance sheet and off-balance sheet exposures;
(ii) market risk arising from trading activities;
(iii) operational risk associated with banking activities;
(iv) securitisation risks; and
(v) 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 parent entity and consolidated basis are set out below:

	Consolidated		**Company**	
	as at 31 Dec 18 $'000	as at 30 Jun 18 $'000	**as at 31 Dec 18 $'000**	as at 30 Jun 18 $'000
Total risk weighted assets	**1,422,828**	1,375,364	**1,421,488**	1,374,572
Capital base	**205,354**	204,827	**205,057**	204,339
Risk-based capital ratio	**14.43%**	14.89%	**14.43%**	14.87%

4 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers, debt investments, lease receivables, contract assets, loan commitments and financial guarantees. The Group considers all elements of credit risk exposure such a counterparty default risk, geographical risk and sector risk for risk management purposes.

(a) 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 Group. The risk management procedures define the credit principles, lending policies and decision making processes which control the credit risk of the Group.

Credit risk exists predominantly on the Group's loan portfolio. Other assets that are subject to credit risk include cash and cash equivalents, amounts due from other institutions, receivables, certificates of deposit, securitisation notes and deposits, loan commitments and bank guarantees.

The loan portfolio consists of mortgage lending, personal lending and commercial lending. Loan commitments and bank guarantees are off balance sheet exposures of the loan portfolio, which are also subject to credit risk. These groupings, by product type, have been assessed as reflecting similar performance behaviours, based on the Group's analysis of its loan portfolio.

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

The company has a diversified branch network consisting of 21 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, as well as economic forecasts, and ensures credit procedures are adhered to on a timely and accurate basis.

4 Credit risk (continued)

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, in addition to off balance sheet loan commitments. 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 mitigate the risk exposure.

The Group 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. Diversification of the mortgage portfolio assists in minimising credit risk by reducing security concentrations in particular geographic locations.

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

	31 Dec 18 %	30 Jun 18 %
Queensland	**76.3**	77.0
New South Wales	**11.1**	10.6
Victoria	**8.1**	8.1
South Australia	**1.0**	1.0
Western Australia	**2.4**	2.3
Tasmania	**0.2**	0.2
Northern Territory	**0.9**	0.8
	100.0	100.0

Credit risk on personal lending is minimised by the availability of consumer credit insurance, as well as the lending policies and processes in place.

Commercial lending credit risk is minimised requiring collateral as security, which is mostly residential property, in addition to the use of bank guarantees in some circumstances. The risk management policies and decision making procedures also aid in minimising credit risk on commercial exposures.

Off balance sheet loan commitments and bank guarantees are also subject to credit risk, which is minimised by following credit guidelines for issuing credit, as well as monitoring and following review processes for exposures in relation to bank guarantees and undrawn credit.

Credit risk on cash, cash equivalents and amounts due from other institutions have been assessed as low risk with a negligible probability of default, due to amounts being invested with investment grade credit institutions with a no loss history.

Credit risk on receivables for interest, leases and other accrued receivables is minimised by taking a conservative approach to the recognition of receivables. Only those which are expected to be received, with some degree of certainty, based on past experience and future expectations, are recognised. This has resulted in a negligible probability of default.

Credit risk on certificates of deposit is assessed as low and probability of default negligible. Risk is minimised by using clearly defined policies for investment grade rated credit institutions, combined with the current economic outlook and on the basis of no prior losses in the Group's history on these investments.

External securitised notes are subject to low credit risk and negligible probability of default due to securitisation trusts having a structure that utilises an excess income reserve to absorb any losses, reducing the risk of note balances being affected. The securitisation deposits are made with investment grade rated credit institutions as well. There is also no history of any losses being recorded by Auswide Bank on these assets.

(b) Significant increase in credit risk

As explained in note 1 the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the expected loss allowance based on lifetime rather than 12-month ECL.

The Group has used the assumption that 30 days past due represents significant increase in credit risk. The Bank considers 90 days past due as representative of a default having occurred and a loan being credit impaired.

4 Credit risk (continued)

(c) Incorporation of forward looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses this information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting.

The Group has identified and documented key drivers of credit risk and credit losses for each lending portfolio using a statistical analysis of historical data and has estimated relationships between macro-economic variables, credit risk and credit losses.

The principal macroeconomic indicators included in the economic scenarios used at 1 July 2018 and 31 December 2018 are GDP, GDP index, GDP index change and unemployment. Management have derived that GDP has economic correlations to inflation and unemployment, which generally have a corresponding impact on loan performance. Scenarios are compiled using APRA quarterly statistics and ADI Performance Statistics for losses data, ABS statistics for GDP, CPI (as proxy for GDP index) and unemployment rates, along with forecast reports from the market.

The base case scenario is derived from forecasted changes to GDP, CPI and unemployment rates, using management's judgement. Adjustments to these forecasts are made to develop a further 2 scenarios for less likely but plausible economic expectations. A weighting is applied to each scenario, based on management's judgement as to the probability of each scenario occurring. These economic forecasts are then applied to a statistical model to determine the macroeconomic effects on the expected loss allowance on the lending portfolios.

The incorporation of forward looking information on the assessment of ECL on other assets required to be assessed for impairment is a qualitative approach. A range of economic outlooks, from an economist, the RBA and OECD, have been considered in making an assessment of whether there are economic forecasts that would indicate a potential impairment on the assets being assessed.

(d) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The Group has developed a PD model for loans and advances based on the likelihood of a default event occurring within the next 12 months, based on the current status of each loan. A lifetime PD is also computed where appropriate. Historical data on loan behaviours is captured to enable projections on loans going into default. This provides statistical data that is used in the PD model for calculating the probability of default.

LGD is an estimate of the loss arising on default. The Group has developed a single LGD model, which includes judgements and estimates based on industry statistics and historical performance of the Bank's portfolio. Given the Group's loan portfolio, market data on LGDs of other institutions has also been applied in management's assessment of LGD.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and principal and interest, and expected drawdowns on committed facilities. The Group has developed a single EAD model to cover all applicable loan exposures.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period. The risk of default is assessed by considering historical data as well as forward looking information through a macroeconomic overlay and management judgement.

The Bank's risk function constantly monitors the ongoing appropriateness of the ECL model and related criteria, where any proposed amendments will be reviewed and approved by the Group's management committees.

4 Credit risk (continued)

(e) Credit quality

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

	Consolidated as at 31 Dec 18 $'000	as at 30 Jun 18 $'000
30 days and less than 60 days	**4,991**	4,682
60 days and less than 90 days	**2,283**	-
90 days and less than 182 days	**1,453**	1,682
182 days and less than 273 days	**202**	1,994
273 days and less than 365 days	**16**	1,874
365 days and over	**3,666**	3,826
	12,611	14,058

As at 31 December 2018 there were 11 loans totaling $1.992m (30 June 2018: 11 loans totaling $2.792m) on which interest was not being accrued due to impairment. This treatment is in line with APRA prudential standard APS220 Credit Quality.

The Group has identified the following three stages in which financial instruments have been classified in regards to credit risk;

- Stage 1 - Performing exposure on which loss allowance is recognised as 12 month expected credit loss;
- Stage 2 - Where credit risk has increased significantly and impairment loss is recognised as lifetime expected credit loss; and
- Stage 3 - Assets are credit impaired and impairment loss is recognised as lifetime expected credit loss. Interest is accrued on a net basis, on the amortised cost of the loans after the ECL is deducted.

The following provides details of the movements in loss allowance for the period, along with the profit or loss impact.

Total loss allowance	
Loss allowance as at 1 July 2018	**(4,477)**
Changes due to amounts unwound / (provided for)	**476**
Total loss allowance as at 31 December 2018	**(4,001)**
Provision held for overdrawn savings accounts	**42**
Loss allowance attributable to financial assets	**(3,959)**
Charge to profit or loss for bad debts and loss allowance	
Loss allowance	**476**
Bad debts recognised directly	**(860)**
	(384)

Full disclosures of movements of the gross carrying amount and the ECL between stages during the period will be provided at year end. No material changes have been made to model risk assessment during the period from 1 July 2018 to 31 December 2018.

The following tables present different financial instruments exposures and the provision held for each type of exposure within each stage at 1 July 2018 and 31 December 2018.

4 Credit risk (continued)

Consolidated entity	Stage 1 $'000 Balance	Stage 1 $'000 Maximum exposure	Stage 1 $'000 Provision	Stage 2 $'000 Balance	Stage 2 $'000 Maximum exposure	Stage 2 $'000 Provision	Stage 3 $'000 Balance	Stage 3 $'000 Maximum exposure	Stage 3 $'000 Provision	Total $'000 Balance	Total $'000 Maximum exposure	Total $'000 Provision
Balance at 1 July 2018												
Loans and advances:												
Mortgage lending	2,754,402	2,983,212	1,759	69,921	71,142	580	18,477	18,476	1,868	2,842,800	3,072,830	4,207
Personal lending	16,708	18,579	76	954	971	8	23	23	10	17,685	19,573	94
Commercial lending	50,896	61,534	36	2,663	2,666	25	-	-	-	53,559	64,200	61
LANA	-	104,447	70	-	-	-	-	-	-	-	104,447	70
	2,822,006	**3,167,772**	**1,941**	**73,538**	**74,779**	**613**	**18,500**	**18,499**	**1,878**	**2,914,044**	**3,261,050**	**4,432**
Financial assets consisting of:												
Certificates of deposit	210,178	210,178	-	-	-	-	-	-	-	210,178	210,178	-
External RMBS investments	1,147	1,147	-	-	-	-	-	-	-	1,147	1,147	-
Notes - securitisation and other	17,082	17,082	-	-	-	-	-	-	-	17,082	17,082	-
Other financial instruments:												
Cash and cash equivalents	86,361	86,361	-	-	-	-	-	-	-	86,361	86,361	-
Due from other financial institutions	15,389	15,389	-	-	-	-	-	-	-	15,389	15,389	-
Accrued receivables	-	-	-	5,298	5,298	-	-	-	-	5,298	5,298	-
Bank guarantees	-	985	-	-	-	-	-	-	-	-	985	-
Total	**3,152,163**	**3,498,914**	**1,941**	**78,836**	**80,077**	**613**	**18,500**	**18,499**	**1,878**	**3,249,499**	**3,597,490**	**4,432**

4 Credit risk (continued)

Consolidated entity	Stage 1 $'000 Balance	Stage 1 $'000 Maximum exposure	Stage 1 $'000 Provision	Stage 2 $'000 Balance	Stage 2 $'000 Maximum exposure	Stage 2 $'000 Provision	Stage 3 $'000 Balance	Stage 3 $'000 Maximum exposure	Stage 3 $'000 Provision	Total $'000 Balance	Total $'000 Maximum exposure	Total $'000 Provision
Balance at 31 December 2018												
Loans and advances												
Mortgage lending	2,878,519	3,112,723	1,597	18,193	18,538	988	11,905	11,911	1,100	2,908,617	3,143,172	3,685
Personal lending	17,767	19,754	71	23	23	13	33	33	26	17,823	19,810	110
Commercial lending	59,276	69,581	79	470	470	24	78	78	13	59,824	70,129	116
LANA	-	67,913	48	-	-	-	-	-	-	-	67,913	48
	2,955,562	3,269,971	1,795	18,686	19,031	1,025	12,016	12,022	1,139	2,986,264	3,301,024	3,959
Financial assets consisting of:												
Certificates of deposit	212,517	212,517	-	-	-	-	-	-	-	212,517	212,517	-
External RMBS investments	592	592	-	-	-	-	-	-	-	592	592	-
Notes - securitisation and other	16,043	16,043	-	-	-	-	-	-	-	16,043	16,043	-
Other financial instruments:												
Cash and cash equivalents	96,573	96,573	-	-	-	-	-	-	-	96,573	96,573	-
Due from other financial institutions	20,994	20,994	-	-	-	-	-	-	-	20,994	20,994	-
Accrued receivables	-	-	-	6,128	6,128	-	-	-	-	6,128	6,128	-
Bank guarantees	-	1,675	-	-	-	-	-	-	-	-	1,675	-
Total	3,302,281	3,618,365	1,795	24,814	25,159	1,025	12,016	12,022	1,139	3,339,111	3,655,546	3,959

4 Credit risk (continued)

Maximum exposures include loans that have not yet drawn down in full.

Loans approved not advanced (LANA) are loans that have not yet legally settled with the borrower but for which the bank has an obligation to advance monies. LANA of $67,913,000 was in place as at 31 December 2018 (1 July 2018: $104,447,000). An ECL of $48,000 has been accounted for as at the period end (1 July 2018: $70,000) . There have been no material movements of the gross carrying amount or the ECL stages between 1 July 2018 and 31 December 2018 other than due to origination of new loans and advances and the draw down of LANA. No separate disclosure has been provided.

Provisions associated with the financial assets included in the above table are considered negligible at 1 July 2018 and as at 31 December 2018 and there has been no material movements in the half year to 31 December 2018. Similarly, there has been no material movements of the gross carrying amount between ECL stages between 1 July 2018 and 31 December 2018 and no disclosure has been provided.

In addition to the items noted above, bank guarantees of $1,675,000 (1 July 2018: $985,000) not recognised on the consolidated statement of financial position have been assessed for impairment within stage 1 at 1 July 2018 and as at 31 December 2018. The provision associated with bank guarantees has been considered negligible at both 1 July 2018 and as at 31 December 2018. There have been no material movements of the gross carrying amount or between the ECL stages between 1 July 2018 and 31 December 2018 and no disclosure has been provided.

(f) Collateral held as security and other credit enhancements

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LVR (loan to value ratio). The value of the collateral for residential mortgage loans is typically based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals. Subsequent appraisals are performed on securities held for credit-impaired loans, to more closely monitor the Group's exposure. The Bank will take possession of security property in line with its MIP (mortgagee in possession) policy and any loss resulting from subsequent sale will be recorded as an expense, resulting in a reduction in any provision that was held for that exposure. There are also procedures in place for the recovery of bad debts written off; debt recovery processes are performed internally as well as through the use of third parties.

Personal lending

The Group's personal lending portfolio consists of secured and unsecured term loans and unsecured credit cards. For loans with a purpose of purchasing vehicles and the like, the vehicle can be used as security for a secured personal loan, if acceptable under the applicable lending policy. The personal lending portfolio exhibits similar traits and behaviours regardless of whether the loan is secured or unsecured.

Commercial lending

The Group requests collateral, which is usually in the form of residential property, as security for corporate lending. Bank guarantees are also used at times, which utilise cash, residential or commercial mortgages as security.

5 Issued capital

Fully paid ordinary shares	31 Dec 18 No. of shares	31 Dec 18 $'000	31 Dec 17 No. of shares	31 Dec 17 $'000
Balance at beginning of year - 1 July	**42,128,740**	**191,746**	40,686,033	184,752
Issued during the year				
Dividend reinvestment plan	**-**	**-**	1,383,041	6,914
Staff share plan	**53,745**	**275**	59,666	291
Share issue costs	**-**	**-**	-	(211)
Adjustment for vested performance rights	**-**	**(29)**	-	-
Treasury shares				
Treasury shares	**(9,563)**	**(56)**	-	-
Balance at end of the period - 31 December	**42,172,922**	**191,936**	42,128,740	191,746

The Board of Directors resolved to suspend the Dividend Reinvestment Plan (DRP) for the interim dividend for the 2018/19 financial year.

6 Fair value of financial assets and 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).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped by fair value hierarchy level.

Financial assets measured at fair value

	Recurring fair value measurements at 31 December 2018			
Consolidated entity	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment securities mandatorily measured at FVTPL				
Managed investment schemes	**-**	**-**	**36,603**	**36,603**
Investments at FVTOCI - (debt and equity instruments)				
RMBS investments	**-**	**592**	**-**	**592**
Equity instruments designated at FVTOCI	**-**	**-**	**918**	**918**
Total assets	**-**	**592**	**37,521**	**38,113**
Total liabilities	**-**	**-**	**-**	**-**

6 Fair value of financial assets and liabilities (continued)

Consolidated entity	Recurring fair value measurements at 30 June 2018 Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment securities mandatorily measured at FVTPL				
Managed investment schemes	-	-	25,886	25,886
Investments at FVTOCI - (debt and equity instruments)				
RMBS investments	-	1,147	-	1,147
Equity instruments designated at FVTOCI	-	-	793	793
Total assets	**-**	**1,147**	**26,679**	**27,826**
Total liabilities	**-**	**-**	**-**	**-**

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

Consolidated entity	FVTOCI Equity instruments		FVTPL Managed investment schemes	
	31 Dec 2018 $'000	30 Jun 2018 $'000	**31 Dec 2018 $'000**	30 Jun 2018 $'000
Opening balance	**793**	793	**25,886**	14,042
Total gains/ losses:				
- in profit or loss	**-**	-	**1,011**	1,294
- in OCI		-	-	-
Purchases	**125**		**14,600**	10,550
Principal repayments	**-**		**(4,894)**	-
Disposals	**-**	-		
Closing balance	**918**	793	**36,603**	25,886

6 Fair value of financial assets and liabilities (continued)

Fair value of financial assets and liabilities

The following table summarises information about how the fair values of financial assets and financial liabilities (both recurring and non-recurring) which are categorised as Level 2 and Level 3 are determined.

Consolidated entity	Fair value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 Dec 2018	30 Jun 2018				
	$'000	$'000				
Financial assets						
RMBS investments	**592**	1,147	Level 2	Mark-to-market value based on consideration, maturity and interest rates.	Market value of the underlying mortgages.	Mortgages are representative of the securing assets held within the investment.
Equity instruments	**918**	793	Level 3	Fair value based on management assessment.	Value of the unlisted share, which is not actively traded in an open market, via internal assessment.	In the absence of market data, a management assessment provides a conservative approach.
Investments in MIS	**36,603**	25,886	Level 3	The fair value is derived from the value of the underlying assets within the managed investment scheme.	Amortised cost of loans MISs have invested in, as well as revenues and expenses of Auswide Bank generated through MISs.	The amounts Auswide Bank had invested, the performance of the loans the MIS has invested Auswide Banks funds in and the income generated through the schemes is deemed representative of fair value.

6 Fair value of financial assets and liabilities (continued)

Financial assets and liabilities measured at amortised cost

The following table provides an analysis of financial assets and liabilities that are not measured at fair value.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	'$000	'$000	'$000	'$000	'$000
Financial assets					
Cash and cash equivalents	96,573			96,573	96,573
Due from other financial institutions	20,994			20,994	20,994
Accrued receivables			6,057	6,057	6,057
Financial assets	229,152			226,296	229,152
Loans and advances			2,986,264	2,986,734	2,986,264
Financial liabilities					
Deposits and short term borrowings			2,600,968	2,593,622	2,600,968
Payables and other liabilities			19,087	19,087	19,087
Loans under management		559,039		559,039	559,039
Subordinated capital notes	28,000			28,000	28,000

7 Dividends

A final fully franked dividend in respect of the year ended 30 June 2018 of 18.0 cents per ordinary share ($7.583m) was paid on 21 September 2018.

The Board declared a fully franked dividend of 16.0 cents per ordinary share ($6.749m), for the six months to 31 December 2018, payable on 25 March 2019. In accordance with Accounting Standards, dividends are only provided for as declared or paid, therefore this dividend has not been provided for in the interim financial statements.

8 Segment information

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

The company commenced consumer lending 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.

9 Discontinued operation

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.

9 Discontinued operation (continued)

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 on the reclassification of these operations as held for sale. The divestment had a one-off positive impact on the 30 June 2018 full year financial results of approximately $1.227m.

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

The results of the discontinued operations included in the profit (loss) for the half year are set out below;

	Consolidated	
Profit for the half year from discontinued operations	**6 months to 31 Dec 18 $'000**	6 months to 31 Dec 17 $'000
Revenue	-	280
Expenses	-	(966)
Profit/(loss) before income tax	-	(686)
Income tax expense	-	70
Profit/(loss) for the half year from discontinued operations	-	(616)
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	-	(505)
Net cash inflows/(outflows) from investing activities	-	(356)
Net cash inflows/(outflows) from financing activities	-	285
Net cash inflows/ (outflows)	-	(576)

	Consolidated	
	as at 31 Dec 18 $'000	6 months to 31 Dec 17 $'000
Major classes of assets and liabilities classified as held for sale		
Current assets	-	(1,478)
Software development	-	5,668
Other intangible assets	-	208
Goodwill	-	2,612
Deferred income tax liabilities	-	(1,297)
Loans	-	(85)
Payables and other liabilities	-	(723)
Net carrying amount of discontinued operations	-	4,905

10 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

11 Events subsequent to balance date

There have been no other events subsequent to balance date of a nature which require reporting.

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

(a) the interim financial statements comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and accompanying notes 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 31 December 2018 and of the performance for the half-year 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 declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*, and is signed for and on behalf of the Directors by:

John Humphrey
Director

Brisbane
15 February 2019

Deloitte.

AUSWIDE BANK

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Riverside Centre
Level 23
123 Eagle Street
Brisbane QLD 4000
GPO Box 1463
Brisbane QLD 4001 Australia

Tel: +61 7 3308 7000
Fax: +61 7 3308 7002
www.deloitte.com.au

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Auswide Bank Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 30.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Auswide Bank Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Auswide Bank Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Auswide Bank Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, 15 February 2019