Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	30 June 2019
Previous Corresponding Reporting Period	12 months to 30 June 2018

APPENDIX 4E
PRELIMINARY FINAL REPORT

Financial year ended 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

INCOME FROM OPERATIONS

↑ 1.13%

Income from operations up 1.13% to $72.649m

PROFIT FROM ORDINARY ACTIVITIES

↓ (3.84)%

Profit from ordinary activities after tax attributable to members down 3.84% to $17.201m

NET PROFIT

↓ (3.84)%

Net profit for the period attributable to members down 3.84% to $17.201m

REVIEW AND RESULTS OF OPERATIONS

The underlying net profit after tax (NPAT) for the consolidated entity for financial year 2018/19 was $17.201m compared to $17.108m for 2017/18. This represents an increase of 0.5%.

The statutory consolidated NPAT for the 2018/19 financial year was $17.201m compared to the result of $17.886m for the 2017/18 year. This represents a reduction of 3.8%.

The underlying NPAT for the 2017/18 financial year 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.

The loan book of Auswide Bank Ltd (grossed up for Investments in Managed Investment Schemes reported in Other financial assets in the Statement of Financial Position) increased from $2.945b at 30 June 2018 to $3.131b at 30 June 2019, an increase of $186m. This represents growth of 6.3% for the 2018/19 financial year. The loan book growth of 6.3% compares favourably with the Reserve Bank of Australia data which discloses credit provided to the private sector increased by 3.3% over the 12 months to June 2019.

Home loan settlements across the financial year totalled $616.036m, an increase of 13.3% on the $543.530m in home loan settlements for 2017/18.

A comprehensive review of results and operations is included in the Directors' Statutory Report.

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 2018/19 financial year, in addition to elevated funding markets in the first three quarters 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 2018/19 year was 1.87% compared to 1.93% in the 2017/18 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) increased from $14.1m to $14.3m. Arrears have decreased as a percentage of the Group's total loan book from 0.48% at 30 June 2018 to 0.46% at 30 June 2019.

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 2019 was 13.79% (2018: 14.89%). The tier 1 capital ratio at 30 June 2019 was 11.76% (2018: 12.68%).

APPENDIX 4E
PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2019

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	16.0c	16.0c	Nil
Final dividend			
Current year	18.5c	18.5c	Nil
Previous year	18.0c	18.0c	Nil
The record date for determining entitlements to the dividends		10 September 2019	

Total Dividend (Distribution) per security (Interim Plus Final)	Current year	Previous year
Ordinary securities	34.5c	34.0c

Details of individual and total dividends	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	6,740
Final dividend payable 20 September 2019 – previous period paid 21 September 2018	7,804	7,583
Total	14,553	14,323

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 2019.

APPENDIX 4E
PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2019

CONSOLIDATED RETAINED PROFITS

	Current period $A'000	Previous corresponding period $A'000
Retained profits (accumulated losses) at the beginning of the financial period	29,898	23,687
Net profit (loss) attributable to members	17,201	17,886
Adjustment on adoption of AASB 9 (net of tax)	(896)	–
Net transfers from (to) reserves	(461)	–
Net transfers from (to) Retained Profits due to wind up of wholly owned subsidiary	–	1,974
Dividends and other equity distributions paid or payable	(14,324)	(13,649)
Retained profits (accumulated losses) at end of financial period	31,418	29,898

NET TANGIBLE ASSETS PER SECURITY

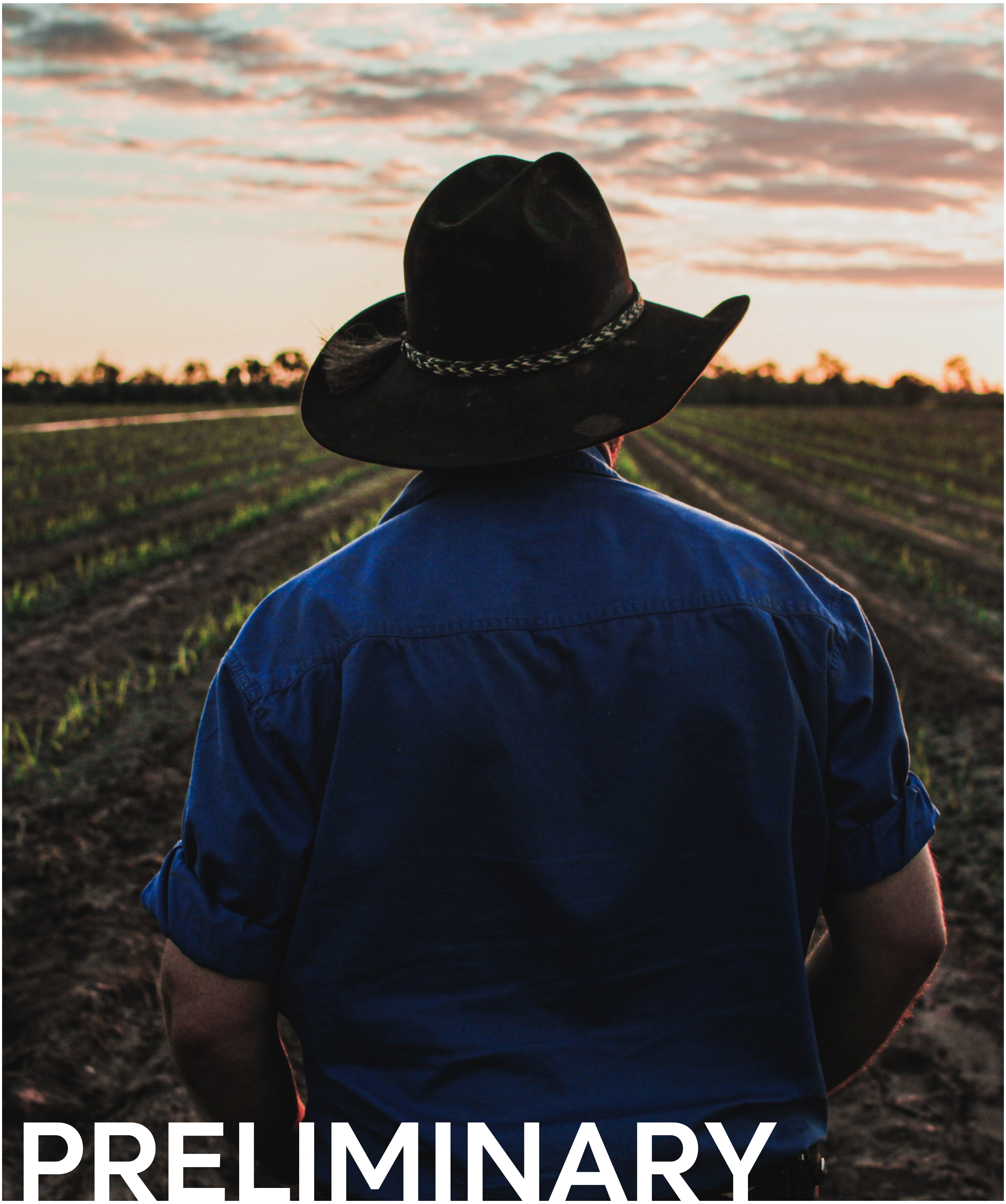
	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	$4.51	$4.47

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	–	–
Widcap Securities Pty Ltd	Australia	100	100	–	–
Auswide Performance Rights Pty Ltd	Australia	100	100	–	–
MoneyPlace Holdings Pty Ltd	Australia	–	–	–	842

AUDIT OF ACCOUNTS

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



PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2019

AUSWIDE BANK

CONTENTS

Directors' statutory report

Review and results of operations

The underlying net profit after tax (NPAT) for the consolidated entity for financial year 2018/19 was $17.201m compared to $17.108m for 2017/18. This represents an increase of 0.5%.

The statutory consolidated NPAT for the 2018/19 financial year was $17.201m compared to the result of $17.886m for the 2017/18 year.

The loan book of Auswide Bank Ltd (grossed up for Investments in Managed Investment Schemes reported in Other financial assets in the Statement of Financial Position) increased from $2.945b at 30 June 2018 to $3.131b at 30 June 2019, an increase of $186m. This represents growth of 6.3% for the 2018/19 financial year. The loan book growth of 6.3% compares favourably with the Reserve Bank of Australia data which discloses credit provided to the private sector increased by 3.3% over the 12 months to June 2019.

Consumer lending

The consumer lending portfolio increased from $43.524m at 30 June 2018 to $62.312m at 30 June 2019, an increase of $18.788m. The growth in consumer lending has contributed significantly to the operating results of the Company with net interest revenue of approximately $3.306m derived from the portfolio in the financial year.

Customers

Auswide Bank is undertaking a review of the Broker home lending business to examine and improve:

- the customer proposition - product, pricing and brand;
- end to end process and operations;
- credit process and risk settings;
- supporting systems and documentation; and
- sales force effectiveness.

The key objectives include improving both the customer and the broker experience and to become known as the bank who is consistent and simple to do business with.

Digital branch and automation

Auswide Bank recognises that customers are moving to online services which provide speed, ease of use and the accessibility of services. The strategic goal is to create an end-to-end digital banking experience and the bank has initiated projects to deliver online application capabilities.

Apply Now - Personal Loans, which provides the ability for single applicants to apply for a personal loan via Auswide Bank's website, went live in February 2019. Apply Now will also facilitate the opening of term deposits, savings and transaction accounts via Online Banking and is expected to be released in H1 of FY2020.

Nintex Promapp is an online repository which simplifies process management and provides real-time feedback and collaboration. This project was delivered in September 2018. Nintex provides powerful, easy to use workflow automation capabilities to allow staff to quickly and easily manage, automate and optimize its business processes.

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.

Strategic plan

A new three year strategic plan was adopted by the Board in March of 2019. The six pillars of the strategic plan are as follows:

- building awareness and consideration via consistent messaging, customer service and leveraging the QRL sponsorship to drive customer acquisition;
- establishing partnerships that support growth in retail and business banking platforms, member based and community organisations;

Principal activities and significant changes (continued)

- improving customer experience through digital implementation and the Customer Hub to increase product conversion rates and lower the cost to income ratio;
- improving efficiencies through automation and simplification with focus on back office, finance, credit and broker service;
- strengthening the bank via enhanced staff capabilities, risk audit processes, capital and funding strength, as well as cyber risk and fraud detection capability; and
- reviewing M&A, Fintech and partnering opportunities.

Branch network

The Company has a diversified branch network consisting of 21 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.

There is focus on ensuring future investments are aligned with growth opportunities and strategic initiatives, ensuring a consistent review of historical investments including branches.

Technology

Investment in technology continues with focus on improved security and fraud protection as well as enhanced customer experience. The key technology strategies include:

- investment in the customer experience by updating the Customer Hub platform;
- cyber security programs to maintain a strong security posture in a changing cyber landscape;
- core system updates to the latest version and features of Ultracs;
- improved digital channel capability across self-service account origination; and
- approved Lending Platform updates to increase automation and 3rd party integration.

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 2018/19 financial year, in addition to elevated funding markets in the first three quarters of the financial year. In order to maintain stability in the NIM, the bank closely monitors the competitive pricing of products and continues to proactively manage assets and liabilities.

The net interest margin for the 2018/19 year was 1.87% compared to 1.93% in the 2017/18 financial year.

Arrears and collections

Total arrears greater than 30 days past due (excluding the effects of hardship accounts) increased from $14.058m to $14.302m. Arrears have decreased as a percentage of the Group's total loan book from 0.48% at 30 June 2018 to 0.46% at 30 June 2019.

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 2019 was 13.79% (2018: 14.89%). The tier 1 capital ratio at 30 June 2019 was 11.76% (2018: 12.68%).

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 25 March 2019 (26 March 2018: 16.0 cents). A fully franked final dividend of 18.5 cents per ordinary share has been declared by the Board and will be paid on 20 September 2019 (21 September 2018: 18.0 cents).

Although the dividend payout ratio of 84.6% for the financial year exceeds the Board guideline of 70% to 80%, the Board of Directors declared an 18.5 cent dividend based on the strength of the bank's capital.

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 is a Senior Consultant in the Brisbane office of international law firm, King & Wood Mallesons, where he specialises in commercial law, corporate mergers and acquisitions. He served as Executive Dean of the Faculty of Law at Queensland University of Technology (until June 2019). 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 he is Chairman of the Institutes Audit and Risk Committee and Chairman of the Institutes Remuneration Committee.

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 is currently a Non-Executive Director of Impact Community Services, and served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Mr Barrett is an Executive Director.

Directors (continued)

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

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

Company secretary

Mr William R Schafer BCom, CA

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

Directors' meetings

During the financial year, 11 meetings of the Directors, 5 meetings of the Audit Committee, 8 meetings of the Remuneration Committee and 5 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	11	11	5	5	n/a	n/a	n/a	n/a
B Dangerfield	11	11	5	5	8	8	5	5
GN Kenny	11	10	5	4	8	7	5	5
MJ Barrett	11	11	5	5*	8	1*	5	5*
SC Birkensleigh	11	11	5	5	8	8	5	5

* Mr Barrett who is not a member of the Audit, Risk or Remuneration Committees, attended the Audit, Risk and Remuneration 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	173,773
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 2018/19 was subject to review and recommendation of the Remuneration Committee and ratification by the Board. Remuneration of the Executive Management Team for 2018/19 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.

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.

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

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 2018. Cash payments were granted on the 20 September 2018, and allocated to the Executive Management Team as follows;

- Mr MJ Barrett (Managing Director): $93,000;
- Mr WR Schafer (Chief Financial Officer): $38,089;
- Mr SM Caville (Chief Information Officer): $19,314;
- Mr D Hearne (Chief Customer Officer): $37,637;
- Mrs GM Job (Chief People and Property Officer): $20,199;
- Mr CA Lonergan (Chief Risk Officer): $20,225; and
- Mr MS Rasmussen (Chief Operating Officer): $22,802.

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.

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

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.

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.

KMP	Maximum value	Vesting date	Vested in the 18/19 financial year	Not yet assessed for vesting
	No of shares		No of shares	No of shares
2014 offer - June 2014		**July 2014 - June 2018**		
Barrett, MJ	4,433	1/07/2018	4,433	
2015 offer - June 2015		**July 2015 - June 2019**		
Barrett, MJ	5,608	1/07/2018	5,608	-
	5,608	1/07/2019	-	5,608
2016 offer - September 2016		**July 2016 - June 2020**		
Barrett, MJ	4,762	1/07/2018	4,762	-
	4,762	1/07/2019	-	4,762
	4,762	1/07/2020	-	4,762
Schafer, WR	998	1/07/2018	998	-
	998	1/07/2019	-	998
	998	1/07/2020	-	998
Caville, SM	865	1/07/2018	865	
	865	1/07/2019	-	865
	865	1/07/2020	-	865
Job, GM	815	1/07/2018	815	-
	815	1/07/2019	-	815
	815	1/07/2020	-	815
Lonergan, CA	971	1/07/2018	971	-
	971	1/07/2019	-	971
	971	1/07/2020	-	971
Rasmussen, MS	998	1/07/2018	998	-
	998	1/07/2019	-	998
	998	1/07/2020	-	998

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

KMP	Maximum value	Vesting date	Vested in the 18/19 financial year	Not yet assessed for vesting
	No of shares		No of shares	No of shares
2017 offer - September 2017		**July 2017 - June 2021**		
Barrett, MJ	2,446	1/07/2019	-	2,446
	2,446	1/07/2020	-	2,446
	2,446	1/07/2021	-	2,446
Schafer, WR	1,044	1/07/2019	-	1,044
	1,044	1/07/2020	-	1,044
	1,044	1/07/2021	-	1,044
Caville, SM	1,044	1/07/2019	-	1,044
	1,044	1/07/2020	-	1,044
	1,044	1/07/2021	-	1,044
Hearne, D	1,247	1/07/2019	-	1,247
	1,247	1/07/2020	-	1,247
	1,247	1/07/2021	-	1,247
Job, GM	1,044	1/07/2019	-	1,044
	1,044	1/07/2020	-	1,044
	1,044	1/07/2021	-	1,044
Lonergan, CA	1,044	1/07/2019	-	1,044
	1,044	1/07/2020	-	1,044
	1,044	1/07/2021	-	1,044
Rasmussen, MS	1,044	1/07/2019	-	1,044
	1,044	1/07/2020	-	1,044
	1,044	1/07/2021	-	1,044
2018 offer - September 2018		**July 2018 - June 2022**		
Barrett, MJ	5,811	1/07/2020	-	5,811
	5,811	1/07/2021	-	5,811
	5,812	1/07/2022	-	5,812
Schafer, WR	1,220	1/07/2020	-	1,220
	1,220	1/07/2021	-	1,220
	1,221	1/07/2022	-	1,221
Caville, SM	1,220	1/07/2020	-	1,220
	1,220	1/07/2021	-	1,220
	1,221	1/07/2022	-	1,221
Hearne, D	1,312	1/07/2020	-	1,312
	1,312	1/07/2021	-	1,312
	1,313	1/07/2022	-	1,313
Job, GM	1,220	1/07/2020	-	1,220
	1,200	1/07/2021	-	1,200
	1,221	1/07/2022	-	1,221
Lonergan, CA	1,220	1/07/2020	-	1,220
	1,220	1/07/2021	-	1,220
	1,221	1/07/2022	-	1,221
Rasmussen, MS	1,220	1/07/2020	-	1,220
	1,220	1/07/2021	-	1,220
	1,221	1/07/2022	-	1,221

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:

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2019	Short-term employee benefits			Post employment benefits			
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Other long term benefits $	Share based payments $	Total $
	Fixed	*Performance based*				*Performance based*	
SPECIFIED DIRECTORS							
Humphrey, JS Chairman (non-exec)	149,224	-	-	14,176	-	-	163,400
Birkensleigh, S Director (non-exec)	93,265	-	-	8,860	-	-	102,125
Dangerfield, B Director (non-exec)	93,265	-	-	8,860	-	-	102,125
Kenny, GN Director (non-exec)	93,265	-	-	8,860	-	-	102,125
Barrett, MJ Managing Director	571,027	93,000	-	20,531	12,919	86,598	784,075
Total remuneration - Specified Directors	**1,000,046**	**93,000**	**-**	**61,287**	**12,919**	**86,598**	**1,253,850**
OTHER KEY MANAGEMENT PERSONNEL							
Schafer, WR Chief Financial Officer	328,137	38,089	-	20,531	8,945	5,838	401,540
Caville, SM Chief Information Officer	191,762	19,314	-	19,112	1,960	5,060	237,208
Hearne, D Chief Customer Officer	299,771	37,637	-	20,531	5,355	-	363,294
Job, GM Chief People and Property Officer	191,845	20,199	-	19,152	7,930	4,768	243,894
Lonergan, CA Chief Risk Officer	199,022	20,225	-	19,365	4,351	5,680	248,643
Rasmussen, MS Chief Operating Officer	224,367	22,802	-	20,531	4,727	5,838	278,265
Total remuneration - Specified Executives	**1,434,904**	**158,266**	**-**	**119,222**	**33,268**	**27,184**	**1,772,844**

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 $	Super-annuation $	Other long term benefits $	Share based payments $	Total $
	Fixed	*Performance based*				*Performance based*	
SPECIFIED DIRECTORS							
Humphrey, JS Chairman (non-exec)	146,119	-	-	13,881	-	-	160,000
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 People and Property 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**

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, 31 May 2019
- 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) - Payment under the STI scheme up to a maximum of $180,000 per year (or such other amount determined by the Board}, depending on satisfaction of KPIs as in place from time to time assessed and determined in the sole and absolute discretion of the Board.
- Long Term Incentive (LTI) - Grant of performance rights under the LTI plan up to a maximum value of $120,000 (or such other amount determined by the Board). Awards made under the LTIP are at the absolute and sole discretion of the Board.

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.
- 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.

Remuneration report (continued)

Employment contracts (continued)

Current personnel (continued)

- 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.

Remuneration report (continued)

Employment contracts (continued)

Current personnel (continued)

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.
- 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. 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 and Property 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.

Remuneration report (continued)

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 2019:

	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000
Net profit before tax	**24,638**	25,158	21,870	17,606	19,028
Net profit after tax	**17,201**	17,886	15,149	11,699	13,262

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Share price at start of year	**$5.63**	$5.14	$5.08	$5.05	$5.50
Share price at end of year	**$5.13**	$5.63	$5.14	$5.08	$5.05
Interim dividend	**16.00 cps**	16.00 cps	14.00 cps	14.00 cps	14.00 cps
Final dividend	**18.50 cps**	18.00 cps	17.00 cps	16.00 cps	16.00 cps
Basic earnings per share	**40.81 cps**	42.83 cps	37.35 cps	31.20 cps	36.07 cps
Diluted earnings per share	**40.81 cps**	42.83 cps	37.35 cps	31.20 cps	36.07 cps

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

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 153 basis points below the owner occupied standard variable interest 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 2019	Balance 30 June 2018	Interest charged $	Write-off $	Balance 30 June 2019	Number in Group 30 June 2019
Directors	(1,846,339)	68,040	-	(1,762,889)	1
Executives	(172,494)	30,207	-	(1,913,024)	6
Total: Key management personnel	**(2,018,833)**	**98,247**	**-**	**(3,675,913)**	**7**

Remuneration report (continued)

Loans to key management personnel (continued)

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

Individuals with loans above $100,000 in reporting period	Balance 30 June 2018 $	Interest* charged $	Write-off $	Balance 30 June 2019 $	Highest in period $
Directors					
MJ Barrett	**(1,846,339)**	**68,040**	**-**	**(1,762,889)**	**(1,846,339)**
Executives					
WR Schafer	**(66,842)**	**4,355**	**-**	**(388,483)**	**(396,092)**
D Hearne	**-**	**26,606**	**-**	**(1,411,469)**	**(1,425,000)**

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

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 2018	Received as remuneration	Options exercised	Net change other	Balance 30 June 2019
Directors					
JS Humphrey	31,551	-	-	-	31,551
B Dangerfield	43,291	-	-	-	43,291
GN Kenny	15,000	-	-	-	15,000
MJ Barrett	158,970	14,803	-	-	173,773
Executives					
WR Schafer	42,000	998	-	(8,000)	34,998
SM Caville	44,240	865	-	-	45,105
GM Job	112,464	815	-	5,104	118,383
CA Lonergan	12,000	971	-	1,029	14,000
MS Rasmussen	-	998	-	3,500	4,498
Total	459,516	19,450	-	1,633	480,599

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 2019, 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:

	2019 $	2018 $
Services provided in connection with:		
Tax advisory services	**64,449**	88,841
Other services	**112,344**	87,166
	176,793	176,007

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
22 August 2019

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

22 August 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 audit of the financial report of Auswide Bank Ltd for the year ended 30 June 2019, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Interest revenue	2.1	**136,352**	128,933	**136,352**	128,933
Interest expense	2.1	**(73,167)**	(67,913)	**(73,167)**	(67,913)
Net interest revenue		**63,185**	61,020	**63,185**	61,020
Other non-interest income	2.2	**9,464**	9,348	**9,464**	9,348
Employee benefits expense		**20,327**	19,427	**20,327**	19,427
Depreciation expense		**1,920**	1,992	**1,920**	1,992
Amortisation expense		**685**	690	**685**	690
Occupancy expense		**2,361**	2,320	**2,361**	2,320
Impairment losses on financial instruments	4.5.5	**1,143**	1,320	**1,143**	1,320
Fees and commissions		**9,884**	8,847	**9,884**	8,847
General and administration expenses		**10,905**	10,671	**10,905**	10,671
Other expenses		**786**	702	**786**	702
Profit before income tax expense		**24,638**	24,399	**24,638**	24,399
Income tax expense	2.3	**7,437**	7,355	**7,437**	7,355
Profit for the year from continuing operations		**17,201**	17,044	**17,201**	17,044
Profit/(loss) for the year from discontinued operations	5.4	**-**	611	**-**	2,301
Profit for the year		**17,201**	17,655	**17,201**	19,345
Other comprehensive income, net of income tax					
Items that may be reclassified to profit or loss					
Revaluation of cash flow hedge to fair value		**(221)**	(265)	**(221)**	(265)
Revaluation of FVTOCI investments to fair value		**(2)**	(3)	**(2)**	(3)
Income tax relating to these items		**67**	80	**67**	80
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings to fair value	3.5.3	**-**	1,446	**-**	1,446
Income tax relating to this item		**-**	(434)	**-**	(434)
Other comprehensive income/(loss) for the year, net of income tax		**(156)**	824	**(156)**	824
Total comprehensive income for the year		**17,045**	18,479	**17,045**	20,169
Profit for the year attributable to:					
Owners of the Company		**17,201**	17,886	**17,201**	19,345
Non-controlling interests	5.2	**-**	(231)	**-**	-
		17,201	17,655	**17,201**	19,345
Total comprehensive income attributable to:					
Owners of the Company		**17,045**	18,710	**17,045**	20,169
Non-controlling interests	5.2	**-**	(231)	**-**	-
		17,045	18,479	**17,045**	20,169

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

Earnings per share

From continuing and discontinued operations			
Basic (cents per share)	2.4	**40.81**	42.83
Diluted (cents per share)	2.4	**40.81**	42.83
From continuing operations			
Basic (cents per share)	2.4	**40.81**	40.81
Diluted (cents per share)	2.4	**40.81**	40.81

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 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Cash and cash equivalents	4.1.1	**104,389**	86,361	**104,389**	86,361
Due from other financial institutions	4.1.2	**20,994**	15,389	**20,994**	15,389
Other financial assets	4.1.3	**317,059**	255,050	**349,445**	287,436
Current income tax assets		**1,575**	(721)	**1,575**	(1,182)
Loans and advances	4.1.4	**3,086,158**	2,919,303	**3,086,324**	2,919,446
Other investments	4.1.5	**1,321**	1,144	**1,321**	1,144
Property, plant and equipment	3.1	**14,363**	15,576	**14,363**	15,576
Other intangible assets	3.2	**1,763**	1,956	**1,763**	1,956
Deferred tax assets	2.3.5	**4,952**	4,573	**4,952**	4,573
Other assets	6.5	**4,465**	4,621	**4,466**	4,622
Goodwill	3.3	**46,363**	46,363	**46,363**	46,363
Total assets		**3,603,402**	3,349,615	**3,635,955**	3,381,684
LIABILITIES					
Deposits and short term borrowings	4.1.6	**2,802,605**	2,446,825	**2,802,608**	2,446,860
Payables and other liabilities	4.1.7	**39,093**	26,068	**39,090**	26,061
Loans under management	4.1.4	**490,412**	607,166	**522,798**	639,552
Deferred tax liabilities	2.3.5	**1,786**	1,891	**1,786**	1,891
Provisions	6.4	**3,009**	2,923	**3,009**	2,923
Subordinated capital notes	4.1.8	**28,000**	28,000	**28,000**	28,000
Total liabilities		**3,364,905**	3,112,873	**3,397,291**	3,145,287
Net assets		**238,497**	236,742	**238,664**	236,397
EQUITY					
Contributed equity	3.4	**191,936**	191,612	**192,021**	191,746
Reserves	3.5	**15,143**	15,232	**15,251**	15,232
Retained profits		**31,418**	29,898	**31,392**	29,419
Total equity		**238,497**	236,742	**238,664**	236,397

The above consolidated statement of financial position 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)
Transfer to retained profits due to wind up of subsidiaries	-	1,974	-	-	-	-	-	-	-	-	1,974
Deconsolidation of non-controlling interest on disposal of MoneyPlace	-	-	-	-	-	-	-	-	-	(1,060)	(1,060)
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	375	-	375
Share-based payments vested during the year	-	-	-	-	-	-	-	-	55	-	55
Increase (decrease) due to revaluation of external 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)
Movement in treasury shares	(134)	-	-	-	-	-	-	-	-	-	(134)
Dividends provided for or paid	-	(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

Consolidated entity	Notes	Attributable to owners of Auswide Bank Ltd										
		Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	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
Adjustment on adoption of AASB 9 (net of tax)	1.7	-	(896)	-	-	-	-	(102)	102	-	-	(896)
Restated total equity at the beginning of the financial year		**191,612**	**29,002**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**102**	**(366)**	**241**	**235,846**
Total comprehensive income for the year:												
Profit attributable to members of parent company		-	17,201	-	-	-	-	-	-	-	-	17,201
Transfer to /from retained profits on consolidation		-	(461)	-	-	-	-	-	-	-	-	(461)
Share-based payments expensed during the year		-	-	-	-	-	-	-	-	-	175	175
Share-based payments vested during the year		-	-	-	-	-	-	-	-	-	(108)	(108)
Increase (decrease) due to revaluation of external RMBS investments to fair value		-	-	-	-	-	-	-	(2)	-	-	(2)
Deferred tax liability adjustment on revaluation of external RMBS investments		-	-	-	-	-	-	-	1	-	-	1
Increase (decrease) due to revaluation of cash flow hedge to fair value		-	-	-	-	-	-	-	-	(221)	-	(221)
Deferred tax liability adjustment on revaluation of cash flow hedge		-	-	-	-	-	-	-	-	66	-	66
Sub-total		**191,612**	**45,742**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**308**	**252,497**
Issue of share capital for staff share plan		275	-	-	-	-	-	-	-	-	-	275
Dividends provided for or paid		-	(14,324)	-	-	-	-	-	-	-	-	(14,324)
Movement in treasury shares		78	-	-	-	-	-	-	-	-	-	78
Gain/ (loss) in share capital due to employee incentive scheme		(29)	-	-	-	-	-	-	-	-	-	(29)
Balance at 30 June 2019		**191,936**	**31,418**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**308**	**238,497**

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

Company	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	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
Share-based payments vested during the year	-	-	-	-	-	-	-	-	241	241
Increase (decrease) due to revaluation of external 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
Dividends provided for or paid	-	(13,657)	-	-	-	-	-	-	-	(13,657)
Share issue costs	(211)	-	-	-	-	-	-	-	-	(211)
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.

Consolidated statement of changes in equity

Company	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		191,746	29,419	4,357	5,834	2,676	2,388	102	-	(366)	241	236,397
Adjustment on adoption of AASB 9 (net of tax)	1.7	-	(896)	-	-	-	-	(102)	102	-	-	(896)
Restated total equity at the beginning of the financial year		**191,746**	**28,523**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**102**	**(366)**	**241**	**235,501**
Total comprehensive income for the year:												
Profit attributable to members of parent company		-	17,201	-	-	-	-	-	-	-	-	17,201
Share-based payments expensed during the year		-	-	-	-	-	-	-	-	-	175	175
Increase (decrease) due to revaluation of external RMBS investments to fair value		-	-	-	-	-	-	-	(2)	-	-	(2)
Deferred tax liability adjustment on revaluation of external RMBS investments		-	-	-	-	-	-	-	1	-	-	1
Increase (decrease) due to revaluation of cash flow hedge to fair value		-	-	-	-	-	-	-	-	(221)	-	(221)
Deferred tax liability adjustment on revaluation of cash flow hedge		-	-	-	-	-	-	-	-	66	-	66
Sub-total		**191,746**	**45,724**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**416**	**252,721**
Issue of share capital for staff share plan		275	-	-	-	-	-	-	-	-	-	275
Dividends provided for or paid		-	(14,332)	-	-	-	-	-	-	-	-	(14,332)
Balance at 30 June 2019		**192,021**	**31,392**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**416**	**238,664**

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

Consolidated statement of cash flows

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash flows from operating activities					
Interest received		**136,446**	128,674	**136,446**	128,674
Other non-interest income received		**14,605**	17,721	**14,605**	19,089
Interest paid		**(70,785)**	(66,757)	**(70,785)**	(66,757)
Income tax paid		**(10,227)**	(8,472)	**(10,227)**	(6,754)
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(34,394)**	(32,831)	**(34,388)**	(32,441)
Net cash provided by / (used in) operating activities	6.1	**35,645**	38,335	**35,651**	41,811
Cash flows from investing activities					
Net movement in investment securities		**(61,483)**	37,651	**(61,483)**	35,651
Net movement in amounts due from other financial institutions		**(5,605)**	(3,626)	**(5,605)**	(3,626)
Net movement in loans and advances		**(168,924)**	(141,788)	**(168,948)**	(141,762)
Net movement in other investments		**(177)**	(75)	**(177)**	4,008
Proceeds from sale of property, plant and equipment		**4**	-	**4**	-
Payments for non current assets		**(1,219)**	(1,679)	**(1,219)**	(1,679)
Net cash inflow/ (outflow) from discontinued operations		**-**	6,660	**-**	-
Net cash provided by / (used in) investing activities		**(237,404)**	(102,857)	**(237,428)**	(107,408)
Cash flows from financing activities					
Net movement in deposits and short term borrowings		**351,670**	137,263	**351,638**	135,324
Net movement in amounts due to other financial institutions and other liabilities		**(117,883)**	(99,656)	**(117,776)**	(97,845)
Proceeds from share issue		**275**	291	**275**	291
Dividends paid		**(14,324)**	(6,946)	**(14,332)**	(6,954)
Movement in share capital due to employee incentive scheme		**49**	(134)	**-**	-
Net cash provided by / (used in) financing activities		**219,787**	30,818	**219,805**	30,816
Net movement in cash and cash equivalents		**18,028**	(33,704)	**18,028**	(34,781)
Cash and cash equivalents at the beginning of the financial year		**86,361**	120,065	**86,361**	121,142
Cash and cash equivalents at end of the financial year	4.1.1	**104,389**	86,361	**104,389**	86,361

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.

Contents of the notes to the financial statements

1. General information

1.1 Reporting entity

Auswide Bank Ltd (the Company) is a for-profit listed public company, incorporated and domiciled in Australia. The consolidated financial statements of Auswide Bank Ltd for the year ended 30 June 2019 comprises Auswide Bank Ltd and its subsidiaries (the Group or the Consolidated Entity).

1.2 Statement of compliance

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 comply with all International Financial Reporting Standards (IFRS) in their entirety.

1.3 Basis of preparation

These financial statements have been prepared on an accrual basis and are based on historical cost, except for land and buildings, hedging instruments, financial instruments held at fair value through profit or loss or other comprehensive income that have been measured at fair value.

The accounting policies and methods of computation in the preparation of these financial statements are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2018, unless otherwise stated.

These financial statements have been prepared in Australian Dollars (AUD) which is the functional and presentation currency of the Company.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, being the parent entity and entities controlled by the Company.

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 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 is 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 Section 5.1.1 - Controlled entities.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date 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.

1. General information (continued)

1.5 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.

1.6 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.

1.7 Application of new and revised Accounting Standards

1.7.1 Standards and interpretations that are mandatorily effective for the current year

New and revised standards and amendments to standards effective for the current financial year which have been applied in the preparation of these financial statements that are relevant to the Group include:

- AASB 9 Financial Instruments (AASB 9)
- AASB 15 Revenue from Contracts with Customers (AASB 15)

Other standards
In addition to the above, the Group has applied a number of amendments to AASB Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for periods that begin on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 9 Financial Instruments

In the current year, the Group has applied AASB 9 (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 liabilities;
(2) impairment of financial assets; and
(3) general hedge accounting.

The classification and measurement, and impairment requirements are applied retrospectively by adjusting opening retained earnings at 1 July 2018. The Group has elected not to restate comparative figures on adoption of the new standard.

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

Classification and measurement

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.

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

1. General information (continued)

1.7 Application of new and revised Accounting Standards (continued)

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

However, 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; and
- 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.

Equity instruments designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on investments in equity instruments are recognised in profit or loss in accordance with AASB 9.

In the current year, 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 external Residential Mortgage Backed Securities (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 investments 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 amounting to $0.102m, previously recognised in equity being reclassified to other comprehensive income;
- 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 due to immateriality;
- 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 category under AASB 139 continue to be measured as such under AASB 9.

1. General information (continued)

1.7 Application of new and revised Accounting Standards (continued)

The table below illustrates the classification and measurement of financial assets and financial liabilities for the consolidated entity under AASB 9 and AASB 139 at the date of initial application, 1 July 2018. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Type of financial instrument	AASB 139 measurement category	AASB 9 measurement category	AASB 139 carrying amount	Additional loss allowance	AASB 9 carrying amount
			$'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
Other financial assets consisting of:					
- Certificates of deposit	Held-to-maturity	Amortised cost	210,178	-	210,178
- External RMBS investments	Available-for-sale	FVTOCI	1,147	-	1,147
- Investments in Managed Investment Schemes (MIS)	Available-for-sale	FVTPL	25,886	-	25,886
- Notes - securitisation program and other	Loans and receivables	Amortised cost	17,082	-	17,082
Derivative assets	FVTPL	FVTPL	61	-	61
Loans and advances	Loans and receivables	Amortised cost	2,919,303	1,280	2,918,023
Other investments					
Unlisted shares	Cost	FVTOCI	793	-	793
Financial liabilities					
Deposits and short term borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,446,825	N/A	2,446,825
Payables and other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	26,013	N/A	26,013
Derivative liabilities	FVTPL	FVTPL	55	N/A	55
Loans under management	Financial liabilities at amortised cost	Financial liabilities at amortised cost	607,166	N/A	607,166
Subordinated capital notes	Financial liabilities at amortised cost	Financial liabilities at amortised cost	28,000	N/A	28,000

Impairment of financial assets

AASB 9 requires impairment to be measured using an Expected Credit Loss (ECL) model as opposed to AASB 139's incurred credit loss model. 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:

1. General information (continued)

1.7 Application of new and revised Accounting Standards (continued)

(i) debt investments subsequently measured at amortised cost or at FVTOCI;
(ii) lease receivables;
(iii) contract assets; and
(iv) loan commitments and financial guarantee contracts to which the impairment requirements of AASB 9 apply.

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.

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 on a consolidated basis is as follows:

Items existing as at 1 July 18 that are subject to the impairment provisions of AASB 9	**Credit risk attributes at 1 July 18**	**Cumulative additional loss allowance recognised on 1 July 18**
		'$000
Cash and cash equivalents, Due from other financial institutions	Management believes that cash and cash equivalents and due from other financial institutions are subject to a very low credit risk at initial recognition with negligible default probability. As a result, the corresponding ECL on these financial assets is immaterial.	-
Other financial assets including;		
Certificates of deposit, External RMBS investments and Notes – securitisation program and other	Management believes that certificates of deposit , external RMBS investments and notes – securitisation program and other are subject to a very low credit risk at initial recognition with negligible default probability. As a result, the corresponding ECL on these financial assets is immaterial.	-
Loans and advances	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. General information (continued)

1.7 Application of new and revised 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 2018	Credit risk attributes at 1 July 2018	Cumulative additional loss allowance recognised on 1 July 2018
		'$000
Loans approved not advanced (LANA)	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. As a result the corresponding ECL on these investments is immaterial.	-

The additional credit loss allowance of $1.280m as at 1 July 2018 has been recognised against opening retained earnings, net of its related deferred tax impact of $0.384m resulting in a net decrease in retained earnings of $0.896m on 1 July 2018.

Disclosure relating to initial application of classification and measurement requirements 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 1 July 2018. Disclosures in relation to the Company level Statement of Financial Position have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	AASB 139 carrying amount 30 Jun 18 '$000	Reclassification '$000	Remeasurement '$000	AASB 9 carrying amount 1 Jul 18 '$000	Retained earnings impact 1 Jul 18 '$000
Investments 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 unlisted shares					
At cost under AASB 139	793	(793)	-	-	-
Reclassification to FVTOCI under AASB 9	-	793	-	793	-
Loans and advances					
Amortised cost under AASB 139	2,919,303	-	-	2,919,303	-
Remeasurement based on Expected Credit Loss (ECL) under AASB 9	-	-	(1,280)	(1,280)	(1,280)
	2,919,303	**-**	**(1,280)**	**2,918,023**	**(1,280)**
Deferred tax assets					
Opening balance	4,573	-	-	4,573	-
Tax effect of remeasurement of ECL	-	-	384	384	384
	4,573	**-**	**384**	**4,957**	**384**

1. General information (continued)

1.7 Application of new and revised Accounting Standards (continued)

AASB 15 Revenue from Contracts with Customers

The Group has applied AASB 15 for the first time in the current period. AASB 15 introduces a five-step approach to revenue recognition and more prescriptive guidance has been added 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.

Fees and commissions

The Group charges various 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 the adoption of AASB 15. The accounting policy related to fees and commissions are disclosed in Section 2.2 - Other non-interest income .

1.7.2 Standards and Interpretations on issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period are set out below and have not been early adopted by the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases (AASB 16)	1 January 2019	30 June 2020

AASB 16 Leases

AASB 16 replaces AASB 117, Leases and is effective for annual periods beginning on or after 1 January 2019. The new standard is aimed at a more transparent representation of the true financial position of an entity by fully reflecting its liabilities as the leases represent committed future expenditures. The Standard introduces an on balance sheet lease accounting model where a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make lease payments) are recognised. The asset is depreciated over the term of the lease and the liability is reduced by the actual lease payments. Interest on the outstanding liability is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income. The Group incurs costs for leases relating to office space in Brisbane and regional Queensland.

The new standard will have the following impact on the Group's financial statements:

- the Group will recognise new right-of-use assets and liabilities relating to operating leases of office premises and vehicles in the Statement of Financial Position;
- the recognition of operating lease expense will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities in the Statement of Profit or Loss and Other Comprehensive Income; and
- cash payments of the lease liability will be classified into a principal portion and interest portion and presented in the Statement of Cash Flows under financing and operating activities respectively.

As at 30 June 2019, the minimum lease payments under non-cancellable operating leases amounted to $5.586m. The Group will adopt the standard for the year ended 30 June 2020, and has chosen the 'modified' retrospective approach whereby comparative financial statements will not be restated. The Group has estimated the cumulative effect arising as a result of adoption of AASB 16 which will be recognised as a one off adjustment to opening retained earnings of $0.846m. The right-of-use asset and lease liability that will be recognised on transition is estimated at $2.840m and $3.687m respectively.

1. General information (continued)

1.7 Application of new and revised Accounting Standards (continued)

The Group estimates that as result of adoption of AASB 16, depreciation expense on right-of-use assets amounting to $1.171m and interest expense on lease liability amounting to $0.162m will be recognised in the financial statements for the year ending 30 June 2020.

1.8 Reclassification of comparative figures

Certain accounts in the Statement of Financial Position for the year ended 30 June 2018, which are included in the 2019 financial statements for comparative purposes, have been reclassified to conform to the nature of accounts. The significant reclassifications are as follows:

Statement of Financial Position	Before reclassification $'000	Reclassification $'000	After reclassification $'000
Assets			
Accrued receivables	5,298	(5,298)	-
Other financial assets	254,293	757	255,050
Loans and advances	2,910,847	8,456	2,919,303
Other assets	8,475	(3,854)	4,621
Liabilities			
Payables and other liabilities	26,007	61	26,068

The reclassifications have been made because, in the opinion of management, the new classifications are more appropriate to the Company's business.

2. Financial performance

2.1 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 year. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2019			
Deposits with other financial institutions	**56,502**	**897**	**1.59**
Investment securities	**223,722**	**5,430**	**2.43**
Loans and advances	**3,017,419**	**126,533**	**4.19**
Other	**76,103**	**3,492**	**4.59**
	3,373,746	**136,352**	**4.04**
Interest expense 2019			
Deposits from other financial institutions	**550,996**	**17,798**	**3.23**
Customer deposits	**2,203,601**	**43,478**	**1.97**
Negotiable certificates of deposit (NCDs)	**297,275**	**7,039**	**2.37**
Floating rate notes (FRNs)	**105,154**	**3,054**	**2.90**
Subordinated capital notes	**28,000**	**1,798**	**6.42**
	3,185,026	**73,167**	**2.30**
Net interest revenue 2019		**63,185**	

Consolidated entity			
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 capital notes	28,000	1,760	6.29
	2,962,608	67,913	2.29
Net interest revenue 2018		61,020	

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.

Consolidated entity

Interest margin and interest spread 2019

Interest revenue	**3,373,746**	**136,352**	**4.04**
Interest expense	**3,185,026**	**73,167**	**2.30**
Net interest spread			**1.74**
Benefit of net interest-free assets, liabilities and equity			**0.13**
Net interest margin - on average interest earning assets	**3,373,746**	**63,185**	**1.87**

2. Financial performance (continued)

2.1 Interest revenue and interest expense (continued)

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

Accounting policies

Interest income and interest expense

Interest income and expense for all financial instruments except for those classified as held for trading and those measured or designated at FVTPL are recognised in net interest income as interest income and interest expense in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that discounts estimated future cash flows of a financial instrument over its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECL in determining the future cash flows expected to be received from the financial asset.

2.2 Other non-interest income

	Consolidated		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Other non-interest income				
Fees and commissions	**8,959**	8,874	**8,959**	8,874
Other income	**505**	474	**505**	474
	9,464	9,348	**9,464**	9,348

Accounting policies

Other non-interest income

Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Group’s Consolidated Statement of Profit or Loss and Other Comprehensive Income include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Income from these sources is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer which is typically at the time when the underlying transaction to which the fee and commission relates is executed as specified in the contract.

2. Financial performance (continued)

2.3 Income taxes

2.3.1 Components of income tax expense

	Consolidated		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current income tax	**7,465**	6,732	**7,465**	6,732
Deferred income tax	**(28)**	623	**(28)**	623
Income tax expense reported in profit or loss	**7,437**	7,355	**7,437**	7,355

Accounting policies

Taxation

The 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 for 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 determined using 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.

A 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 its wholly-owned Australian resident entities (with the exception of Auswide Performance Rights Pty Ltd) 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.

2. Financial performance (continued)

2.3 Income taxes (continued)

2.3.2 Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Tax on profit before income tax at 30% (2018: 30%)	**7,392**	7,320	**7,392**	7,320
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	**58**	49	**58**	49
Less:				
Tax offset for franked dividends	**1**	-	**1**	-
Other items - net	**(14)**	(14)	**(14)**	(14)
Income tax expense	**7,437**	7,355	**7,437**	7,355

2.3.3 Income tax recognised in other comprehensive income

	Consolidated		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Current income tax				
Other	**-**	-	**-**	-
	-	-	**-**	-
Deferred income tax				
Arising on items that may be reclassified to profit or loss:				
Fair value remeasurement of FVTOCI (AASB 139: available-for-sale) financial assets	**(1)**	-	**(1)**	-
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**(66)**	(80)	**(66)**	(80)
	(67)	(80)	**(67)**	(80)
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	**(67)**	354	**(67)**	354

2. Financial performance (continued)

2.3 Income taxes (continued)

2.3.4 Current tax assets and liabilities

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Current tax assets/ (liabilities)				
Current income tax assets/ (liabilities)	**1,575**	(721)	**1,575**	(1,182)
	1,575	(721)	**1,575**	(1,182)

2.3.5 Deferred tax balances

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Deferred tax assets	**4,952**	4,573	**4,952**	4,573
Deferred tax liabilities	**(1,786)**	(1,891)	**(1,786)**	(1,891)
	3,166	2,682	**3,166**	2,682

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Deferred tax assets				
Employee leave provisions	**891**	865	**891**	865
Expected credit losses	**1,396**	959	**1,396**	959
Property, plant and equipment	**858**	819	**858**	819
Capital losses available	**1,466**	1,466	**1,466**	1,466
Project acquisition costs	**91**	179	**91**	179
Premium on loans purchased	**122**	124	**122**	124
Subordinated capital notes prepaid expenses	**39**	34	**39**	34
Other items	**89**	127	**89**	127
	4,952	4,573	**4,952**	4,573

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Deferred tax liabilities				
Asset revaluation reserve	**1,867**	1,867	**1,867**	1,867
Prepayments	**99**	137	**99**	137
Investment revaluation reserve (AASB139: available-for-sale reserve)	**43**	44	**43**	44
Cash flow hedging reserve	**(223)**	(157)	**(223)**	(157)
	1,786	1,891	**1,786**	1,891

In respect of each temporary difference the adjustment was charged to income, except for the revaluations of the external RMBS investments which were charged to the investment revaluation 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.

2. Financial performance (continued)

2.3 Income taxes (continued)

Movement in deferred tax balances	Notes	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Balance at beginning of year		**2,682**	2,309	**2,682**	3,676
Deferred income tax income/ (expense) recognised directly in profit or loss		**28**	(640)	**28**	(640)
Deferred tax recognised in other comprehensive income		**67**	(354)	**67**	(354)
Deferred tax arising on:					
First time adoption of AASB 9	1.7	**384**	-	**384**	-
Disposal of MoneyPlace	5.3	**-**	1,367	**-**	-
Prior period adjustments		**5**	-	**5**	-
Balance at end of year		**3,166**	2,682	**3,166**	2,682

2.4 Earnings per share

	2019 Cents per share	2018 Cents per share
Basic and diluted earnings per share		
From continuing operations	**40.81**	40.81
From discontinued operations	**-**	2.02
Total basic and diluted earnings per share	**40.81**	42.83

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

	2019 $'000	2018 $'000
Profit for the year attributable to owners of the Company	**17,201**	17,886
Earnings used in the calculation of basic and diluted earnings per share	**17,201**	17,886
Profit for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	**-**	(842)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**17,201**	17,044

	2019 Shares No.	2018 Shares No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**42,154,629**	41,771,336

2. Financial performance (continued)

2.5 Business and geographical segment information

The Group only has one major business and operating segment being 'Retail Banking'. The principal activities of the Group are confined to the raising of funds and the provision of finance for housing, consumer lending and business banking. For the purpose of performance evaluation, risk management and resource allocation, the decisions are based predominantly on the key performance indicators at the Group level.

The Group operates in one geographical segment which is the Commonwealth of Australia.

3. Investments and financing

3.1 Property, plant and equipment

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Carrying amounts of:				
Freehold land and buildings	**9,477**	9,676	**9,477**	9,676
Plant and equipment	**4,886**	5,900	**4,886**	5,900
	14,363	15,576	**14,363**	15,576

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Freehold land and buildings				
At independent valuation - June 2018	**9,690**	9,690	**9,690**	9,690
Provision for depreciation	**(213)**	(14)	**(213)**	(14)
	9,477	9,676	**9,477**	9,676
Movement in carrying amount				
Opening net book amount	**9,676**	8,399	**9,676**	8,399
Revaluation increase	**-**	1,446	**-**	1,446
Depreciation charge	**(199)**	(169)	**(199)**	(169)
Carrying amount at end of year	**9,477**	9,676	**9,477**	9,676

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Plant and equipment				
At cost	**27,990**	28,581	**27,990**	28,581
Provision for depreciation	**(23,104)**	(22,681)	**(23,104)**	(22,681)
	4,886	5,900	**4,886**	5,900
Movement in carrying amount				
Opening net book amount	**5,900**	6,207	**5,900**	6,207
Additions	**726**	1,620	**726**	1,620
Disposals	**(20)**	(103)	**(20)**	(103)
Depreciation charge	**(1,720)**	(1,824)	**(1,720)**	(1,824)
Carrying amount at end of year	**4,886**	5,900	**4,886**	5,900

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.

Accounting policies

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.

3. Investments and financing (continued)

3.1 Property, plant and equipment (continued)

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 revalued amount of the asset.

The carrying amount of plant and equipment is reviewed annually by the 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.

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

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 asset's 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 the 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.

3.2 Other intangible assets

	Consolidated		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Carrying amounts of:				
Software	**1,763**	1,956	**1,763**	1,956
	1,763	1,956	**1,763**	1,956

3. Investments and financing (continued)

3.2 Other intangible assets (continued)

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Software				
At cost	**9,630**	9,138	**9,630**	9,138
Provision for amortisation	**(7,867)**	(7,182)	**(7,867)**	(7,182)
	1,763	1,956	**1,763**	1,956
Movement in carrying amount				
Balance at beginning of year	**1,956**	7,935	**1,956**	2,564
Additions	**492**	587	**492**	82
Disposals	**-**	(5,876)	**-**	-
Amortisation	**(685)**	(690)	**(685)**	(690)
Balance at end of year	**1,763**	1,956	**1,763**	1,956

Accounting policies

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 proceeds 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.

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

3.3 Goodwill

	Notes	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Movements in goodwill					
Balance at beginning of the year		**46,363**	48,975	**46,363**	46,363
Derecognised on disposal of subsidiary		**-**	(2,612)	**-**	-
Balance at end of year		**46,363**	46,363	**46,363**	46,363
Representing goodwill arising on the acquisition of:					
Queensland Professional Credit Union Ltd (YCU)	3.3.1	**4,306**	4,306	**4,306**	4,306
Mackay Permanent Building Society Ltd (MPBS)	3.3.2	**42,057**	42,057	**42,057**	42,057
MoneyPlace Holdings Pty Ltd	5.4	**-**	-	**-**	-
		46,363	46,363	**46,363**	46,363

3. Investments and financing (continued)

3.3 Goodwill (continued)

3.3.1 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 recognises the acquisition date as 19 May 2016.

3.3.2 Mackay Permanent Building Society Ltd (MPBS)

Pursuant to a bidder's statement lodged with the Australian Securities and 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 recognises the acquisition date as 10 January 2008.

Accounting policies

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.

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 on 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.

Impairment testing for goodwill is performed annually, or earlier if there is an impairment indicator.

Key estimates and judgements

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 2019 was supported by the impairment testing and no impairment adjustment was required.

3. Investments and financing (continued)

3.3 Goodwill (continued)

Impairment testing of goodwill was carried out by comparing the carrying amount of the cash generating unit to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, using an earnings multiple applicable to the type of business. The category of this fair value is Level 3 as defined in Section 4.6 -Fair value measurements .

Earnings multiples relating to Group's banking business are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those of Auswide Bank Ltd, and are applied, together with a control premium, to current earnings. The key assumption is Price-Earnings (P/E) multiple observed for these businesses, which for the banking businesses were in the range of 9.5x-15.1x.

3.4 Contributed equity

Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Notes	**2019 Shares No.**	**2019 Shares $'000**	2018 Shares No.	2018 Shares $'000
Fully paid ordinary shares					
Balance at beginning of year		**42,108,972**	**191,612**	40,686,033	184,752
Issued during the year					
Staff share plan	3.4.1	**53,745**	**275**	59,666	291
Dividend reinvestment plan	3.4.2	**-**	**-**	1,383,041	6,914
Share issue costs		**-**	**-**	-	(211)
Gain/ (loss) in share capital on disposal of treasury shares		**-**	**(29)**	-	-
Treasury shares					
Movement in treasury shares	3.4.3	**10,205**	**78**	(19,768)	(134)
Balance at end of year		**42,172,922**	**191,936**	42,108,972	191,612

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.

3.4.1 Staff Share Plan

On 19 October 2018, 53,745 ordinary shares were issued pursuant to the Company's staff share plan. Shares were issued 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 five years at no interest.

3. Investments and financing (continued)

3.4 Contributed equity (continued)

	Consolidated		Company	
	2019 Shares No.	2018 Shares No.	**2019 Shares No.**	2018 Shares No.
The total number of shares issued to employees since the inception of the staff share plan	**2,974,418**	2,920,673	**2,974,418**	2,920,673
The total number of shares issued to employees during the financial year	**53,745**	59,666	**53,745**	59,666
	$'000	$'000	**$'000**	$'000
The total market value at date of issue, 19 October 2018 (17 October 2017)	**299**	323	**299**	323
The total amount paid or payable for the shares at that date	**275**	291	**275**	291

3.4.2 Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to suspend the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2017/18 financial year, payable on 21 September 2018.

The Board of Directors resolved to suspend the DRP for the interim dividend payable on 25 March 2019 for the 2018/19 financial year.

3.4.3 Treasury shares

As at the reporting date Auswide Performance Rights Pty Ltd holds 9,563 shares ($55,942) for the purpose of facilitating the Executive LTI scheme.

3. Investments and financing (continued)

3.5 Reserves

	Notes	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Available-for-sale reserve	3.5.1	**-**	102	**-**	102
Investment revaluation reserve	3.5.2	**101**	-	**101**	-
Asset revaluation reserve	3.5.3	**4,357**	4,357	**4,357**	4,357
Cash flow hedge reserve	3.5.4	**(521)**	(366)	**(521)**	(366)
Share based payment reserve	3.5.5	**308**	241	**416**	241
Statutory reserve	3.5.6	**2,676**	2,676	**2,676**	2,676
General reserve	3.5.7	**5,834**	5,834	**5,834**	5,834
Doubtful debts reserve	3.5.8	**2,388**	2,388	**2,388**	2,388
		15,143	15,232	**15,251**	15,232

3.5.1 Available-for-sale reserve

Available-for-sale reserve				
Balance at beginning of year	**102**	105	**102**	105
Adjustment on adoption of AASB 9 (net of tax)	**(102)**	-	**(102)**	-
Increase/(decrease) due to revaluation of external RMBS investments to mark-to-market	**-**	(3)	**-**	(3)
Balance at end of year	**-**	102	**-**	102

The available-for-sale reserve was a former classification under AASB 139. The previous balance of this reserve represented the excess of the mark-to-market valuation over the original cost of the external RMBS investments.

3.5.2 Investment revaluation reserve

Investment revaluation reserve				
Adjustment on adoption of AASB 9 (net of tax)	**102**	-	**102**	-
Increase/(decrease) due to mark-to-market of external RMBS investments	**(2)**	-	**(2)**	-
Deferred tax liability adjustment on revaluation of external RMBS investments	**1**	-	**1**	-
Balance at end of year	**101**	-	**101**	-

The investment revaluation reserve materialised as a result of the adoption of AASB 9. The balance of this reserve represents the excess of the mark-to-market valuation over the original cost of the external RMBS investments.

3.5.3 Asset revaluation reserve

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

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

3. Investments and financing (continued)

3.5 Reserves (continued)

3.5.4 Cash flow hedge reserve

Cash flow hedge reserve				
Balance at beginning of year	**(366)**	(181)	**(366)**	(181)
Gain/(loss) arising on changes in fair value of interest rate swaps entered into for cash flow hedges				
Interest rate swaps	**(221)**	(265)	**(221)**	(265)
Income tax related to gains/losses recognised in other comprehensive income	**66**	80	**66**	80
Balance at end of year	**(521)**	(366)	**(521)**	(366)

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.

3.5.5 Share based payments reserve

	Consolidated		**Company**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Share based payments reserve				
Balance at beginning of year	**241**	(189)	**241**	-
Expensed during the year	**175**	375	**175**	241
Vested during the year	**(108)**	55	**-**	-
Balance at end of year	**308**	241	**416**	241

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

3.5.6 Statutory reserve

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

3.5.7 General reserve

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.

3.5.8 Doubtful debts reserve

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.

3. Investments and financing (continued)

3.6 Dividends paid

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Dividends paid during the year				
Interim for current year	**6,749**	6,740	**6,749**	6,740
Final for previous year	**7,583**	6,917	**7,583**	6,917
	14,332	13,657	**14,332**	13,657

Dividends paid are fully franked on ordinary shares.

Dividends are provided for as declared or paid. Subsequent to the reporting date, the Board declared a dividend of 18.5 cents per ordinary share ($7.804m), for the six months to 30 June 2019, payable on 20 September 2019.

The final dividend for the six months to 30 June 2018 ($7.583m) was paid on 21 September 2018, and was disclosed in the 2017/18 financial accounts.

The tax rate at which the dividends have been franked is 30% (2018: 30%).

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

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Balance as at the end of the financial year	**30,025**	26,266	**30,025**	26,266
Credits/(debits) that will arise from the payment of income tax payable per the financial statements	**(1,575)**	721	**(1,575)**	1,182
Debits that will arise from the payment of the proposed dividend	**(3,344)**	(3,250)	**(3,344)**	(3,250)
	25,106	23,737	**25,106**	24,198

	2019	2018	2019	2018
Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**18.5**	18.0	**18.5**	18.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**16.0**	16.0	**16.0**	16.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**18.0**	17.0	**18.0**	17.0

4. Financial assets, liabilities and related financial risk management

4.1 Categories of financial instruments

	Notes	Classification	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Financial assets						
Cash and cash equivalents	4.1.1	Amortised cost	**104,389**	86,361	**104,389**	86,361
Due from other financial institutions	4.1.2	Amortised cost	**20,994**	15,389	**20,994**	15,389
Other financial assets;	4.1.3					
- Certificates of deposit		Amortised cost	**256,156**	210,178	**256,156**	210,178
- External RMBS investments		FVTOCI	**533**	1,147	**533**	1,147
- Investments in Managed Investment Schemes		FVTPL	**44,569**	25,886	**44,569**	25,886
- Notes – securitisation program and other		Amortised cost	**14,624**	17,082	**47,010**	49,468
- Derivative assets		FVTPL	**589**	61	**589**	61
- Interest receivable		Amortised cost	**588**	696	**588**	696
Loans and advances	4.1.4	Amortised cost	**3,086,158**	2,919,303	**3,086,324**	2,919,446
Other investments;						
- Unlisted shares	4.1.5	FVTOCI	**918**	793	**918**	793
Total financial assets			**3,529,518**	3,276,896	**3,562,070**	3,309,425
Financial liabilities						
Deposits and other short term borrowings	4.1.6	Amortised cost	**2,802,605**	2,446,825	**2,802,608**	2,446,860
Payables and other liabilities	4.1.7					
- Payables and creditors		Amortised cost	**37,761**	26,013	**37,758**	26,006
- Derivative liabilities		FVTPL	**1,332**	55	**1,332**	55
Loans under management	4.1.4	Amortised cost	**490,412**	607,166	**522,798**	639,552
Subordinated capital notes	4.1.8	Amortised cost	**28,000**	28,000	**28,000**	28,000
Total financial liabilities			**3,360,110**	3,108,059	**3,392,496**	3,140,473

Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognised 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 FVTPL) are added to, or deducted from, the fair value on recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such differences as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

4. Financial assets, liabilities and related financial risk management (continued)

4.1 Categories of financial instruments (continued)

Financial assets

Financial assets are recognised on the trade date when the purchase is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

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.

Specifically:

- debt instruments 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 (SPPI), are subsequently measured at amortised cost;
- debt instruments 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 SPPI, are subsequently measured at FVTOCI; and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/ designation at initial recognition of a financial asset on an asset-by-asset basis:

- 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 applies, in OCI; and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

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

Financial assets at FVTPL

Financial assets at FVTPL are:

4. Financial assets, liabilities and related financial risk management (continued)

4.1 Categories of financial instruments (continued)

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

Such assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Equity investments

On initial recognition, the Group classifies the investment in equity instruments either at FVTPL if it is held for trading or at FVTOCI if designated as measured at FVTOCI. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group does not have any financial liabilities which are classified at FVTPL.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4.1.1 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:

4. Financial assets, liabilities and related financial risk management (continued)

4.1 Categories of financial instruments (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash at bank and in hand	**39,689**	35,801	**39,689**	35,801
Deposits on call	**64,700**	50,560	**64,700**	50,560
	104,389	86,361	**104,389**	86,361

4.1.2 Due from other financial institutions

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Deposits with Special Service Providers (SSPs)	**20,994**	15,264	**20,994**	15,264
Subordinated loans	**-**	125	**-**	125
	20,994	15,389	**20,994**	15,389

In accordance with our undertakings with the RBA and APRA the Deposits with Special Service Providers represents the mandated prudential funds held with Australian Settlements Limited (ASL).

4.1.3 Other financial assets

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Certificates of deposit	**256,156**	210,178	**256,156**	210,178
External RMBS investments	**533**	1,147	**533**	1,147
Investments in Managed Investment Schemes (MIS)	**44,569**	25,886	**44,569**	25,886
Notes - securitisation program and other	**14,624**	17,082	**47,010**	49,468
Derivative assets	**589**	61	**589**	61
Interest receivable	**588**	696	**588**	696
	317,059	255,050	**349,445**	287,436

Cash held within securitised trusts at 30 June 2019 of $14.624m (2018: $17.082m) is restricted for use only by the trusts.

4.1.4 Loans and advances

	Consolidated 2019 $'000	Consolidated 2018 $'000	Company 2019 $'000	Company 2018 $'000
Term loans	**2,963,721**	2,782,321	**2,963,722**	2,782,322
Continuing credit loans	**117,371**	131,723	**117,371**	131,723
Interest receivable	**4,603**	4,154	**4,603**	4,154
Deferred mortgage broker commissions	**4,954**	4,302	**4,954**	4,302
Loans to controlled entities	**-**	-	**165**	142
	3,090,649	2,922,500	**3,090,815**	2,922,643
Expected credit loss	**(4,491)**	(3,197)	**(4,491)**	(3,197)
Total loans and advances	**3,086,158**	2,919,303	**3,086,324**	2,919,446

For details on ECL recognised against loans and advances see Section 4.5 - Credit risk management.

4. Financial assets, liabilities and related financial risk management (continued)

4.1 Categories of financial instruments (continued)

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 and 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 $490.412m (2018: $607.166m). Class B notes of $32.386m (2018: $32.386m) which are owned by the Company and which represent the Group's exposure on the securitised mortgages have been eliminated from the consolidated figures.

4.1.5 Other investments

This represents investments in equity securities which have been classified fair value through other comprehensive income.

	Consolidated		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Unlisted shares	**918**	793	**918**	793
Equity accounted investment	**403**	351	**403**	351
	1,321	1,144	**1,321**	1,144

4.1.6 Deposits and short term borrowings

	Consolidated		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Call deposits	**880,811**	752,954	**880,814**	752,989
Term deposits	**1,492,106**	1,355,032	**1,492,106**	1,355,032
Negotiable certificates of deposit (NCDs)	**311,188**	257,839	**311,188**	257,839
Floating rate notes (FRNs)	**118,500**	81,000	**118,500**	81,000
	2,802,605	2,446,825	**2,802,608**	2,446,860

4.1.7 Payables and other liabilities

	Consolidated		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade creditors	**7,272**	2,579	**7,269**	2,572
Derivative liabilities	**1,332**	55	**1,332**	55
Accrued interest payable	**15,140**	12,758	**15,140**	12,758
Other creditors	**15,349**	10,676	**15,349**	10,676
	39,093	26,068	**39,090**	26,061

4.1.8 Subordinated capital notes

	Consolidated		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Inscribed debenture stock	**28,000**	28,000	**28,000**	28,000
	28,000	28,000	**28,000**	28,000

Subordinated capital notes are inscribed debenture stock which are issued for a period of ten years non call five years, at which time they can be redeemed. Interest is repriced quarterly at a set margin above the 90 day bank bill swap rate (BBSW).

4. Financial assets, liabilities and related financial risk management (continued)

4.1 Categories of financial instruments (continued)

Subordinated capital notes of $15.000m were redeemed and replaced by a new $15.000m issue on 12 June 2019. The new notes were issued at a margin of 320 bps over the BBSW.

The Group did not have any defaults of principal or interest or other breaches with respect to its subordinated liabilities during the years ended 30 June 2018 and 2019.

4.2 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 accounting principles and the application 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.

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 2019 and 2018 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 2019 and 30 June 2018 have been prepared in accordance with the revised prudential standards incorporating the Basel III principles.

4. Financial assets, liabilities and related financial risk management (continued)

4.2 Capital risk management (continued)

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**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Total risk weighted assets	**1,498,370**	1,375,364	**1,498,133**	1,374,572
Capital base	**206,639**	204,827	**206,801**	204,339
Risk-based capital ratio	**13.79%**	14.89%	**13.80%**	14.87%

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

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 company's website at www.auswidebank.com.au.

4. Financial assets, liabilities and related financial risk management (continued)

4.3 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.

4.3.1 Interest rate risk

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

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

(i) review measures of profitability, particularly net interest and fee income including strategies and directives;

(ii) review management interest rate view as well as asset and liability repricing data;

(iii) receive and review reports from management concerning the organisation's credit risk;

(iv) receive and review management reports on interest rate risk against guidelines and limits established in Board policy;

(v) consider and approve pricing on interest bearing assets and liabilities as well as fee revenue attached to these products in co-operation with the Product Pricing sub-committee;

(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).

4. Financial assets, liabilities and related financial risk management (continued)

4.3 Market risk management (continued)

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:

			Fixed interest rate maturing in:									
	Variable interest rate		1 Year or less		From 1 to 5 years		Non-interest bearing		Total carrying amount per balance sheet		Weighted average effective interest rate	
Financial instruments	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
Financial assets												
Cash and cash equivalents	**103,989**	85,841	**-**	-	**-**	-	**400**	520	**104,389**	86,361	**1.36**	1.37
Due from other financial institutions	**20,899**	15,294	**-**	-	**-**	-	**95**	95	**20,994**	15,389	**1.14**	1.48
Other financial assets	**14,624**	17,082	**257,277**	212,021	**44,569**	25,886	**-**	-	**316,470**	254,989	**3.00**	2.59
Loans and advances	**2,139,438**	2,056,396	**341,462**	263,399	**600,192**	594,249	**5,066**	5,259	**3,086,158**	2,919,303	**4.06**	4.14
Total financial assets	**2,278,950**	2,174,613	**598,739**	475,420	**644,761**	620,135	**5,561**	5,874	**3,528,011**	3,276,042		
Financial liabilities												
Deposits and short term borrowings	**880,811**	752,953	**1,863,202**	1,659,967	**58,592**	33,905	**-**	-	**2,802,605**	2,446,825	**1.50**	1.49
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**37,762**	26,013	**37,762**	26,013	**-**	-
Loans under management	**340,754**	428,467	**54,269**	54,882	**95,389**	123,817	**-**	-	**490,412**	607,166	**3.25**	3.09
Subordinated capital notes	**-**	-	**28,000**	28,000	**-**	-	**-**	-	**28,000**	28,000	**6.42**	6.29
Total financial liabilities	**1,221,565**	1,181,420	**1,945,471**	1,742,849	**153,981**	157,722	**37,762**	26,013	**3,358,779**	3,108,004		

4. Financial assets, liabilities and related financial risk management (continued)

4.3 Market risk management (continued)

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 before tax would increase by $11.559m or decrease by $14.178m (2018: decrease by $8.404m or increase by $7.336m). This is mainly due to the Company's exposures to 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 year.

Derivatives

Derivatives are utilised to manage interest rate risk, along with balance sheet management. Net Interest Impact, Net Present Value and Value at Risk are key interest rate risk measures that are monitored to maintain ratios and risk within policy limits.

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:

	2019 $'000	2018 $'000
Wide Bay Trust No. 5	**(145)**	9
WB Trust 2008-1	**1,548**	850
WB Trust 2009-1	**54**	31
WB Trust 2014-1	**73**	156
WB Trust 2010-1	**34**	42
ABA Trust 2017-1	**(61)**	17

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 six interest rate swaps, two with ANZ and four with Westpac Bank. These are designated as effective hedges and are accounted for as cash flow hedges.

Assets and liabilities arising from the mark-to-market valuation of interest rate swaps are $0.589m and $1.332m respectively (2018: $61, 343 and $54,714).

Accounting policies

Cash flow hedges

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 and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI 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. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

4. Financial assets, liabilities and related financial risk management (continued)

4.3 Market risk management (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI 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/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

4.4 Liquidity risk management

Liquidity risk refers to the possibility that the Group will be unable to meet its financial obligations as they fall due.

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	**2019** **$'000**	2018 $'000
Wide Bay Trust No. 5	**38,058**	25,360
ABA Trust No. 7	**31,237**	27,032
Total	**69,295**	52,392

Concentration risk

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

4. Financial assets, liabilities and related financial risk management (continued)

4.4 Liquidity risk management (continued)

The maturity analysis for the respective groups of financial assets and liabilities based on contractual maturity are as follows:

Consolidated entity 30 June 2019	**On call $'000**	**Up to 3 months $'000**	**3-12 months $'000**	**1 - 5 years $'000**	**Later than 5 years $'000**	**No maturity specified $'000**	**Total $'000**
Financial assets							
Cash and cash equivalents	**104,389**	**-**	**-**	**-**	**-**	**-**	**104,389**
Due from other financial institutions	**-**	**-**	**-**	**-**	**-**	**20,994**	**20,994**
Other financial assets	**-**	**148,593**	**22,567**	**86,172**	**59,727**	**-**	**317,059**
Loans and advances	**-**	**8,167**	**4,932**	**39,125**	**3,033,934**	**-**	**3,086,158**
Total	**104,389**	**156,760**	**27,499**	**125,297**	**3,093,661**	**20,994**	**3,528,600**
Financial liabilities							
Deposits and short term borrowings	**880,811**	**870,471**	**992,731**	**58,592**	**-**	**-**	**2,802,605**
Payables and other liabilities	**-**	**28,624**	**8,666**	**1,803**	**-**	**-**	**39,093**
Loans under management	**-**	**37,917**	**144,725**	**36,944**	**270,826**	**-**	**490,412**
Subordinated capital notes	**-**	**-**	**-**	**28,000**	**-**	**-**	**28,000**
Total	**880,811**	**937,012**	**1,146,122**	**125,339**	**270,826**	**-**	**3,360,110**

Consolidated entity 30 June 2018	On call $'000	Up to 3 months $'000	3-12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	86,361	-	-	-	-	-	86,361
Due from other financial institutions	-	-	-	-	-	15,389	15,389
Other financial assets	-	102,482	-	108,453	44,115	-	255,050
Loans and advances	-	7,195	12,259	39,045	2,860,804	-	2,919,303
Total	86,361	109,677	12,259	147,498	2,904,919	15,389	3,276,103

4. Financial assets, liabilities and related financial risk management (continued)

4.4 Liquidity risk management (continued)

Consolidated entity 30 June 2018	On call $'000	Up to 3 months $'000	3-12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial liabilities							
Deposits and short term borrowings	752,954	859,632	800,335	33,904	-	-	2,446,825
Payables and other liabilities	-	19,556	6,195	317	-	-	26,068
Loans under management	-	47,200	99,640	98,648	361,678	-	607,166
Subordinated capital notes	-	-	15,000	13,000	-	-	28,000
Total	752,954	926,388	921,170	145,869	361,678	-	3,108,059

Company 30 June 2019	**On call $'000**	**Up to 3 months $'000**	**3-12 months $'000**	**1 - 5 years $'000**	**Later than 5 years $'000**	**No maturity specified $'000**	**Total $'000**
Financial assets							
Cash and cash equivalents	**104,389**	**-**	**-**	**-**	**-**	**-**	**104,389**
Due from other financial institutions	**-**	**-**	**-**	**-**	**-**	**20,994**	**20,994**
Other financial assets	**-**	**148,593**	**22,567**	**86,172**	**92,113**	**-**	**349,445**
Loans and advances	**-**	**8,167**	**4,932**	**39,125**	**3,034,100**	**-**	**3,086,324**
Total	**104,389**	**156,760**	**27,499**	**125,297**	**3,126,213**	**20,994**	**3,561,152**
Financial liabilities							
Deposits and short term borrowings	**880,814**	**870,471**	**992,731**	**58,592**	**-**	**-**	**2,802,608**
Payables and other liabilities	**-**	**28,621**	**8,666**	**1,803**	**-**	**-**	**39,090**
Loans under management	**-**	**39,917**	**175,111**	**145,408**	**162,362**	**-**	**522,798**
Subordinated capital notes	**-**	**-**	**-**	**28,000**	**-**	**-**	**28,000**
Total	**880,814**	**939,009**	**1,176,508**	**233,803**	**162,362**	**-**	**3,392,496**

4. Financial assets, liabilities and related financial risk management (continued)

4.4 Liquidity risk management (continued)

Company **30 June 2018**	On call $'000	Up to 3 months $'000	3-12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	86,361	-	-	-	-	-	86,361
Due from other financial institutions	-	-	-	-	-	15,389	15,389
Other financial assets	-	102,482	-	108,453	76,501	-	287,436
Loans and advances	-	7,193	12,259	39,045	2,860,949	-	2,919,446
Total	86,361	109,675	12,259	147,498	2,937,450	15,389	3,308,632
Financial liabilities							
Deposits and short term borrowings	752,989	859,632	800,335	33,904	-	-	2,446,860
Payables and other liabilities	-	19,549	6,195	317	-	-	26,061
Loans under management	-	49,200	113,230	115,444	361,678	-	639,552
Subordinated capital notes	-	-	15,000	13,000	-	-	28,000
Total	752,989	928,381	934,760	162,665	361,678	-	3,140,473

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management

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, 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.

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 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 financial 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.

The Group's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as recognised on the balance sheet. In relation to off balance sheet loan commitments, the maximum exposure to credit risk is the maximum committed amount as per terms of the agreement. 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.

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 financial 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 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.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

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.

4.5.1 Sources of credit risk

Key sources of credit risk for the Group predominantly emanate from its business activities including loans and advances to customers, debt investments, loan commitments etc. The Group monitors and manages credit risk by class of financial instrument. The table below outlines such classes of financial instruments identified, their relevant financial statement line item, maximum exposure to credit risk at the reporting date and expected credit loss recognised.

Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity **Class of financial instrument**	Notes	**Financial statement line**	**Maximum exposure to credit risk $'000**	**Expected credit loss $'000**
Cash and cash equivalents	4.1.1	Cash and cash equivalents	**104,389**	**-**
Due from other financial institutions	4.1.2	Due from other financial institutions	**20,994**	**-**
Certificates of deposit	4.1.3	Other financial assets	**256,156**	**-**
External RMBS investments	4.1.3	Other financial assets	**533**	**-**
Notes – securitisation program and other	4.1.3	Other financial assets	**14,624**	**-**
Interest receivable	4.1.3	Other financial assets	**588**	**-**
Loans and advances	4.1.4	Loans and advances	**3,315,110**	**4,437**
Total			**3,712,394**	**4,437**
Off-balance sheet exposures				
Loans approved not advanced (LANA)	6.3		**66,874**	**54**
Bank guarantees	6.3		**1,405**	**-**
Total			**68,279**	**54**

Accounting policies

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances; and
- issued loan commitments and loans approved and not yet advanced.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Definition of default

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

Write off

Loans and advances and debt securities are written off when the Group has no reasonable expectations 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. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Key estimates and judgements

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. AASB 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward looking scenarios

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

4.5.2 Measurement of Expected Credit Loss (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 derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

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 Group'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.

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 30 June 2019 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 two 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.

Significant increase in credit risk

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 Group considers 90 days past due as representative of a default having occurred and a loan being credit impaired.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

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.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

The table below shows analysis of each class of financial asset subject to impairment requirements by stage at the reporting date. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity Balance at 30 June 2019	Maximum exposure to credit risk Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Expected credit loss Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Class of financial instrument								
Cash and cash equivalents	104,389	-	-	104,389	-	-	-	-
Due from other financial institutions	20,994	-	-	20,994	-	-	-	-
Certificate of deposit	256,156	-	-	256,156	-	-	-	-
External RMBS investments	533	-	-	533	-	-	-	-
Notes – securitisation program and other	14,624	-	-	14,624	-	-	-	-
Total	**396,696**	**-**	**-**	**396,696**	**-**	**-**	**-**	**-**
Loans and advances*								
- Mortgage lending	3,191,334	15,611	12,638	3,219,583	2,036	595	1,479	4,110
- Personal lending	20,434	63	28	20,525	23	15	2	40
- Commercial lending	72,982	1,617	403	75,002	174	113	-	287
Total	**3,284,750**	**17,291**	**13,069**	**3,315,110**	**2,233**	**723**	**1,481**	**4,437**
Off-balance sheet exposures								
Loans approved not advanced (LANA)	66,874	-	-	66,874	54	-	-	54
Bank guarantees	1,405	-	-	1,405	-	-	-	-
Total	**68,279**	**-**	**-**	**68,279**	**54**	**-**	**-**	**54**

* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2019 is $3,086.158m.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

	Maximum exposure to credit risk				Expected credit loss			
Consolidated entity **Balance at 1 July 2018**	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Class of financial instrument								
Cash and cash equivalents	86,361	-	-	86,361	-	-	-	-
Due from other financial institutions	15,389	-	-	15,389	-	-	-	-
Certificate of deposit	210,178	-	-	210,178	-	-	-	-
External RMBS investments	1,147	-	-	1,147	-	-	-	-
Notes – securitisation program and other	17,082	-	-	17,082	-	-	-	-
Total	330,157	-	-	330,157	-	-	-	-
Loans and advances*								
- Mortgage lending	2,983,212	71,142	18,476	3,072,830	1,804	580	1,868	4,252
- Personal lending	18,579	971	23	19,573	76	8	10	94
- Commercial lending	61,534	2,666	-	64,200	36	25	-	61
Total	3,063,325	74,779	18,499	3,156,603	1,916	613	1,878	4,407
Off-balance sheet exposures								
Loans approved not advanced (LANA)	104,447	-	-	104,447	70	-	-	70
Bank guarantees	985	-	-	985	-	-	-	-
Total	105,432	-	-	105,432	70	-	-	70

* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying balance as at 30 June 2018 is $2,919.303m.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

4.5.3 Movement in gross carrying amounts

The following tables show movements in gross carrying amounts of financial assets subject to impairment requirements. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity **Loans and advances at amortised cost***	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount as at 1 July 2018	**2,822,007**	**73,538**	**18,499**	**2,914,044**
Transfer to stage 1	**134,593**	**(133,250)**	**(1,343)**	**-**
Transfer to stage 2	**(180,769)**	**199,788**	**(19,019)**	**-**
Transfer to stage 3	**(16,153)**	**(10,115)**	**26,268**	**-**
Financial assets that have been derecognised during the period including write-offs	**(357,587)**	**(4,138)**	**(5,716)**	**(367,441)**
New financial assets originated	**579,400**	**-**	**-**	**579,400**
Adjustments for repayments and interest	**69,262**	**(108,566)**	**(5,607)**	**(44,911)**
Net carrying amount as at 30 June 2019	**3,050,753**	**17,257**	**13,082**	**3,081,092**

* Excludes interest receivable and deferred mortgage brokers commissions.

There has been no significant movement in carrying amount of other financial assets the general business operations of the Group and therefore the movement has not been disclosed.

4.5.4 Movement in expected credit losses

The following tables show movements in expected credit loss financial assets subject to impairment requirements. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity **Loans and advances at amortised cost***	**Stage 1 12-month ECL $'000**	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 July 2018	**1,940**	**619**	**1,873**	**4,432**
Transfer to stage 1	**1,043**	**(903)**	**(140)**	**-**
Transfer to stage 2	**(2,877)**	**3,844**	**(967)**	**-**
Transfer to stage 3	**(675)**	**(926)**	**1,601**	**-**
Financial assets derecognised during the period including write-offs	**(488)**	**(188)**	**(943)**	**(1,619)**
New financial assets originated	**376**	**-**	**-**	**376**
Changes in model risk assessment	**2,913**	**(1,712)**	**101**	**1,302**
Loss allowance as at 30 June 2019	**2,232**	**734**	**1,525**	**4,491**

* Excludes interest receivable and deferred mortgage brokers commissions.

No ECL is recognised on any other financial asset, as this has been assessed as immaterial in both the current and comparative periods.

4.5.5 Summary of movements in expected credit loss by financial instrument

The following table summarises the movement in expected credit loss by financial instruments for the reporting period. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

Consolidated entity	Loans and advances $'000	LANA $'000	Total $'000
Expected credit loss			
Loss allowance as at beginning of year	**3,197**	**-**	**3,197**
Adjustment on adoption of AASB 9	**1,210**	**70**	**1,280**
Loss allowance recognised/ (reversed) during the year	**1,159**	**(16)**	**1,143**
Bad debts written off	**(1,129)**	**-**	**(1,129)**
Loss allowance as at 30 June 2019	**4,437**	**54**	**4,491**

Consolidated entity	Loans and advances $'000	LANA $'000	Total $'000
Expected credit loss			
Loss allowance as at beginning of year	4,314	-	4,314
Loss allowance recognised/ (reversed) during the year	1,320	-	1,320
Bad debts written off	(2,437)	-	(2,437)
Loss allowance at 30 June 2018	3,197	-	3,197

4.5.6 Credit risk concentrations

An analysis of the Group's credit risk concentrations on loans and advances is provided in the following table. The amounts in the table represent gross carrying amounts, with the exception of loan commitments, which are recorded as the amount committed. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	**Consolidated** **2019 $'000**	2018 $'000
Loans and advances at amortised cost*		
Concentration by sector		
Mortgage lending	**2,996,371**	2,842,893
Personal lending	**17,536**	17,592
Commercial lending	**67,185**	53,559
Total	**3,081,092**	2,914,044

* Excludes interest receivable and deferred mortgage brokers commissions.

Consolidated entity	**Consolidated** **2019 $'000**	2018 $'000
Loans and advances at amortised cost*		
Concentration by region		
Queensland	**2,342,240**	2,244,506
New South Wales	**351,170**	309,759
Victoria	**245,124**	235,497
South Australia	**29,342**	28,066
Western Australia	**77,708**	66,266
Tasmania	**9,603**	6,009
Northern Territory	**25,905**	23,941
Total	**3,081,092**	2,914,044

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

* Excludes interest receivable and deferred mortgage brokers commissions.

LANA of $66.874m (2018: $104.447m) is an additional exposure under AASB 9 not recognised on the balance sheet, but is immaterial to the concentrations in the above tables.

4.5.7 Specific provision

The Group has complied with the provisioning requirements under the APRA prudential standard APS220 Credit Quality and includes a specific provision amounting to $2.012m determined in accordance with the aforementioned prudential standard.

4.5.8 Financial instruments classified at FVTPL

The maximum exposure to credit risk of the notes held in MISs designated at FVTPL is their carrying invested amount, which was $44.569m at 30 June 2019 (2018: $25.886m). The change in fair value due to credit risk for the MISs designated at FVTPL is $0.588m for the year (2018: $0) and $0.558m on a cumulative basis as at 30 June 2019 (2018: $0). The Group uses the performance of the portfolio to determine the change in fair value attributable to changes in credit risk of its MISs designated at FVTPL.

4.5.9 Equity instruments classified at FVTOCI

The maximum exposure to credit risk of the equity instrument designated at FVTOCI is their carrying amount.

4.5.10 Analysis of financial instrument by days past due status

Under the Group's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted and at the latest when the exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of loans and advances by past due status, that are over 30 days past due.

	Consolidated		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
30 days and less than 60 days	**4,638**	4,682	**4,638**	4,682
60 days and less than 90 days	**3,229**	-	**3,229**	-
90 days and less than 182 days	**2,175**	1,682	**2,175**	1,682
182 days and less than 273 days	**1,941**	1,994	**1,941**	1,994
273 days and less than 365 days	**718**	1,874	**718**	1,874
365 days and over	**1,601**	3,826	**1,601**	3,826
	14,302	14,058	**14,302**	14,058

4.5.11 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), which is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. 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 Group 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. The table below shows the exposures from mortgage loans by ranges of LVR. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

4. Financial assets, liabilities and related financial risk management (continued)

4.5 Credit risk management (continued)

Consolidated entity	Gross carrying amount 2019 $'000	Gross carrying amount 2018 $'000	Expected credit loss 2019 $'000	Expected credit loss 2018 $'000
Mortgage lending LVR ratio				
Less than 50%	**401,837**	374,332	**795**	397
51-70%	**861,832**	792,631	**820**	964
71-90%	**1,472,048**	1,433,078	**969**	1,262
91-100%	**227,859**	200,873	**78**	235
More than 100%	**32,795**	41,979	**1,448**	1,394
Total	**2,996,371**	2,842,893	**4,110**	4,252

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. The table below shows the exposures from commercial loans by ranges of LVR. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Gross carrying amount 2019 $'000	Gross carrying amount 2018 $'000	Expected credit loss 2019 $'000	Expected credit loss 2018 $'000
Commercial lending LVR ratio				
Less than 50%	**17,366**	15,728	**43**	12
51-70%	**24,108**	20,222	**91**	15
71-90%	**12,910**	9,721	**46**	7
91-100%	**4,003**	3,146	**90**	23
More than 100%	**8,798**	4,742	**17**	4
Total	**67,185**	53,559	**287**	61

Other financial assets

The Group holds other financial assets at amortised cost with a carrying amount of $369.751m and at FVTOCI with a carrying amount of $1.451m. These are high quality investments and as per policy the Group only invests in certain types of financial assets which are investment grade and of lower credit risk.

4. Financial assets, liabilities and related financial risk management (continued)

4.6 Fair value measurements

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

4.6.1 Financial instruments measured at fair value on recurring basis

Consolidated entity 30 June 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	**-**	**-**	**44,569**	**44,569**
Derivative assets	**-**	**589**	**-**	**589**
Investments at FVTOCI - (debt and equity instruments)				
External RMBS investments	**-**	**533**	**-**	**533**
Equity instruments designated at FVTOCI				
Unlisted shares	**-**	**-**	**918**	**918**
Total assets	**-**	**1,122**	**45,487**	**46,609**
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	**-**	**1,332**	**-**	**1,332**
Total liabilities	**-**	**1,332**	**-**	**1,332**

Consolidated entity 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	-	-	25,886	25,886
Derivative assets	-	61	-	61
Investments at FVTOCI - (debt and equity instruments)				
External RMBS investments	-	1,147	-	1,147
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	793	793
Total assets	-	1,208	26,679	27,887
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	55	-	55
Total liabilities	-	55	-	55

4. Financial assets, liabilities and related financial risk management (continued)

4.6 Fair value measurements (continued)

Company **30 June 2019**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	**-**	**-**	**44,569**	**44,569**
Derivative assets	**-**	**589**	**-**	**589**
Investments at FVTOCI - (debt and equity instruments)				
External RMBS investments	**-**	**533**	**-**	**533**
Equity instruments designated at FVTOCI				
Unlisted shares	**-**	**-**	**918**	**918**
Total assets	**-**	**1,122**	**45,487**	**46,609**
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	**-**	**1,332**	**-**	**1,332**
Total liabilities	**-**	**1,332**	**-**	**1,332**

Company **30 June 2018**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	-	-	25,886	25,886
Derivative assets	-	61	-	61
Investments at FVTOCI - (debt and equity instruments)				
External RMBS investments	-	1,147	-	1,147
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	793	793
Total assets	-	1,208	26,679	27,887
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	55	-	55
Total liabilities	-	55	-	55

There have been no transfers of between level 1 and level 2 categories of financial instruments.

Accounting policies

Fair value measurements

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.

4. Financial assets, liabilities and related financial risk management (continued)

4.6 Fair value measurements (continued)

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).

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, and
- 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.

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

Consolidated entity	**FVTOCI Unlisted shares**		**FVTPL Managed investment schemes**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Balance at beginning of year	**793**	793	**25,886**	14,042
Total gains or losses:				
- in profit or loss	-	-	**2,320**	1,294
- in other comprehensive income		-	-	-
Purchases	**125**		**27,150**	10,550
Disposals	**-**	-	**(10,787)**	
Balance at end of year	**918**	793	**44,569**	25,886

Company	**FVTOCI Unlisted shares**		**FVTPL Managed investment schemes**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Balance at beginning of year	**793**	793	**25,886**	14,042
Total gains or losses:				
- in profit or loss	**-**	-	**2,320**	1,294
- in other comprehensive income	**-**	-	**-**	-
Purchases	**125**		**27,150**	10,550
Disposals			**(10,787)**	
Balance at end of year	**918**	793	**44,569**	25,886

4. Financial assets, liabilities and related financial risk management (continued)

4.6 Fair value measurements (continued)

4.6.3 Financial instruments not measured at fair value

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

Consolidated entity 30 June 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**	**Total carrying amount $'000**
Financial assets					
Cash and cash equivalents	**104,389**	**-**	**-**	**104,389**	**104,389**
Due from other financial institutions	**20,994**	**-**	**-**	**20,994**	**20,994**
Other financial assets	**271,368**	**-**	**-**	**271,368**	**271,368**
Loans and advances	**-**	**-**	**3,093,625**	**3,093,625**	**3,086,158**
Total financial assets	**396,751**	**-**	**3,093,625**	**3,490,376**	**3,482,909**
Financial liabilities					
Deposits and short-term borrowings	**-**	**2,794,520**	**-**	**2,794,520**	**2,802,605**
Payables and other liabilities	**-**	**-**	**37,761**	**37,761**	**37,761**
Loans under management	**-**	**490,412**	**-**	**490,412**	**490,412**
Subordinated capital notes	**-**	**28,000**	**-**	**28,000**	**28,000**
Total financial liabilities	**-**	**3,312,932**	**37,761**	**3,350,693**	**3,358,778**

Consolidated entity 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000	Total carrying amount $'000
Financial assets					
Cash and cash equivalents	86,361	-	-	86,361	86,361
Due from other financial institutions	15,389	-	-	15,389	15,389
Other financial assets	227,956	-	-	227,956	227,956
Loans and advances	-	-	2,934,628	2,934,628	2,919,303
Total financial assets	329,706	-	2,934,628	3,264,334	3,249,009
Financial liabilities					
Deposits and short-term borrowings	-	2,298,306	-	2,298,306	2,446,825
Payables and other liabilities	-	-	26,013	26,013	26,013
Loans under management	-	607,166	-	607,166	607,166
Subordinated capital notes	-	28,000	-	28,000	28,000
Total financial liabilities	-	2,933,472	26,013	2,959,485	3,108,004

4.6.4 Summary of valuation methodologies applied in determining fair value of financial instruments

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.

4. Financial assets, liabilities and related financial risk management (continued)

4.6 Fair value measurements (continued)

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.

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; and
- cost approach - valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

5. Group structure and related parties

5.1 Subsidiaries, associates and other related parties

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.

5.1.1 Controlled entities

Name	Place of incorporation and operation	Proportion of ownership and voting power held by the Company		Contribution to consolidated operating profit after income tax		Investment carrying value	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**$'000**	$'000	**$'000**	$'000
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**-**	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	**-**	-	**-**	842	**-**	-

Mortgage Risk Management Pty Ltd (MRM)
MRM was a wholly owned subsidiary of Auswide Bank Ltd, and is no longer actively trading. MRM was deregistered effective 15 April 2019, pursuant to section 601AA(4) of the Corporations Act 2001.

Widcap Securities Pty Ltd
Widcap Securities Pty Ltd is a wholly owned subsidiary which acts as the manager and custodian for Auswide Bank's public external 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.

MoneyPlace Holdings Pty Ltd (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. Further information in relation to this entity can be found in Sections 5.3 - Disposal of a subsidiary and 5.4 - Discontinued operation.

5.1.2 Warehouse and securitisation trusts

Auswide Bank has an external securitisation program which is comprised of the following trusts. These trusts are fully consolidated at the reporting date.

- 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

5.1.3 Details of material associates

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

5. Group structure and related parties (continued)

5.1 Subsidiaries, associates and other related parties (continued)

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2019	2018
Finance Advice Matters Group Pty Ltd (FAMG)	Financial Planning	Australia	**25.0%**	25.0%

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

Accounting policies

Investment 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.

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

Share of associate's balance sheet:	**2019 $'000**	2018 $'000
Current assets	**471**	405
Non-current assets	**529**	527
Current liabilities	**(190)**	(178)
Non-current liabilities	**(54)**	(59)
Net assets	**756**	**695**

5. Group structure and related parties (continued)

5.1 Subsidiaries, associates and other related parties (continued)

Share of associate's revenue and profit:	**2019 $'000**	2018 $'000
Revenue	**1,157**	1,203
Profit / (loss) before income tax	**136**	102
Income tax	**(39)**	(28)
Profit / (loss) after income tax	**97**	74
Total comprehensive income for the year	**97**	**74**
Dividends received from associate during the year	**38**	-

The above figures were based on the audited accounts of FAMG as at 30 June 2019.

5.2 Non-controlling interest

Reconciliation of non-controlling interest in controlled entities:

	Consolidated 2019 $'000	2018 $'000
Balance at beginning of year	**-**	1,291
Share of operating profit/(loss) for the year	**-**	(231)
Deconsolidation of non-controlling interest on the disposal of MoneyPlace	**-**	(1,060)
Balance at end of year	**-**	-

5.3 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

5. Group structure and related parties (continued)

5.3 Disposal of a subsidiary (continued)

	2018
Gain on disposal of a subsidiary	$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 Section 5.4 -Discontinued operation for further explanation.

	2018
Net cash inflow on disposal of a subsidiary	$000
Consideration received in cash and cash equivalents	6,805
Less: cash and cash equivalent balances disposed of	(145)
	6,660

5. Group structure and related parties (continued)

5.4 Discontinued operation

The results of the discontinued operations included in the profit (loss) are set out below.

	Consolidated 2018 $'000	Company 2018 $'000
Profit for the year from discontinued operations		
Revenue	280	-
Expenses	(966)	-
Profit/(loss) before income tax	(686)	-
Income tax benefit/ expense	110	-
	(576)	-
Gain on disposal of MoneyPlace	1,187	2,301
Profit for the year from discontinued operations	611	2,301

	Consolidated 2018 $'000	Company 2018 $'000
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 increase in cash generated by the subsidiary	(576)	-

5.5 Key management personnel disclosures

5.5.1 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.

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

Executives

WR Schafer	Chief Financial Officer, Company Secretary
SM Caville	Chief Information Officer
D Hearne	Chief Customer Officer
GM Job	Chief People and Property 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.

5. Group structure and related parties (continued)

5.5 Key management personnel disclosures (continued)

5.5.2 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.

	Consolidated		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Short-term benefits				
Cash salary and fees	**2,435**	2,346	**2,435**	2,346
Cash bonus	**251**	140	**251**	140
Post employment benefits				
Superannuation	**181**	176	**181**	176
Share based payments	**114**	55	**114**	55
Other long term benefits	**46**	43	**46**	43
	3,027	2,760	**3,027**	2,760

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.

5.5.3 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 Group'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 $161,305 (2018: $148,507) 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.

6. Other financial information

6.1 Cash flow statement reconciliation

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

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Profit after tax from continuing operations	**17,201**	17,886	**17,201**	19,345
Depreciation and amortisation	**2,601**	2,659	**2,601**	2,659
Bad debts expense	**1,143**	1,320	**1,143**	1,320
(Profit)/loss on disposal of non-current assets	**16**	(1,188)	**16**	104
Movement in assets				
Accrued interest on investments	**102**	(341)	**102**	(341)
Prepayments and other receivables	**5,133**	7,722	**5,133**	7,521
Deferred tax asset	**5**	683	**5**	683
Movement in liabilities				
Creditors and accruals	**11,604**	11,339	**12,071**	10,354
Deferred tax payable	**356**	(1,056)	**(105)**	311
Income tax payable	**(2,757)**	(501)	**(2,757)**	(40)
Employee benefit provisions	**87**	83	**87**	83
Other provisions	**87**	82	**87**	165
Reserves	**67**	(353)	**67**	(353)
Net cash generated from operating activities	**35,645**	38,335	**35,651**	41,811

Accounting policies

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.

6.2 Expenditure commitments

	Consolidated 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Capital expenditure commitments				
Capital expenditure contracted for within one year	**563**	227	**563**	227
	563	227	**563**	227
Lease expenditure commitments (as Lessee)				
Non-cancellable operating leases				
Up to 1 year	**2,172**	2,092	**2,172**	2,092
From 1 to 2 years	**1,347**	1,143	**1,347**	1,143
From 2 to 5 years	**2,067**	949	**2,067**	949
	5,586	4,184	**5,586**	4,184

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

Accounting policies

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

6. Other financial information (continued)

6.2 Expenditure commitments (continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. 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.

6.3 Contingent liabilities and credit commitments

	Consolidated		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Approved but undrawn loans	**66,874**	104,447	**66,874**	104,447
Approved but undrawn credit limits	**85,096**	90,479	**85,096**	90,479
Bank guarantees	**1,405**	985	**1,405**	985
	153,375	195,911	**153,375**	195,911

6.4 Provisions

	Consolidated		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Employee entitlements				
Balance at beginning of year	**2,883**	2,800	**2,883**	2,718
Provided for during the year	**265**	238	**265**	320
Used during the year	**(179)**	(155)	**(179)**	(155)
Balance at end of year	**2,969**	2,883	**2,969**	2,883
Maturity analysis				
Current provision	**2,643**	2,547	**2,643**	2,547
Non-current provision	**326**	336	**326**	336
	2,969	2,883	**2,969**	2,883
Other provisions	**40**	40	**40**	40
Total provisions	**3,009**	2,923	**3,009**	2,923

Accounting policies

Employee provisions

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

6. Other financial information (continued)

6.4 Provisions (continued)

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.

6.5 Other non-financial assets

	Consolidated		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Prepayments	**3,787**	4,173	**3,788**	4,174
Other	**678**	448	**678**	448
	4,465	4,621	**4,466**	4,622

6. Other financial information (continued)

6.6 Remuneration of auditors

Amounts received or due and receivable by the auditors of Auswide Bank Ltd, Deloitte Touche Tohmatsu Limited, are as follows:

	Consolidated		Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Audit and review of financial statements	**380,390**	342,436	**380,390**	342,436
Other assurance services	**3,285**	14,000	**3,285**	14,000
Total audit and assurance services	**383,675**	356,436	**383,675**	356,436
Tax advisory services	**64,449**	88,841	**64,449**	88,841
Other services	**112,344**	87,166	**112,344**	87,166
Total non-audit services	**176,793**	176,007	**176,793**	176,007
Total auditors' remuneration	**560,468**	532,443	**560,468**	532,443

6.7 Events subsequent to balance date

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

Directors' declaration
For the year ended

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 2019 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 section 1.2 - Statement of compliance; 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 2019.

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

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Shareholders of Auswide Bank Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Auswide Bank Ltd (the "Bank") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 Bank, 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
Adoption of AASB 9 – Financial Instruments The Australian Accounting Standards Board (AASB) issued AASB 9 – *Financial Instruments* which replaces AASB 139 – *Financial Instrument: Recognition and measurement.* The Group has adopted the new standard with effect from 1 July 2018. As allowed under AASB 9, the requirements have been applied retrospectively without restating the comparatives. Other than the impact on the basis of recognition and measurement of impairment loss as discussed below, the key changes on the Group's financial statements arise from classification and measurement of the financial instruments as discussed in Note 1.7 to the financial statements.	Our audit procedures in relation to the classification and measurement of the Group's financial instruments included, but were not limited to: ▪ Reading the Group's AASB 9 accounting policy in respect of the classification and measurement of financial assets and liabilities and compared it with the requirements of the standard; ▪ Obtaining an understanding of and evaluating the Group's business model assessment, and the test on contractual cash flows, which give rise to cash flows that are 'solely payments of principal and interest' (SPPI) performed by management; and ▪ Ensuring the appropriateness of the opening balance adjustments recognised as a result of the adoption of the standard. We also assessed the appropriateness of the disclosures arising from the adoption of AASB 9 to ensure they were in accordance with the requirements of the standard.
Impairment of loans and advances As at 30 June 2019 the Group has recognised provisions amounting to $4.4m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) model as disclosed in Note 4.5 to the financial statements. Loans and advances subject to provisioning using the ECL model include the residential lending portfolio, personal loan portfolio, loans approved but not yet advanced and other debt securities at amortised cost. Significant judgements were involved to determine the provision for credit impairment (including the timing of recognition and the amount of the provision), including; - The application of the requirements to assess impairment under application of AASB 9, which is reflected in the Bank's and the Group's ECL model; - The identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime ECL should be recognised; and - Assumptions used in the ECL model such as	Our audit procedures in conjunction with our specialists included, but were not limited to: **Control design, observation and operation:** We tested the design and operation of manual and automated controls over the impairment provision including: - The accuracy of data input into the system used for determining past due status and the approval of credit facilities; and - The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on timely basis to appropriate default stages including generation of days past due reports. **Assessing model adequacy:** We assessed adequacy of management's internally developed model in determining the impairment loss provision. Our procedures included: - Assessing whether the model adequately addresses the requirements of AASB 9;

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
the financial condition of the counterparty, repayment capacity and forward looking macroeconomic factors as disclosed in Note 4.5.	- Assessing, on a sample basis, individual exposures to determine if they are classified into appropriate default stages and aging buckets for the purpose of determining impairment loss provision; - Assessing reasonableness of assumptions driving probabilities of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and - Assessing adequacy of management overlays to the modelled collective provision by recalculating the coverage provided by the collective impairment provision (including overlays) to loan book, taking into account recent history, performance and de-risking of the relevant portfolios. We also assessed appropriateness of the disclosures in Note 4 to the financial statements.
Impairment of non current assets As at 30 June 2019 the Group's assets subject to annual impairment tests include goodwill of $46.4m, fixed assets and other intangible assets as disclosed in Note 3.3. The impairment test requires significant judgement due to assumptions required in determining recoverable amount including, but not limited to: - Identification of appropriate Cash Generating Unit (CGU) to which goodwill is allocated for the purpose of impairment testing; - Selection of appropriate valuation methodology; and - Determination of appropriate inputs in the valuation methodology such as price-earnings multiples and earnings forecasts.	In conjunction with our valuation specialists, our procedures included, but were not limited to: - Evaluating the appropriateness of management's identification of the Group's CGUs and testing of key controls over the impairment assessment process, including the identification of indicators of impairment; - Assessing appropriateness of valuation methodology applied in determining recoverable amount of the CGUs; - Assessing the reasonableness of earnings forecast against external economic and financial data, the Group's own historical performance and historical forecasting reasonableness; - Assessing the key assumptions used by management in the impairment model, in particular the use of price earnings multiples of comparable businesses; - Evaluating the recoverable amount estimate determined by management against the Bank's market capitalisation; and - Testing the mathematical accuracy of the impairment model. We also assessed the appropriateness of the disclosures in Note 3.3 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, 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 Bank 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 2019.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Bank 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
22 August 2019