

Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	30 June 2021
Previous Corresponding Reporting Period	12 months to 30 June 2020



# APPENDIX 4E PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2021

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### INCOME FROM OPERATIONS

↑ **10.00%**

Income from operations up 10.00% to \$88.521m

### PROFIT FROM ORDINARY ACTIVITIES

↑ **30.55%**

Profit from ordinary activities after tax attributable to members up 30.55% to \$24.155m

### NET PROFIT

↑ **30.55%**

Net profit for the period attributable to members up 30.55% to \$24.155m

## Dividends

Amount per security	Amount per security	Franked amount per security
<b>INTERIM DIVIDEND</b>		
Current year	19.0c	19.0c
Previous year	17.0c	17.0c
<b>FINAL DIVIDEND</b>		
Current year	21.00c	21.00c
Previous year	10.75c	10.75c
The record date for determining entitlements to the dividends	10 September 2021	

Total dividend (distribution) per security (interim plus final)	Current year	Previous year
Ordinary securities	40.0c	27.75c

## DIVIDEND REINVESTMENT PLAN

The Auswide Bank dividend reinvestment plan is operational for this final dividend 2021. The final date for the receipt of the application form for participation in the dividend reinvestment plan is 13 September 2021.

## Net Tangible Assets Per Security

Dividends (distributions) – Ordinary shares	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	\$4.88	\$4.50

## DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

During the financial period the holding company Auswide Bank Limited gained control of the following entity: Nil

## SUBSEQUENT EVENTS

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX release dated 27th August 2021.

Further information regarding Auswide Bank Limited and its business activities can be obtained by visiting the Company's website at [www.auswidebank.com.au](http://www.auswidebank.com.au).

Yours faithfully,



Bill Schafer  
 Company Secretary



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

AUSWIDE BANK LTD | ABN 40 087 652 060



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## Directors' statutory report

### REVIEW AND RESULTS OF OPERATIONS

Auswide Bank has continued to implement the Bank's strategic plan and produced record operating results for the financial year. The medium term financial targets set out in the 3-year plan have been achieved ahead of schedule and the Board and management are now preparing new strategic and operational targets as the Bank looks to the future.

The significant above system loan book growth has been achieved in an environment of record low interest rates and a highly competitive home loan market. There has been ongoing success in generating loans via broker channels as we have enhanced the service to brokers and provided customers with improved consistency and turnaround times. Our Private Bank continues to grow rapidly offering a complete service proposition to high net worth clients.

While many customers have been affected by COVID-19 we have continued to provide support, particularly in the first half of the financial year. Prudent provisions have been allocated for potential impacts on the loan book into the future.

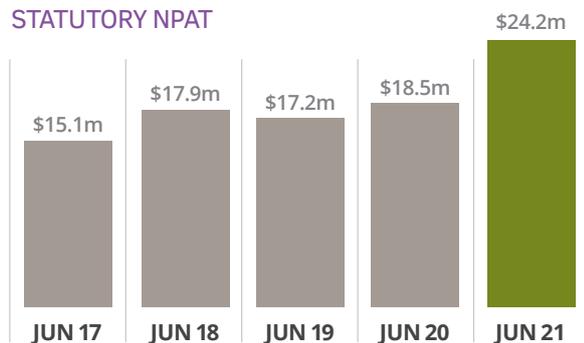
The growth strategy of the Bank has continued across the financial year with a significant uplift in the NPAT as a result of material loan book growth, an increase in the net interest margin and effective control of operating expenses.

### RESULTS

FY21 has returned record financial results.

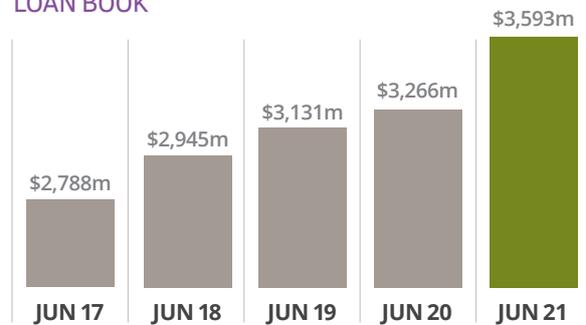
The statutory consolidated NPAT for the 2020/21 financial year was \$24.155m compared to the result of \$18.504m for the 2019/20 year. This represents an increase of 30.55%.

#### STATUTORY NPAT



The loan book<sup>1</sup> increased from \$3.266b at 30 June 2020 to \$3.593b at 30 June 2021, an increase of \$327m. This represents a significant increase of 10.01% when compared to the 3.1% system growth reported in the Reserve Bank of Australia (RBA) Financial Aggregates data which discloses credit provided to the private sector.

### LOAN BOOK



Home loan settlements across the financial year totalled \$960.439m, an increase of 41.83% on the \$677.180m in home loan settlements for 2019/20.

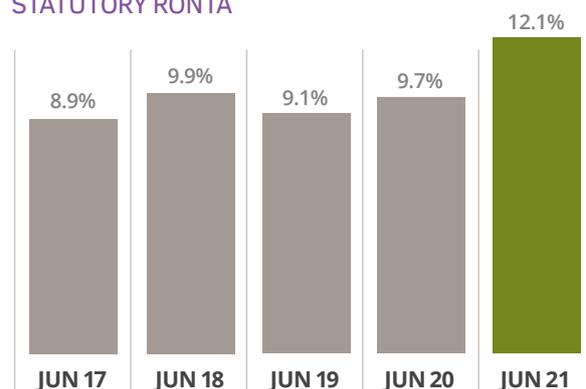
#### Net Interest Margin

The Net Interest Margin (NIM) has been strongly managed and despite interest rates at historic lows and the continuance of highly competitive housing finance markets across the 2020/21 financial year the NIM increased. As average return on assets has decreased across the financial year, there has been continuous management of funding mix and pricing. This has been assisted by declines in funding costs along with the BBSWs and funding from the RBA.

The net interest margin for the 2020/21 year was 2.00% compared to 1.97% in the 2019/20 financial year.

#### Return on Net Tangible Assets

#### STATUTORY RONTA



Increasing returns over recent years combined with a balanced approach to dividend distribution which supports capital levels has seen the return on net tangible assets rise considerably to 12.1% from 8.9% in June 17. This metric surpassed our strategic target of 10%.

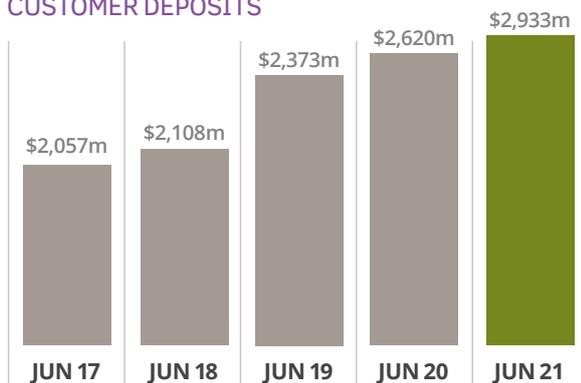
1. Grossed up for Investments in Managed Investment Schemes reported in Other financial assets in the Statement of Financial Position

## Directors' statutory report *continued*

### *Deposits and funding*

Customer deposits have grown significantly during the year from \$2.620b at 30 June 2020 to \$2.933b, an increase of \$313m. This has strengthened the level of customer deposits as a percentage of total funds from 74.51% at 30 June 2020 to 75.66% at 30 June 2021.

### CUSTOMER DEPOSITS



Auswide Bank has utilised the RBA term funding facility (TFF) by drawing \$150.806m in two tranches by 30 June 2021. The initial \$89.766m funding from the TFF was drawn at a rate of 25 basis points for three years, while the second \$61.040m allocation of funding is locked in at a rate of 10 basis points for three years, allowing Auswide Bank to extend the maturity profile of its wholesale funding program and assist in managing interest rate risk exposure.

The increase in customer deposits and utilisation of the TFF has allowed Auswide Bank to diversify its funding sources and further reduce its reliance on securitisation funding.

### *Customers*

Our involvement in the First Home Loan Deposit Scheme (FHLDS) has presented an opportunity to engage with a younger customer demographic, specifically between the ages of 24-35. The scheme also introduced Auswide Bank to a larger pool of brokers, strengthening relationships in the third party business channel.

Mortgage brokers continue to represent a significant growth opportunity for Auswide Bank, as third-party loans account for a larger portion of the home loan market each year. Strong broker flows were a key driver behind growth in Southeast Queensland, New South Wales and Victoria, while SE QLD remains the largest contributor to our loan book by region.

Ongoing investment in the Broker business technology includes artificial intelligence learning to analyse, validate, redact and categorise documents and improved document management systems.

Our Private Bank is growing rapidly delivering personalised lending and deposit solutions to high net worth individuals. The Private Bank offers quick loan turnaround time and leverages a very high service level that our existing and new customers are enthusiastically adopting. Our Private Bank is well positioned for significant future growth.

### *Technology and digital strategy*

The upgrade of the core banking system was completed during FY21, enabling the addition of Open Banking processes and services for the future, as well as facilitating advance payments and on-line services provided to customers.

The Bank has continued the development of the digital integration strategy to transform the business with technology. The continued improvement of customer experience is supporting transition from branch to digital channel, offering greater appeal for a younger (and existing) customer base with fully integrated digital banking. The strategy also targets an improved loan processing experience and a focus on reducing the cost per loan in a highly competitive market.

During the year Auswide Bank facilitated both Apple Pay and Google Pay capabilities. These digital enhancements to our current offering delivered a key outcome of the Digital Strategy and Strategic Plan.

Importantly, there is ongoing investment to ensure consistently strong cyber resilience and robust protections to customer data. Cyber security remains a key focus of the Board and management and is a foundation of investment in technology as the Bank continues to enhance the digital offering.

Auswide Bank is also investing to elevate the brand across multiple digital platforms including mobile and website.

### *Capital*

The capital adequacy ratio for the Auswide Bank Group at 30 June 2021 was 13.31% (2020: 12.95%). The tier 1 capital ratio at 30 June 2021 was 10.84% (2020: 11.09%). The capital remains materially above the Board's capital targets and meets APRA's unquestionably strong minimums.

## Directors' statutory report *continued*

### 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.

#### *Lending Outlook*

The momentum in the loan book is expected to continue across the first half of FY22 with improvements across regional markets. Auswide Bank maintains its commitment to build partnerships that support retail banking growth across platforms as we aspire to extend our reach through both physical and digital offerings. We continue to demonstrate capability in our products combined with consistently fast turnaround times.

Auswide Bank is committed to investing in the broker-lending channel to enhance service to brokers and customers. The Private Bank continues to expand by targeting niche markets through a high service model in addition to offering personalised, industry specific packages.

#### *Branch network*

Auswide Bank established outstanding growth in deposits during the financial year through our branch network, particularly regional branches in Northern and Central Queensland. Branches were responsible for generating customer deposits of \$2.137b in June 2021, increasing from \$1.876b in June 2020. This equates to an increase in customer deposits through our branch network of 13.91%.

Regional Queensland has shown resilience during the COVID-19 challenges with economic activity improving and many regional areas demonstrating growth in housing markets. Auswide Bank is well placed to support these communities through its diversified branch network consisting of 18 branches and agencies across Queensland, and a business centre in Brisbane.

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

#### *Environmental, Social and Governance (ESG) vision*

Auswide Bank is conscious of our impact on the environment and understands our responsibility to be transparent about our environmental approaches and performance. Our goal is to be a sustainable organisation

which generates positive and sustainable economic growth while demonstrating shareholder value. Key areas of focus for the organisation include the development of an ESG Management System framework and the establishment of an ESG Management Committee to provide ongoing implementation, monitoring and oversight of the framework. We believe this approach will integrate and connect our business objectives with our ESG responsibilities.

### RISK

#### *Arrears and collections*

Total arrears greater than 30 days past due decreased from \$12.559m at 30 June 2020 to \$8.980m at 30 June 2021. Arrears past due 30 days have decreased as a percentage of the Group's total loan book from 0.39% at 30 June 2020 to 0.25% at 30 June 2021. Arrears are at record lows demonstrating the quality of our loan book.

#### *Support for customers during COVID-19*

Auswide Bank maintains a focus on supporting customers and staff during the ongoing volatility of the COVID-19 pandemic.

Throughout the pandemic, Auswide Bank has responded rapidly to requests for support from customers affected by COVID-19. A range of assistance packages were provided which included the deferral or reduction of loan repayments and the shift to interest only loans. As at 30 June 2021, there is less than 0.01% of Auswide's loan book remaining on assistance.

Auswide Bank will continue to offer COVID assistance and support to customers amidst the evolving environment.

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

#### *Risk Management*

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 higher risk locations, products or services.

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.

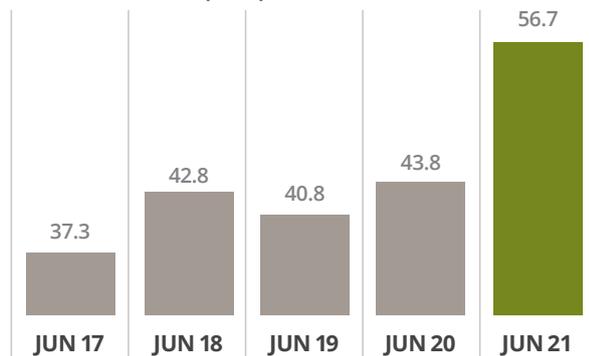
The Board Risk Committee provides strong oversight of the risk framework across the organisation. The Board remains focused on the portfolio quality as the loan book grows and this is highlighted by the continuing positive trend in relation to loan arrears.

## Directors' statutory report *continued*

### EARNINGS PER SHARE (EPS)

EPS increased 12.86 cents per share (cps) from 43.80cps to 56.66cps. The significant growth in EPS allows better utilisation of existing capital levels to fund the dividend and removes the need to undertake additional capital raising.

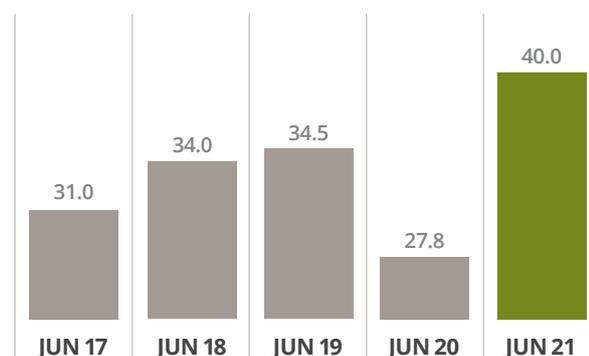
### STATUTORY EPS (CPS)



### DIVIDENDS

A fully franked interim dividend of 19.0 cents per ordinary share was declared and paid on 19 March 2021 (16 March 2020: 17.0 cents).

### TOTAL DIVIDEND (CPS)



A fully franked final dividend of 21.0 cents per ordinary share has been declared by the Board and will be paid on 24 September 2021 (18 September 2020: 10.75 cents).

This represents a final dividend payout ratio of 70.9% compared to 63.4% in June 2020. The payout ratio is within the Boards target range of 70-80%.

### ACQUISITIONS

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

### GOING CONCERN

Auswide Bank recognises the economic impact that COVID-19 has had on the financial sector, as well as the broader economy. Despite the challenges it presents, there is no material uncertainty that Auswide Bank remains in a going concern position.

The strength of the financial results for FY21 reflect robust operations, with NPAT up 30.55% on the prior year. Various indicators support confidence in operations throughout FY22, including forecast performance and cash flows, steady loan flows, NIM maintenance and expense management in July 2021.

Access to liquidity and capital have also been considered, with no indications of stress existing and facilities being available to provide for contingencies.

Despite the economic impact of COVID-19, Auswide has performed well and expects that this will continue; the Board of Directors have therefore been able to assess that Auswide Bank remains a going concern.

### 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. However, the Board of Directors continues to remain vigilant of any unforeseen risks that may arise because of rapidly evolving situations arising from the economic impact of COVID-19.

**Directors**

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

**Ms Sandra C Birkenleigh BCom, CA, GAICD, ICCP (Fellow)**

Ms Birkenleigh was appointed to the Board on 2 February 2015, and was appointed Chairman on 1 January 2021. Ms Birkenleigh 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 Birkenleigh 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 Birkenleigh 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 Birkenleigh is a member of the Board Audit Committee, the Board Risk 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 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 Dangerfield is the Chairman of the Board Remuneration Committee, a member of the Board Audit Committee, the Board Risk Committee, the Board Credit Committee and is an independent Director.

**Mr Gregory N Kenny GAICD, GradDipFin**

Mr Kenny was appointed to the Board on 19 November 2013. Mr Kenny has had a long and successful career with Westpac Banking Corporation and St George Bank Ltd, and prior to that with Bank of New York and Bank of America in Australia. At St George Bank he held the positions of Managing Director (NSW and ACT), General Manager Corporate and Business Bank and General Manager Group Treasury and Capital Markets. Mr Kenny served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Mr Kenny is the Chairman of the Board Risk Committee, a member of the Board Audit Committee, the Board Remuneration Committee, the Board Credit Committee and is an independent Director.

**Mr Martin J Barrett BA(ECON), MBA**

Martin 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. Martin 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, Martin held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Martin is currently a Non-Executive Director of Impact Community Services, and served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Martin is an executive Director.

**Mr Grant B Murdoch MCom(Hons) FAICD, FCA**

Mr Murdoch was appointed to the Board on 1 January 2021. Mr Murdoch is a Chartered Accountant with over 37 years of experience and has previously served as a partner with both Ernst & Young and Deloitte. Mr Murdoch has extensive experience in providing advice on M&A, corporate restructures, share issues, pre-acquisition due diligence and expert reports for capital raisings and IPOs. Mr Murdoch is currently a non-executive Director of OFX Ltd, Lynas Rare Earths Ltd and UQ Holdings Pty Ltd, and serves as a Senator of the University of Queensland where he is also an Adjunct Professor at the School of Business, Economics and Law. Mr Murdoch was appointed as a non-executive Director of the following companies from 1 April 2021: Kiwicare Holdings Ltd, Kiwicare Corporation Ltd, Amalgamated Hardware Merchants Ltd, Burnets Horticulture Ltd, McGregors Horticulture Ltd, and Amalgamated Hardware Merchants (Australia) Pty Ltd. Mr Murdoch is chairman of the Board Audit Committee, a member of the Board Remuneration Committee, the Board Risk Committee, the Board Credit Committee and is an independent Director.

**Directors (continued)**
**Ms Jacqueline Korhonen BSc, BEng (Hon), GAICD**

Ms Korhonen was appointed to the Board on 1 April 2021. Ms Korhonen's career spans more than 35 years and encompasses executive roles with several multi-national technology companies including over 25 years at IBM. Ms Korhonen is a Non-Executive Director of MLC Life Insurance, Chair of Council for International House, University of Sydney, and is on the Board of au.Domain Administration Limited (AuDA), the governing body of the Australian internet domain. Ms Korhonen is a member of the Board Remuneration Committee, the Board Audit Committee, the Board Risk Committee and is an independent Director.

**Mr John S Humphrey LL.B**

Mr 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-EDl Limited (until November 2016) and a Non-Executive Director of Horizon Oil Limited (until November 2018). Mr Humphrey retired from the Board on 31 December 2020.

**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, 15 meetings of the Directors, 4 meetings of the Audit Committee, 4 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
SC Birkenleigh	15	15	4	4	4	4	5	4
B Dangerfield	15	15	4	4	4	4	5	5
GN Kenny	15	14	4	3	4	4	5	5
MJ Barrett*	15	15	4	4	4	1	5	4
GB Murdoch	6*	6	2*	2	0*	0	2*	2
J Korhonen	2*	2	1*	1	0*	0	0*	0
JS Humphrey	9*	9	2*	2	n/a	n/a	n/a	n/a

\* Number of meetings held and attended during tenure as Director.

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
SC Birkesleigh	Nil holding
MJ Barrett	229,762
B Dangerfield	43,291
GN Kenny	15,000
GB Murdoch	14,000
J Korhonen	Nil holding

**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, Mr Grant Murdoch and Ms Jacqueline Korhonen. 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 KPIs towards long-term shareholder interests;
- variable performance based pay for Senior Executives including a short term incentive and a long-term incentive plan subject to an extended period of performance assessment. Short-term and long-term incentives performance criteria are aligned to performance measures and targets based on a number of differently weighted criteria including financial, sustainability including risk and compliance gateways, staff and customer focused and satisfaction of BEAR accountability obligations;
- 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; and
- the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable remuneration and to preserve the interests of shareholders.

### *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 variable STI or LTI share based remuneration.

### *Remuneration of Key Management Personnel*

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Senior Executive or otherwise) of the entity. As such, the KMP comprises of the non-Executive Directors, the Managing Director and directly reporting Senior Executives.

### *Managing Director*

The Managing Director's remuneration package includes fixed annual remuneration, variable remuneration in short-term and long-term incentives, benefits, superannuation, retirement and termination compensation as determined by the Board on the advice of the Board Remuneration Committee (the Committee). At its discretion, the Committee will seek external advice on the appropriate level and structure of the Managing Director's total remuneration package.

On an annual basis, a review will be performed of the remuneration arrangements for the Managing Director with due consideration to the law and corporate governance provisions to ensure that:

- there are sufficiently robust performance measures and targets that encourage superior performance and ethical accountable behaviour;
- that the performance of the Managing Director is measured against individual and company targets; and
- any new or varied contract is disclosed in accordance with any governance, accounting and legal requirements.

Remuneration of the Managing Director for 2020/21 was subject to review and recommendation of the Remuneration Committee and ratification by the Board.

### *Senior Executives / Key Personnel*

The remuneration packages of the Senior Executives who report directly to the Managing Director, including Executive Directors, and any other Responsible Persons (as defined by APRA's Prudential Standards), Accountable Persons (as defined by BEARS) and any other key persons considered by Auswide Bank to be in a role with material influence, are reviewed and recommended to the Board on the recommendations of the Committee and the Managing Director.

Similarly, the Committee and Managing Director may seek external advice on the appropriate level and structure of the Senior Executives remuneration packages.

An annual review and recommendations to the Board in relation to the remuneration structure will apply to Senior Executives to:

**Remuneration report (continued)**

- establish and maintain a process to set robust performance measures and targets that encourage superior executive performance and ethical behaviour; and
- oversee the process for the measurement and assessment of performance.

The remuneration for Senior Executives in 2020/21 was subject to ratification by the Remuneration Committee.

*Remuneration Reward framework*

Auswide Bank's Remuneration Reward framework includes a range of components to focus the Managing Director and Senior Executives on achieving Auswide Bank's strategy and business objectives. Auswide Bank's overall philosophy is to adopt, where possible, a performance based methodology using a balanced scorecard which links remuneration to the Bank's financial results and non-financial criteria.

The Remuneration Reward framework is designed to:

- reward those who deliver the highest relative performance consistent with Auswide Bank'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 variable remuneration - short term incentives (STI) and long term incentives (LTI) performance rights with deferred vesting.

In setting an individual's Remuneration Reward framework, the Committee considers:

- input from Auswide Bank's Managing Director on the balanced scorecard for Senior Executives who report directly to the Managing Director;
- market data from comparable roles in the financial services industry;
- individual and Auswide Bank's performance; and
- external remuneration advice, where necessary.

Each individual's actual remuneration will reflect:

- the degree of individual achievement in meeting key performance measures under the performance management framework and balanced scorecard;
- parameters approved by the Board based on Auswide Bank's financial and risk performance and other qualitative factors;
- satisfaction of 'Accountability Obligations' under section 37CA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 for the vesting of any Performance Rights;
- Auswide Bank's Earnings per Share (EPS) and Return on Equity (ROE) over a defined period; and
- the timing and level of vesting of Performance Rights and deferral of shares.

*Components of the Remuneration Reward framework*

The components of the Remuneration Reward framework consists of the following:

- Fixed Annual Remuneration (FAR) provided as cash and any contracted additional benefits (including employer superannuation);
- variable remuneration in cash based short-term incentives (STI) reflecting both individual and business performance for the current financial year that supports the longer term strategic objectives of Auswide Bank; and
- variable remuneration in equity based long-term incentives (LTI) provided to drive management decisions focused on the long-term prosperity of Auswide Bank through the use of challenging long term performance hurdles (EPS & ROE) and satisfaction of accountability obligations under BEAR.

*Variable Remuneration - Short Term Incentives (STI)*

Each year, key performance indicators including financial and non-financial measures (KPIs) for the Managing Director are set by the Board Remuneration Committee and approved by the Board. The Managing Director sets KPIs for the Senior Executives which is presented to the Board Remuneration Committee for approval.

The STI is a maximum contracted value calculated as a percentage of the FAR and is payable annually in respect of each financial year as cash. Payment of STI is conditional upon the achievement of key performance measures tailored to the respective role.

**Remuneration report (continued)**

The performance measures and objectives are selected to provide a robust link between Senior Executive reward and the key business drivers of long term shareholder value. The KPIs are measured relating to the Bank's financial performance and non-financial performance accountabilities and objectives. The measures are chosen and weighted to best align the individual's reward to the KPIs of the Company and its overall performance. KPIs are weighted towards the achievement of profit growth targets.

When setting the annual performance objectives, there will be a balance of material weighting to financial and non-financial measures with the assessment of risk a critical input. The financial performance objectives are determined in line with the yearly financial budget set and approved by the Board. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer results, sustainability which includes compliance and support of the Company's risk management policies and culture, customer satisfaction, communication and staff development.

*Impact of individual performance on STI rewards*

At the end of the financial year, the Committee assesses the actual performance of the Bank and the Managing Director against the KPI balanced scorecard set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the Board Remuneration Committee as to the STI payment.

After individual assessment of their performance measures, the Managing Director will recommend to the Committee the STI payments for Senior Executives for approval by the Board Remuneration Committee.

*Impact of business performance on STI rewards*

Payment of an STI to the Managing Director and Senior Executives 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 - e.g. at a minimum to ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

For the purposes of calculating the STI pool each year, the financial performance of Auswide Bank is determined by a mix of targeted financial earnings, EPS and ROE. 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.

*STI risk adjustment*

STI reward outcomes can be adjusted for risk at a number of levels.

*Individual Scorecards* - Senior Executives will have specific risk related measures related to their role included in their scorecard and are aligned with the Risk Appetite Statement where appropriate.

*Compliance Gateway* - Senior Executives must support Auswide Bank's risk and compliance culture. Individuals who do not pass the compliance expectations of their role will have their STI reduced in part, or in full, depending on the severity of the breach.

*Risk adjustment of business outcomes* - whilst performance is assessed against compliance with the agreed risk measures and Risk appetite, the Committee may recommend to the Board an adjustment of the financial outcomes upon which STI rewards are determined based on a qualitative overlay that reflects the Auswide Bank's management of business risks, shareholder expectations and the quality of the financial results.

*Serious breach of duty*

The Board also has discretion to adjust the STI payment down (potentially to zero) in the event that the Managing Director or a Senior Executive commits a serious breach of duty including their accountability obligations under BEAR.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

*Non-payment of STI on resignation*

The payment of an STI will not apply if formal notice of resignation has been provided by the employee.

*Short Term Incentive (STI) payments*

**Remuneration report (continued)**

Performance based payments were made to Senior Executives 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 2020, and were paid on 17 September 2020. To strengthen transparency, the Board Remuneration Committee have provided the performance based payments under the STI scheme for the year ended 30 June 2021. The Board Remuneration Committee at its discretion have allocated some STI payments based on KPI results plus an additional 1.5% - 3.55%, being slightly higher than employment contracts. These payments are conditional upon the achievement of financial and non-financial performance objectives during the financial year under review and are expected to be paid in September 2021.

KMP	Position	STI award FY21	STI award FY20
		(to be paid Sept 2021)	(paid 17 Sept 2020)
		\$	\$
MJ Barrett	Managing Director	186,390	103,357
WR Schafer	Chief Financial Officer	51,476	28,874
DR Hearne	Chief Customer Officer	69,420	36,005
GM Job	Chief People and Property Officer	32,800	18,662
SD Johnson (appointed 09/11/2020)	Chief Information Officer	30,137	3,056
CA Lonergan	Chief Risk Officer	35,147	18,050
MS Rasmussen	Chief Operating Officer	35,096	17,779
R Stephens (appointed 04/11/2020)	Chief Transformation Officer	16,438	-

**Long term Incentive (LTI) - Performance Rights Plan (PRP)**

The Auswide Bank Performance Rights Plan (PRP) was established by the Board to encourage the Executive Management Team, comprising of the Managing Director and Senior Executives, to drive the long-term prosperity of Auswide Bank and have a greater involvement in the achievement of the Bank's objectives.

**Offers under the Performance Rights Plan**

Under the PRP invitation, an offer may be made to members of the Executive Management Team each year as determined by the Board. The maximum value of the offer is determined in the executive's contract. The maximum value of the LTI is up to the maximum contracted amount for the Managing Director and up to the contracted percentage or fixed amount for the Senior Executives.

The number of performance rights granted will be calculated based on the volume weighted average price of Auswide Bank shares over the first five trading days following the release of Auswide Bank's annual results announcement (exclusive of announcement date).

Each performance right will entitle the Senior Executive to receive one Auswide Bank share upon vesting (or the cash equivalent value), subject to the satisfaction of the vesting conditions over the vesting period. To the extent that performance rights vest, the relevant number of shares will be allocated. Shares allocated following vesting will be subject to a disposal and trading restriction until the fourth anniversary of the grant date (the restriction period).

Performance rights do not give the Senior Executive any legal or beneficial interest in any shares unless and until they are vested and shares are delivered or allocated. They will not receive any dividends or other shareholder benefits, including voting in respect of their performance rights.

The PRP provides for the Trustee of the Auswide Bank Ltd employee share trust to acquire, allocate and hold shares, as relevant. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company.

Upon vesting, the Trustee will allocate shares to each member of the Senior Executive Team. Any shares to be allocated to the Managing Director under this Plan may require prior shareholder approval in accordance with ASX Listing Rules.

**Vesting of performance rights**

In general, performance rights will vest on the vesting date based on satisfaction of the following vesting conditions:

**Remuneration report (continued)**

- achievement of the applicable performance measurements and conditions over the vesting period; and
- continued employment with a Group member until the vesting date (provided the Senior Executive has not given notice of resignation and has not received a notice of termination of employment).

The PRP invitation offer letter provides for the allocation to the Senior Executive Team of fully paid ordinary shares in the Bank upon vesting of performance rights where accountability obligations, performance and vesting conditions specified by the Board are satisfied over a set vesting period. In addition, a further restriction period will apply to the shares following vesting and during this period, the accountability obligation must be satisfied, otherwise shares may be clawed back, the vesting period and restriction period will be outlined in the PRP invitation offer letter and will be in line with any deferred remuneration obligations under BEAR for Accountable Persons.

Both the vesting period and restriction period are set by the Board at the time of offer and are at its absolute discretion.

*Satisfaction of conditions - accountability obligations*

Vesting of performance rights will be subject to obligations that apply to 'Accountable Persons' under section 37CA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018, which are to:

- act with honesty, integrity, and with due skill, care and diligence;
- deal with APRA in an open, constructive and cooperative way; and
- take reasonable steps in conducting business to prevent matters from arising that would adversely affect the ADI's prudential standard or reputation.

In addition, during the Restriction Period, the obligations must also be satisfied, otherwise shares may be clawed back.

*Testing of vesting performance measurements and conditions on PRP offers from 2019*

Testing of the performance measurements and conditions will occur shortly after the end of the vesting period (which will normally occur once the full year annual results have been finalised). Based on the testing results, and provided the Senior Executive remains employed with the Bank until vesting date (being the date on which Board determines that the vesting conditions are met), the number of rights that will be eligible to vest (if any) will be determined by the Board.

Upon vesting of performance rights, the Senior Executive will be allocated the relevant number of shares in respect of vested performance rights (or receive the cash equivalent value). The number of shares received may be adjusted in certain circumstances (such as if the Company undertakes a consolidation, bonus issue or capital reconstruction) as set out in the PRP rules.

The Board retains discretion to adjust the number of performance rights which vest down (including to zero) to protect the financial soundness of the Company, including to ensure that breaches of capital adequacy or liquidity policy thresholds do not occur. In addition, any reward payable to any member of the Senior Executive Team under any PRP offer is subject to reassessment and possible forfeiture, if the results on which the LTI reward was based, are subsequently found to have been the subject of deliberate management misstatement.

*Restriction period for sale of shares once vested on PRP offers from 2019*

Shares allocated upon vesting of the performance rights will be subject to trading restrictions until the end of the restriction period which is generally the fourth anniversary of the grant date.

However, the restriction period may end earlier in certain circumstances including:

- the date on which the Board determines an Event has occurred (refer rule 11 of the PRP Rules), subject to the requirements of the BEAR accountability obligations; and
- any other date determined by the Board, subject to the requirements of BEAR.

Senior Executives cannot sell, transfer or otherwise deal with their shares until the end of the restriction period. During this period, Senior Executives will still be entitled to receive dividends and exercise their voting rights along with other shareholders.

The trading restriction may be enforced during the restriction period by either imposing a holding lock on the shares held by the Senior Executive or by the shares being held in the employee share trust on behalf the Senior Executive.

Shares will remain subject to the requirements of the BEAR throughout the restriction period, including the ability for the Board to clawback shares if there is a failure to meet "Accountability Obligations".

*Prohibition from hedging*

**Remuneration report (continued)**

The Board Remuneration Policy prohibits persons covered by paragraph 57(a) of APRA Prudential Standard CPS510 - Governance who receive equity or equity-linked deferred remuneration from hedging their economic exposures to the resultant equity price risk before the equity-linked remuneration is fully vested and able to be sold for cash by the recipient.

Any person who breaches this requirement will constitute a breach of duty and as such will involve disciplinary action and the risk of dismissal under the terms of the Executive's contract.

*Treatment of performance rights in other circumstances in PRP offers from 2019*

If a Senior Executive ceases employment prior to the vesting date, the treatment of unvested performance rights will depend on the circumstances of cessation.

Where employment is ceased prior to the relevant vesting date due to resignation, termination for cause or gross misconduct, all of the unvested performance rights will lapse at cessation (subject to the Board's discretion to apply a different treatment, in accordance with the PRP rules).

Where employment is ceased for any other reason before performance rights vest, a pro-rata number of unvested performance rights (based on the vesting period elapsed) will continue "on-foot", and will be tested at the original vesting date and vest to the extent that the relevant vesting conditions have been satisfied (ignoring any service-related conditions). Note that the PRP rules provide the Board with discretion to determine that a different treatment should apply in respect of performance rights.

The PRP rules also contain provisions in relation to:

- treatment of awards in the event of a variation of capital or a change of control; and
- treatment of awards due to fraud, gross misconduct or material misstatement.
- treatment of awards under the PRP rules will be subject to the requirements of the BEAR.

*Actual and potential LTI 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.

MJ Barrett	No. shares	Vesting date	Vested in 20/21 year	Lapsed/ forfeited in 20/21 year	Not yet assessed for vesting
2016 offer	4,762	1/7/2020	4,762	-	-
2017 offer	2,446	1/7/2020	2,446	-	-
	2,446	1/7/2021	-	-	2,446
2018 offer	5,811	1/7/2020	5,811	-	-
	5,811	1/7/2021	-	-	5,811
	5,812	1/7/2022	-	-	5,812
2019 offer	21,154	1/7/2022	-	-	21,154
2020 offer	20,576	1/7/2023	-	-	20,576

WR Schafer	No. shares	Vesting date	Vested in 20/21 year	Lapsed/ forfeited in 20/21 year	Not yet assessed for vesting
2016 offer	998	1/7/2020	998	-	-
2017 offer	1,044	1/7/2020	1,044	-	-
	1,044	1/7/2021	-	-	1,044
2018 offer	1,220	1/7/2020	1,220	-	-
	1,220	1/7/2021	-	-	1,220
	1,221	1/7/2022	-	-	1,221
2019 offer	5,288	1/7/2022	-	-	5,288
2020 offer	5,202	1/7/2023	-	-	5,202

**Remuneration report (continued)**

GM Job	No. shares	Vesting date	Vested in 20/21 year	Lapsed/forfeited in 20/21 year	Not yet assessed for vesting
2016 offer	815	1/7/2020	815	-	-
2017 offer	1,044	1/7/2020	1,044	-	-
	1,044	1/7/2021	-	-	1,044
2018 offer	1,220	1/7/2020	1,220	-	-
	1,220	1/7/2021	-	-	1,220
	1,221	1/7/2022	-	-	1,221
2019 offer	5,288	1/7/2022	-	-	5,288
2020 offer	5,251	1/7/2023	-	-	5,251

CA Lonergan	No. shares	Vesting date	Vested in 20/21 year	Lapsed/forfeited in 20/21 year	Not yet assessed for vesting
2016 offer	971	1/7/2020	971	-	-
2017 offer	1,044	1/7/2020	1,044	-	-
	1,044	1/7/2021	-	-	1,044
2018 offer	1,220	1/7/2020	1,220	-	-
	1,220	1/7/2021	-	-	1,220
	1,221	1/7/2022	-	-	1,221
2019 offer	5,288	1/7/2022	-	-	5,288
2020 offer	4,728	1/7/2023	-	-	4,728

MS Rasmussen	No. shares	Vesting date	Vested in 20/21 year	Lapsed/forfeited in 20/21 year	Not yet assessed for vesting
2016 offer	998	1/7/2020	998	-	-
2017 offer	1,044	1/7/2020	1,044	-	-
	1,044	1/7/2021	-	-	1,044
2018 offer	1,220	1/7/2020	1,220	-	-
	1,220	1/7/2021	-	-	1,220
	1,221	1/7/2022	-	-	1,221
2019 offer	5,288	1/7/2022	-	-	5,288
2020 offer	4,675	1/7/2023	-	-	4,675

DR Hearne	No. shares	Vesting date	Vested in 19/20 year	Lapsed/forfeited in 19/20 year	Not yet assessed for vesting
2017 offer	1,247	1/7/2020	1,247	-	-
	1,247	1/7/2021	-	-	1,247
2018 offer	1,312	1/7/2020	1,312	-	-
	1,312	1/7/2021	-	-	1,312
	1,312	1/7/2022	-	-	1,313
2019 offer	7,040	1/7/2022	-	-	7,040
2020 offer	6,451	1/7/2023	-	-	6,451

**Remuneration report (continued)**

To provide further transparency, the Board Remuneration Committee have provided the allocation of share based payments under the LTI scheme for the financial year under review which are expected to be awarded in September 2021. The number of performance rights granted will be calculated based on the volume weighted average price of Auswide Bank shares over the first five trading days following the release of Auswide Bank's annual results announcement (exclusive of announcement date).

<b>KMP</b>	<b>Position</b>	<b>LTI award 2021 offer</b>
		<b>\$</b>
MJ Barrett	Managing Director	120,000
WR Schafer	Chief Financial Officer	30,000
DR Hearne	Chief Customer Officer	41,036
GM Job	Chief People and Property Officer	30,000
SD Johnson (appointed 09/11/2020)	Chief Information Officer	30,137
CA Lonergan	Chief Risk Officer	30,000
MS Rasmussen	Chief Operating Officer	30,000
R Stephens (appointed 04/11/2020)	Chief Transformation Officer	15,000

**Remuneration report (continued)**

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 as follows;

	Short-term employee benefits				Other long term benefits				Share based payments				Total remuneration		
	Cash salary and fees	Cash bonus	Superannuation	Cash bonus	Other long term benefits	Share based payments	Performance based	Performance based	Performance based	Performance based	Performance based	Performance based	Performance based	Performance based	Performance based
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<b>SPECIFIED DIRECTORS</b>															
Birkensleigh, SC Chairman (non-exec)	121,758	99,087	-	-	11,567	9,413	-	-	-	-	-	-	133,325	-	108,500
Dangerfield, B Director (non-exec)	94,658	99,087	-	-	8,992	9,413	-	-	-	-	-	-	103,650	-	108,500
Kenny, GN Director (non-exec)	94,658	99,087	-	-	8,992	9,413	-	-	-	-	-	-	103,650	-	108,500
Murdoch, GB Director (non-exec) appointed 01/01/2021	45,114	-	-	-	4,286	-	-	-	-	-	-	-	49,400	-	-
Korhonen, J Director (non-exec) appointed 01/04/2021	20,342	-	-	-	1,933	-	-	-	-	-	-	-	22,275	-	-
Humphrey, JS Chairman (non-exec) ceased 31/12/2020	79,269	158,539	-	-	7,531	15,061	-	-	-	-	-	-	86,800	-	173,600
Barrett, MJ Managing Director	588,688	583,595	103,358	60,000	21,694	21,003	11,979	13,847	68,871	71,385	68,871	71,385	794,590	749,830	830
<b>Total remuneration - Specified Directors</b>	<b>1,044,487</b>	<b>1,039,395</b>	<b>103,358</b>	<b>60,000</b>	<b>64,995</b>	<b>64,303</b>	<b>11,979</b>	<b>13,847</b>	<b>68,871</b>	<b>71,385</b>	<b>68,871</b>	<b>71,385</b>	<b>1,293,690</b>	<b>1,248,930</b>	<b>930</b>
<b>OTHER KEY MANAGEMENT PERSONNEL</b>															
Schafer, WR Chief Financial Officer	340,865	335,465	28,875	18,563	21,694	21,003	7,361	8,451	17,256	11,374	17,256	11,374	416,051	-	394,856
Hearne, DR Chief Customer Officer	289,450	293,517	36,005	15,308	21,694	21,003	5,383	5,471	13,537	6,946	13,537	6,946	366,069	-	342,245
Job, GM Chief People and Property Officer	214,354	200,667	18,663	12,086	20,970	19,060	5,404	16,242	16,288	10,355	16,288	10,355	275,679	-	258,410
Loneragan, CA Chief Risk Officer	233,419	211,167	18,051	12,270	21,694	19,509	4,679	7,784	17,113	11,224	17,113	11,224	294,956	-	261,954
Rasmussen, MS Chief Operating Officer	232,622	229,739	17,779	12,692	21,694	21,003	4,662	4,752	17,256	11,374	17,256	11,374	294,013	-	279,560
Johnson, SD Chief Information Officer appointed 09/11/2020	201,245	-	5,650	-	19,622	-	17,966	-	-	-	-	-	244,483	-	-
Stephens, R Chief Information Officer appointed 04/11/2020	101,159	-	-	-	9,428	-	-	-	-	-	-	-	110,587	-	-
Caville, SM Chief Information Officer ceased 09/04/2020	-	236,441	-	12,052	-	15,288	-	-	-	10,633	-	-	-	-	274,414
<b>Total remuneration - Specified Executives</b>	<b>1,613,114</b>	<b>1,506,996</b>	<b>125,023</b>	<b>82,971</b>	<b>136,796</b>	<b>116,866</b>	<b>45,455</b>	<b>42,700</b>	<b>81,450</b>	<b>61,906</b>	<b>81,450</b>	<b>61,906</b>	<b>2,001,838</b>	<b>1,811,439</b>	<b>930</b>

**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:

KMP	TITLE	CONTRACT DATE	AMENDED DATE	CONTRACT TERM	NOTICE PERIOD	REUNDANCY PROVISIONS	SHORT TERM INCENTIVES	LONG TERM INCENTIVES
Martin Barrett	Managing Director	04/02/2013	15/07/2016 31/05/2019	No fixed term	Six months	Six months notice plus six months redundancy pay	\$180,000	\$120,000
Bill Schafer	Chief Financial Officer	28/05/2007	06/12/2016	No fixed term	Four months	Payment on early termination due to a takeover equal to six months salary plus two weeks salary per year of service (minimum 20 weeks/maximum 104 weeks).	15%	\$30,000
Damian Hearne	Chief Customer Officer	20/06/2016	22/08/2016	No fixed term	Four months	Six months notice plus six months redundancy pay	25%	15%
Gayle Job	Chief People & Property Officer	04/06/2007	06/12/2016	No fixed term	Three months	Payment on early termination due to a takeover equal to four months salary plus two weeks salary per year of service (minimum 16 weeks/maximum 104 weeks).	15%	\$30,000
Scott Johnson	Chief Information Officer	01/11/2010	23/03/2020 09/11/2020	No fixed term	Three months	Payment on early termination due to a takeover equal to four months salary plus two weeks salary per year of service (minimum 16 weeks/maximum 104 weeks).	15%	15%
Craig Lonergan	Chief Risk Officer	10/02/2014	01/07/2014 29/11/2016 09/12/2016	No fixed term	Three months	Six months notice plus six months redundancy pay	15%	\$30,000
Mark Rasmussen	Chief Operations Officer	03/02/2014	29/01/2015 12/12/2016	No fixed term	Three months	Six months notice plus six months redundancy pay	15%	\$30,000
Rebecca Stephens	Chief Transformation Officer	04/11/2020*	N/A	No fixed term	Three months	Six months notice plus six months redundancy pay	15%**	\$30,000**

\* Commencement date 11/01/2021.

\*\* Up to 30/06/2021, adjusted on a pro-rata basis dependant on the length of service completed.

**Short term incentives** - payment is 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 a fixed contracted amount or the maximum percentage value of base salary (as disclosed above) as at the 30th June each year upon satisfaction of KPIs and assessed and determined in the sole and absolute discretion of the Board Remuneration Committee.

**Long term incentives** - The grant of performance rights, under the terms and conditions of the 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. LTIs will be calculated up to a maximum value of base salary (as disclosed above) as at the 30th June each year (or as determined by the Board Remuneration Committee). The right to participate and awards made under the scheme are at the absolute and sole 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)

### 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 rates available to the general public; therefore, this interest rate would approximate an arm's length interest rate offered by the Company.

In addition, loans to staff 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.

	Balance 30 June 2020	Interest charged \$	Write-off \$	Balance 30 June 2021	Number in Group 30 June 2021
<b>Loans for the year ended 30 June 2021</b>					
Directors	(1,655,187)	34,419	-	(622,459)	1
Executives	(2,306,636)	60,387	-	(3,390,702)	6
<b>Total: Key management personnel</b>	<b>(3,961,823)</b>	<b>94,806</b>	<b>-</b>	<b>(4,013,161)</b>	<b>7</b>

	Balance 30 June 2019 \$	Interest charged \$	Write-off \$	Balance 30 June 2020 \$	Number in Group 30 June 2020
<b>Loans for the year ended 30 June 2020</b>					
Directors	(1,762,889)	55,409	-	(1,655,187)	1
Executives	(1,913,024)	53,845	-	(2,306,636)	6
<b>Total: Key management personnel</b>	<b>(3,675,913)</b>	<b>109,254</b>	<b>-</b>	<b>(3,961,823)</b>	<b>7</b>

	Balance 30 June 2020 \$	Interest* charged \$	Write-off \$	Balance 30 June 2021 \$	Highest in period \$
<b>Individuals with loans above \$100,000 in reporting period</b>					
<b>Directors</b>					
MJ Barrett	(1,655,187)	34,419	-	(622,459)	(1,740,148)
<b>Executives</b>					
WR Schafer	(341,582)	4,919	-	(354,848)	(410,391)
D Hearne	(1,386,820)	37,770	-	(1,386,543)	(1,390,045)
C Lonergan	(530,635)	8,192	-	(720,086)	(878,375)
M Rasmussen	(13,895)	2,869	-	(603,877)	(639,790)
S Johnson	(308,346)	6,637	-	(271,196)	(320,155)

\* Actual interest charged is affected by the use of the Company's offset account.

Does not include GM Job as the loan amount was under the \$100,000 threshold.

**Remuneration report (continued)**
**Equity holdings and transactions**

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

	Balance 30 June 2020	Received as remuneration	Net change other	Balance 30 June 2021
<b>Directors</b>				
B Dangerfield	43,291	-	-	43,291
GN Kenny	15,000	-	-	15,000
GB Murdoch (appointed 01/01/2021)	-	-	14,000	14,000
MJ Barrett	187,589	13,019	29,154	229,762
JS Humphrey (ceased 31/12/2020)	31,551	-	-	31,551
<b>Executives</b>				
WR Schafer	36,042	3,262	17,708	57,012
DR Hearne	-	2,559	(2,559)	-
GM Job	121,186	3,079	11,699	135,964
SD Johnson (appointed 09/11/2020)	61,217	-	-	61,217
CA Lonergan	14,000	3,235	12,765	30,000
MS Rasmussen	3,900	3,262	-	7,162
<b>Total</b>	<b>513,776</b>	<b>28,416</b>	<b>82,767</b>	<b>624,959</b>

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

**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 2021:

	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Net profit before tax	37,702	26,498	24,638	25,158	21,870
Net profit after tax	24,155	18,504	17,201	17,886	15,149
	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Share price at start of year	\$4.84	\$5.13	\$5.63	\$5.14	\$5.08
Share price at end of year	\$6.49	\$4.84	\$5.13	\$5.63	\$5.14
Interim dividend	19.00 cps	17.00 cps	16.00 cps	16.00 cps	14.00 cps
Final dividend	21.00 cps	10.75 cps	18.50 cps	18.00 cps	17.00 cps
Basic earnings per share	56.66 cps	43.80 cps	40.81 cps	42.83 cps	37.35 cps
Diluted earnings per share	56.66 cps	43.80 cps	40.81 cps	42.83 cps	37.35 cps

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

### 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 2021, 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.

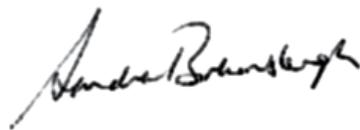
The Board has considered the non-audit services provided during the year by the Auditor, and in accordance with advice provided by the Board Audit Committee, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor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

	2021 \$	2020 \$
<b>Services provided in connection with:</b>		
Tax advisory services	24,007	65,612
Consulting services	131,118	89,002
	<u>155,125</u>	<u>154,614</u>



SC Birkenleigh  
Director



GB Murdoch  
Director

Brisbane  
26 August 2021

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

26 August 2021

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



**Gareth Bird**  
Partner  
Chartered Accountants

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT | FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated 2021 \$'000	2020 \$'000	Company 2021 \$'000	2020 \$'000
Interest revenue	2.1	110,999	126,252	110,999	126,252
Interest expense	2.1	(32,838)	(55,736)	(32,838)	(55,736)
<b>Net interest revenue</b>		<b>78,161</b>	<b>70,516</b>	<b>78,161</b>	<b>70,516</b>
Other non-interest income		10,360	9,959	10,360	9,959
<b>Total operating income</b>		<b>88,521</b>	<b>80,475</b>	<b>88,521</b>	<b>80,475</b>
Employee benefits expense		22,487	21,584	22,487	21,584
Depreciation expense		3,169	3,324	3,169	3,324
Amortisation expense		664	710	664	710
Occupancy expense		1,450	1,533	1,450	1,533
Fees and commissions		12,946	11,524	12,946	11,524
General and administration expenses		11,501	10,406	11,501	10,406
Other expenses		1,013	1,051	1,013	1,051
<b>Operating expenses less loan impairment expense</b>		<b>53,230</b>	<b>50,132</b>	<b>53,230</b>	<b>50,132</b>
Expected credit loss on financial assets at amortised cost	4.5.5	589	3,845	589	3,845
<b>Total operating expenses</b>		<b>53,819</b>	<b>53,977</b>	<b>53,819</b>	<b>53,977</b>
<b>Profit before income tax expense</b>		<b>34,702</b>	<b>26,498</b>	<b>34,702</b>	<b>26,498</b>
Income tax expense	2.3	10,547	7,994	10,544	7,985
<b>Net profit after tax</b>		<b>24,155</b>	<b>18,504</b>	<b>24,158</b>	<b>18,513</b>
<b>Profit for the year attributable to:</b>					
Owners of the Company		24,155	18,504	24,158	18,513
<b>Earnings per share</b>					
<b>From continuing operations</b>					
Basic (cents per share)	2.4	56.66	43.80		
Diluted (cents per share)	2.4	56.66	43.80		

The above consolidated statement of profit or loss account should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated 2021 \$'000	2020 \$'000	Company 2021 \$'000	2020 \$'000
<b>Profit for the year</b>		<b>24,155</b>	18,504	<b>24,158</b>	18,513
<b>Other comprehensive income, net of income tax</b>					
<i>Items that may be reclassified to profit or loss</i>					
Revaluation of cash flow hedge to fair value	3.5.3	(693)	(1,174)	(693)	(1,174)
Income tax relating to this item	2.3.3	208	352	208	352
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation of land and buildings to fair value	3.5.2	2,267	-	2,267	-
Revaluation of FVTOCI investments to fair value		(144)	-	(144)	-
Income tax relating to these items		(637)	-	(637)	-
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>1,001</b>	(822)	<b>1,001</b>	(822)
<b>Total comprehensive income for the year</b>		<b>25,156</b>	17,682	<b>25,159</b>	17,691
Total comprehensive income attributable to: Owners of the Company		<b>25,156</b>	17,682	<b>25,159</b>	17,691

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION | AS AT 30 JUNE 2021

	Notes	Consolidated 2021 \$'000	2020 \$'000	Company 2021 \$'000	2020 \$'000
<b>ASSETS</b>					
Cash and cash equivalents	4.1.1	112,627	106,478	112,627	106,478
Due from other financial institutions	4.1.2	12,790	16,293	12,790	16,293
Other financial assets	4.1.3	398,812	378,266	419,819	396,258
Loans and advances	4.1.4	3,555,043	3,205,775	3,556,287	3,206,167
Other investments	4.1.5	1,396	1,379	1,396	1,379
Property, plant and equipment	3.1	21,315	21,394	21,315	21,394
Other intangible assets	3.2	1,483	1,198	1,483	1,198
Current income tax assets		-	3,344	-	3,345
Deferred tax assets - net	2.3.5	2,834	4,322	2,834	4,322
Other assets	6.5	3,122	3,250	3,119	3,247
Goodwill	3.3	46,363	46,363	46,363	46,363
<b>Total assets</b>		<b>4,155,785</b>	3,788,062	<b>4,178,033</b>	3,806,444
<b>LIABILITIES</b>					
Deposits and short term borrowings	4.1.6	3,349,289	3,018,508	3,349,291	3,018,518
Other borrowings	4.1.7	150,806	49,793	150,806	49,793
Payables and other liabilities	4.1.8	18,654	25,645	18,641	25,643
Loans under management	4.1.4	333,714	420,731	354,721	438,723
Current tax liabilities		1,230	-	1,226	-
Provisions	6.4	3,555	3,347	3,555	3,347
Subordinated capital notes	4.1.9	42,000	28,000	42,000	28,000
<b>Total liabilities</b>		<b>3,899,248</b>	3,546,024	<b>3,920,240</b>	3,564,024
<b>Net assets</b>		<b>256,537</b>	242,038	<b>257,793</b>	242,420
<b>EQUITY</b>					
Contributed equity	3.4	195,218	193,261	196,121	193,433
Reserves	3.5	15,496	14,431	15,872	14,667
Retained profits		45,823	34,346	45,800	34,320
<b>Total equity</b>		<b>256,537</b>	242,038	<b>257,793</b>	242,420

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | FOR THE YEAR ENDED 30 JUNE 2021

		Attributable to owners of Auswide Bank Ltd								Total equity \$'000
	Share capital ordinary \$'000	Retained profits \$'000	Asset revaluation reserve \$'000	General reserve \$'000	Statutory reserve \$'000	Doubtful debts reserve \$'000	Investment revaluation reserve \$'000	Cash flow hedging reserve \$'000	Share-based payments \$'000	
<b>Consolidated entity</b>										
<b>Balance at 1 July 2019</b>	191,936	31,418	4,357	5,834	2,676	2,388	101	(521)	308	238,497
Adjustment on adoption of AASB 16 (net of tax)	-	(610)	-	-	-	-	-	-	-	(610)
<b>Restated total equity at the beginning of the financial year</b>	<b>191,936</b>	<b>30,808</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(521)</b>	<b>308</b>	<b>237,887</b>
<b>Total comprehensive income for the year:</b>										
Profit attributable to owners of parent company	-	18,504	-	-	-	-	-	-	-	18,504
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	238	238
Share-based payments vested during the year	-	-	-	-	-	-	-	-	(128)	(128)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(1,174)	-	(1,174)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	352	-	352
<b>Sub-total</b>	<b>191,936</b>	<b>49,312</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(1,343)</b>	<b>418</b>	<b>255,679</b>
Issue of share capital for dividend reinvestment plan	1,412	-	-	-	-	-	-	-	-	1,412
Dividends provided for or paid	-	(14,966)	-	-	-	-	-	-	-	(14,966)
Movement in treasury shares	(75)	-	-	-	-	-	-	-	-	(75)
Gain/ (loss) in share capital due to employee incentive scheme	(12)	-	-	-	-	-	-	-	-	(12)
<b>Balance at 30 June 2020</b>	<b>193,261</b>	<b>34,346</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(1,343)</b>	<b>418</b>	<b>242,038</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | FOR THE YEAR ENDED 30 JUNE 2021

	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	Investment revaluation reserve \$'000	Cash flow hedging reserve \$'000	Share-based payments \$'000	Total equity \$'000
<b>Consolidated entity</b>										
<b>Balance at 1 July 2020</b>	193,261	34,346	4,357	5,834	2,676	2,388	101	(1,343)	418	242,038
<b>Total comprehensive income for the year:</b>										
Profit attributable to owners of parent company	-	24,155	-	-	-	-	-	-	-	24,155
Increase (decrease) due to revaluation of land and buildings to fair value	-	-	2,267	-	-	-	-	-	-	2,267
Deferred tax liability adjustment on revaluation of land and buildings	-	-	(680)	-	-	-	-	-	-	(680)
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	204	204
Share-based payments vested during the year	-	-	-	-	-	-	-	-	(140)	(140)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(693)	-	(693)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	208	-	208
Increase (decrease) due to maturity of external RMBS investments	-	-	-	-	-	-	(144)	-	-	(144)
Deferred tax liability adjustment on maturity of external RMBS investments	-	-	-	-	-	-	43	-	-	43
<b>Sub-total</b>	<b>193,261</b>	<b>58,501</b>	<b>5,944</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>-</b>	<b>(1,828)</b>	<b>482</b>	<b>267,258</b>
Issue of share capital for staff share plan	652	-	-	-	-	-	-	-	-	652
Issue of share capital for dividend reinvestment plan	2,036	-	-	-	-	-	-	-	-	2,036
Dividends provided for or paid	-	(12,678)	-	-	-	-	-	-	-	(12,678)
Movement in treasury shares	(706)	-	-	-	-	-	-	-	-	(706)
Gain/ (loss) in share capital due to employee incentive scheme	(25)	-	-	-	-	-	-	-	-	(25)
<b>Balance at 30 June 2021</b>	<b>195,218</b>	<b>45,823</b>	<b>5,944</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>-</b>	<b>(1,828)</b>	<b>482</b>	<b>256,537</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | FOR THE YEAR ENDED 30 JUNE 2021

Company	Attributable to owners of Auswide Bank Ltd										Total equity \$'000
	Share capital ordinary \$'000	Retained profits \$'000	Asset revaluation reserve \$'000	General reserve \$'000	Statutory reserve \$'000	Doubtful debts reserve \$'000	Investment revaluation reserve \$'000	Cash flow hedging reserve \$'000	Share-based payments \$'000		
<b>Balance at 1 July 2019</b>	192,021	31,392	4,357	5,834	2,676	2,388	101	(521)	416		238,664
Adjustment on adoption of AASB 16 (net of tax)	-	(610)	-	-	-	-	-	-	-	-	(610)
<b>Restated total equity at the beginning of the financial year</b>	<b>192,021</b>	<b>30,782</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(521)</b>	<b>416</b>		<b>238,054</b>
<b>Total comprehensive income for the year:</b>											
Profit attributable to owners of parent company	-	18,513	-	-	-	-	-	-	-	-	18,513
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	238	-	238
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(1,174)	-	-	(1,174)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	352	-	-	352
<b>Sub-total</b>	<b>192,021</b>	<b>49,295</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(1,343)</b>	<b>654</b>		<b>255,983</b>
Issue of share capital for dividend reinvestment plan	1,412	-	-	-	-	-	-	-	-	-	1,412
Dividends provided for or paid	-	(14,975)	-	-	-	-	-	-	-	-	(14,975)
<b>Balance at 30 June 2020</b>	<b>193,433</b>	<b>34,320</b>	<b>4,357</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>101</b>	<b>(1,343)</b>	<b>654</b>		<b>242,420</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | FOR THE YEAR ENDED 30 JUNE 2021

Company	Attributable to owners of Auswide Bank Ltd										Total equity \$'000
	Share capital ordinary \$'000	Retained profits \$'000	Asset revaluation reserve \$'000	General reserve \$'000	Statutory reserve \$'000	Doubtful debts reserve \$'000	Investment revaluation reserve \$'000	Cash flow hedging reserve \$'000	Share-based payments \$'000		
<b>Balance at 1 July 2020</b>	193,433	34,320	4,357	5,834	2,676	2,388	101	(1,343)	654		242,420
<b>Total comprehensive income for the year:</b>											
Profit attributable to owners of parent company	-	24,158	-	-	-	-	-	-	-	-	24,158
Increase (decrease) due to revaluation of land and buildings to fair value	-	-	2,267	-	-	-	-	-	-	-	2,267
Deferred tax liability adjustment on revaluation of land and buildings	-	-	(680)	-	-	-	-	-	-	-	(680)
Share-based payments expensed during the year	-	-	-	-	-	-	(144)	-	204	-	204
Increase (decrease) due to maturity of external RMBS investments	-	-	-	-	-	-	43	-	-	-	43
Deferred tax liability adjustment on maturity of external RMBS investments	-	-	-	-	-	-	(693)	-	-	-	(693)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	208	-	-	208
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(1,828)	-	-	(1,828)
<b>Sub-total</b>	<b>193,433</b>	<b>58,478</b>	<b>5,944</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>-</b>	<b>(1,828)</b>	<b>858</b>	<b>-</b>	<b>267,783</b>
Issue of share capital for staff share plan	652	-	-	-	-	-	-	-	-	-	652
Issue of share capital for dividend reinvestment plan	2,036	-	-	-	-	-	-	-	-	-	2,036
Dividends provided for or paid	-	(12,678)	-	-	-	-	-	-	-	-	(12,678)
<b>Balance at 30 June 2021</b>	<b>196,121</b>	<b>45,800</b>	<b>5,944</b>	<b>5,834</b>	<b>2,676</b>	<b>2,388</b>	<b>-</b>	<b>(1,828)</b>	<b>858</b>	<b>-</b>	<b>267,793</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS | FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated 2021 \$'000	2020 \$'000	Company 2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>					
Interest received		111,129	127,029	111,129	127,029
Other non-interest income received		10,216	10,670	10,211	10,670
Interest paid		(36,596)	(60,529)	(36,596)	(60,529)
Income tax paid		(4,914)	(10,313)	(4,914)	(10,304)
Net movement in loans and advances		(349,871)	(124,549)	(350,723)	(124,774)
Net movement in deposits and short term borrowings		431,794	265,695	431,786	265,705
Cash paid to suppliers and employees (inclusive of goods and services tax)		(50,596)	(59,689)	(50,603)	(59,689)
<b>Net cash used in operating activities</b>	6.1	<b>111,162</b>	<b>148,314</b>	<b>110,290</b>	<b>148,108</b>
<b>Cash flows from investing activities</b>					
Net movement in investment securities		(20,692)	(61,207)	(23,707)	(46,813)
Net movement in amounts due from other financial institutions		3,504	4,701	3,504	4,701
Net movement in other investments		(17)	(57)	(17)	(57)
Payments for non current assets		(1,897)	(2,847)	(1,897)	(2,847)
<b>Net cash used in investing activities</b>		<b>(19,102)</b>	<b>(59,410)</b>	<b>(22,117)</b>	<b>(45,016)</b>
<b>Cash flows from financing activities</b>					
Net movement in subordinated capital notes		14,000	-	14,000	-
Principal payment of lease liabilities		(1,538)	(2,152)	(1,538)	(2,152)
Proceeds from share issue		652	-	652	-
Treasury shares		(732)	(87)	-	-
Dividends paid		(10,642)	(13,554)	(10,642)	(13,563)
Net movement in amounts due to other financial institutions and other liabilities		(87,651)	(71,022)	(84,496)	(85,288)
<b>Net cash used in financing activities</b>		<b>(85,911)</b>	<b>(86,815)</b>	<b>(82,024)</b>	<b>(101,003)</b>
<b>Net movement in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the financial year		106,478	104,389	106,478	104,389
<b>Cash and cash equivalents at end of the financial year</b>	4.1.1	<b>112,627</b>	<b>106,478</b>	<b>112,627</b>	<b>106,478</b>

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.

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## 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 2021 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 2020, unless otherwise stated.

### 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.

### 1.5 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. All amounts are presented in Australian dollars.

## 1. General information (continued)

### 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 2018-6 Amendments to Australian Accounting Standards - Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions

### 1.8 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 2021 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 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023	30 June 2024
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021	30 June 2022
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021	30 June 2022

## **1. General information (continued)**

### **1.8 Standards and Interpretations on issue not yet adopted (continued)**

The Group has assessed the impact of these accounting standards and does not anticipate the implementation of the above standards to have a material impact on the financial statements.

### **1.9 Comparative figures**

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

### **1.10 Going concern**

The financial statements are prepared on a going concern basis. The group has net assets of \$256.537m, recorded positive operating and total cashflows and has disclosed its liquidity risk management policy in Note 4.4. As a consequence of this, the Directors are of the view that the Group is well placed to manage its business risks successfully despite the current economic climate. Accordingly, they believe the going concern basis is appropriate.

## 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 %
<b>Interest revenue 2021</b>			
Deposits with other financial institutions	86,537	58	0.07
Investment securities	298,815	1,472	0.49
Loans and advances	3,438,463	105,742	3.08
Other	78,254	3,727	4.76
	<b>3,902,069</b>	<b>110,999</b>	<b>2.84</b>
<b>Interest expense 2021</b>			
Deposits from other financial institutions	364,421	7,004	1.92
Customer deposits	2,787,320	21,842	0.78
Negotiable certificates of deposit (NCDs)	263,790	612	0.23
Floating rate notes (FRNs)	137,769	1,317	0.96
Subordinated capital notes	38,538	1,532	3.97
RBA term funding facility	112,411	241	0.21
Lease liabilities	6,136	290	4.73
	<b>3,710,385</b>	<b>32,838</b>	<b>0.88</b>
<b>Net interest revenue 2021</b>		<b>78,161</b>	
<b>Consolidated entity</b>			
<b>Interest revenue 2020</b>			
Deposits with other financial institutions	72,027	435	0.60
Investment securities	264,243	3,552	1.34
Loans and advances	3,151,103	117,278	3.72
Other	97,825	4,987	5.10
	<b>3,585,198</b>	<b>126,252</b>	<b>3.52</b>
<b>Interest expense 2020</b>			
Deposits from other financial institutions	453,037	11,334	2.50
Customer deposits	2,475,794	36,461	1.47
Negotiable certificates of deposit (NCDs)	306,994	4,027	1.31
Floating rate notes (FRNs)	122,346	2,291	1.87
Subordinated capital notes	28,000	1,372	4.90
RBA term funding facility	7,674	16	0.21
Lease liabilities	4,137	235	5.69
	<b>3,397,983</b>	<b>55,736</b>	<b>1.64</b>
<b>Net interest revenue 2020</b>		<b>70,516</b>	

## 2. Financial performance (continued)

### 2.1 Interest revenue and interest expense (continued)

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 2021

Interest revenue	3,902,069	110,999	2.84
Interest expense	3,710,385	32,838	0.88
Net interest spread			<u>1.96</u>
Benefit of net interest-free assets, liabilities and equity			<u>0.04</u>
Net interest margin - on average interest earning assets	3,902,069	78,161	<u>2.00</u>

##### Interest margin and interest spread 2020

Interest revenue	3,585,198	126,252	3.52
Interest expense	3,397,983	55,736	1.64
Net interest spread			<u>1.88</u>
Benefit of net interest-free assets, liabilities and equity			<u>0.09</u>
Net interest margin - on average interest earning assets	3,585,198	70,516	<u>1.97</u>

#### 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 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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Other non-interest income</b>				
Fees and commissions	9,483	9,206	9,483	9,206
Other income	877	753	877	753
	<u>10,360</u>	<u>9,959</u>	<u>10,360</u>	<u>9,959</u>

## 2. Financial performance (continued)

### 2.2 Other non-interest income (continued)

#### 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.

### 2.3 Income taxes

#### 2.3.1 Components of income tax expense

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Current income tax	<b>9,928</b>	8,540	<b>9,925</b>	8,531
Deferred income tax	<b>619</b>	(546)	<b>619</b>	(546)
<b>Income tax expense reported in profit or loss</b>	<b>10,547</b>	7,994	<b>10,544</b>	7,985

#### 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.

## 2. Financial performance (continued)

### 2.3 Income taxes (continued)

#### *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.

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

	<b>Consolidated</b>	2020	<b>Company</b>	2020
	<b>2021</b>	\$'000	<b>2021</b>	\$'000
	<b>\$'000</b>		<b>\$'000</b>	
Tax on profit before income tax at 30% (2020: 30%)	<b>10,411</b>	7,949	<b>10,411</b>	7,949
<i>Tax effect of permanent differences</i>				
Add non-deductible expenses:				
Depreciation of buildings	<b>58</b>	58	<b>58</b>	58
Less:				
Tax offset for franked dividends	<b>(1)</b>	1	<b>2</b>	2
Other items - net	<b>79</b>	(14)	<b>73</b>	(24)
<b>Income tax expense</b>	<b>10,547</b>	7,994	<b>10,544</b>	7,985

#### *2.3.3 Income tax recognised in other comprehensive income*

	<b>Consolidated</b>	2020	<b>Company</b>	2020
	<b>2021</b>	\$'000	<b>2021</b>	\$'000
	<b>\$'000</b>		<b>\$'000</b>	
<b>Current income tax</b>				
Other	-	-	-	-
<b>Deferred income tax</b>				
<i>Arising on items that may be reclassified to profit or loss:</i>				
Fair value remeasurement of hedging instruments entered into for cash flow hedges	<b>(208)</b>	(352)	<b>(208)</b>	(352)
	<b>(208)</b>	(352)	<b>(208)</b>	(352)
<i>Arising on items that will not be reclassified to profit or loss:</i>				
Fair value remeasurement of FVTOCI financial assets	<b>(43)</b>	-	<b>(43)</b>	-
Fair value remeasurement of land and buildings	<b>680</b>	-	<b>680</b>	-
	<b>637</b>	-	<b>637</b>	-
<b>Total income tax recognised directly in other comprehensive income</b>	<b>429</b>	(352)	<b>429</b>	(352)

## 2. Financial performance (continued)

### 2.3 Income taxes (continued)

#### 2.3.4 Current tax assets and liabilities

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax assets/ (liabilities)</b>				
Current tax liabilities	(1,230)	-	(1,226)	-
Current income tax assets/ (liabilities)	-	3,344	-	3,345
	<b>1,230</b>	<b>(3,344)</b>	<b>1,226</b>	<b>(3,345)</b>
	<b>(1,230)</b>	<b>3,344</b>	<b>(1,226)</b>	<b>3,345</b>

#### 2.3.5 Deferred tax balances

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets - net	<b>2,834</b>	<b>4,322</b>	<b>2,834</b>	<b>4,322</b>
	<b>2,834</b>	<b>4,322</b>	<b>2,834</b>	<b>4,322</b>

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>				
Employee leave provisions	1,032	993	1,032	993
Expected credit losses	1,841	2,032	1,841	2,032
Property, plant and equipment	204	681	204	681
Capital losses available	1,026	1,466	1,026	1,466
Project acquisition costs	-	3	-	3
Premium on loans purchased	108	115	108	115
Subordinated capital notes prepaid expenses	47	44	47	44
Lease liabilities net of right of use assets	218	205	218	205
Cash flow hedging reserve	783	576	783	576
Performance Rights prepaid expenses	-	72	-	72
Other items	315	115	315	115
	<b>5,574</b>	<b>6,302</b>	<b>5,574</b>	<b>6,302</b>

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax liabilities</b>				
Asset revaluation reserve	2,547	1,867	2,547	1,867
Prepayments	40	70	40	70
Investment revaluation reserve	-	43	-	43
Performance Rights cash contributions in excess of accounting expense	153	-	153	-
	<b>2,740</b>	<b>1,980</b>	<b>2,740</b>	<b>1,980</b>

## 2. Financial performance (continued)

### 2.3 Income taxes (continued)

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.

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Movement in deferred tax balances</b>				
<b>Balance at beginning of year</b>	<b>4,322</b>	3,166	<b>4,322</b>	3,166
Deferred income tax income/ (expense) recognised directly in profit or loss	(619)	546	(619)	546
Deferred tax recognised in other comprehensive income	(429)	352	(429)	352
<i>Deferred tax arising on:</i>				
First time adoption of AASB 16	-	254	-	254
Reduction in deferred tax asset on capital losses	(440)	-	(440)	-
Prior period adjustments	-	4	-	4
<b>Balance at end of year</b>	<b>2,834</b>	4,322	<b>2,834</b>	4,322

### 2.4 Earnings per share

	2021	2020
	Cents per share	Cents per share
<b>Basic and diluted earnings per share</b>		
From continuing operations	<b>56.66</b>	43.80
<b>Total basic and diluted earnings per share</b>	<b>56.66</b>	43.80

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

	2021	2020
	\$'000	\$'000
Profit for the year attributable to owners of the Company	<b>24,155</b>	18,504
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	<b>24,155</b>	18,504

	2021	2020
	Shares No.	Shares No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>42,632,528</b>	42,248,700

### 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		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Property and equipment owned	16,787	15,135	16,787	15,135
Right-of-use assets	4,528	6,259	4,528	6,259
	<b>21,315</b>	<b>21,394</b>	<b>21,315</b>	<b>21,394</b>
<b>Carrying amounts of:</b>				
Freehold land and buildings	11,345	9,277	11,345	9,277
Plant and equipment	5,442	5,858	5,442	5,858
	<b>16,787</b>	<b>15,135</b>	<b>16,787</b>	<b>15,135</b>
	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Freehold land and buildings</b>				
At independent valuation - April 2021	11,345	9,690	11,345	9,690
Provision for depreciation	-	(413)	-	(413)
	<b>11,345</b>	<b>9,277</b>	<b>11,345</b>	<b>9,277</b>
<b>Movement in carrying amount</b>				
Opening net book amount	9,277	9,477	9,277	9,477
Revaluation increase	2,267	-	2,267	-
Depreciation charge	(199)	(200)	(199)	(200)
<b>Carrying amount at end of year</b>	<b>11,345</b>	<b>9,277</b>	<b>11,345</b>	<b>9,277</b>
	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Plant and equipment</b>				
At cost	15,526	22,790	15,526	22,790
Provision for depreciation	(10,084)	(16,932)	(10,084)	(16,932)
	<b>5,442</b>	<b>5,858</b>	<b>5,442</b>	<b>5,858</b>
<b>Movement in carrying amount</b>				
Opening net book amount	5,858	4,886	5,858	4,886
Additions	949	2,702	949	2,702
Disposals	-	(125)	-	(125)
Depreciation charge	(1,365)	(1,605)	(1,365)	(1,605)
<b>Carrying amount at end of year</b>	<b>5,442</b>	<b>5,858</b>	<b>5,442</b>	<b>5,858</b>

All land and buildings were revalued as at 13 April 2021 by certified practicing valuers Acumentis Brisbane Pty Ltd. The valuations were independently prepared in accordance with the API's Australian and New Zealand Valuation and Property Standards. The valuations were derived through a reconciliation of the capitalisation of net income and direct comparison approaches. 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.

### 3. Investments and financing (continued)

#### 3.1 Property, plant and equipment (continued)

##### *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.

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. Investments and financing (continued)

#### 3.1 Property, plant and equipment (continued)

##### 3.1.1 Right-of-use assets

Consolidated entity	Property \$'000	Vehicles \$'000	Total \$'000
<b>Right-of-use assets at cost</b>			
Balance as at 1 July 2020	6,088	171	6,259
Modification to lease terms	(51)	17	(34)
Variable lease payment adjustments	(92)	-	(92)
<b>Balance as at 30 June 2021</b>	<b>5,945</b>	<b>188</b>	<b>6,133</b>
<b>Accumulated depreciation</b>			
Depreciation charge for the year	(1,509)	(96)	(1,605)
<b>Right-of-use assets as at 30 June 2021</b>	<b>4,436</b>	<b>92</b>	<b>4,528</b>
	<b>Property \$'000</b>	<b>Vehicles \$'000</b>	<b>Total \$'000</b>
<b>Consolidated entity</b>			
<b>Right-of-use assets at cost</b>			
Balance as at 1 July 2019	3,924	119	4,043
Additions during the year	3,546	155	3,701
Variable lease payment adjustments	34	-	34
<b>Balance as at 30 June 2020</b>	<b>7,504</b>	<b>274</b>	<b>7,778</b>
<b>Accumulated depreciation</b>			
Depreciation charge for the year	(1,416)	(103)	(1,519)
<b>Right-of-use assets as at 30 June 2020</b>	<b>6,088</b>	<b>171</b>	<b>6,259</b>
	<b>Property \$'000</b>	<b>Vehicles \$'000</b>	<b>Total \$'000</b>
<b>Company</b>			
<b>Right-of-use assets at cost</b>			
Balance as at 1 July 2020	6,088	171	6,259
Variable lease payment adjustments	(92)	-	(92)
Modification to lease terms	(51)	17	(34)
<b>Balance as at 30 June 2021</b>	<b>5,945</b>	<b>188</b>	<b>6,133</b>
<b>Accumulated depreciation</b>			
Depreciation charge for the year	(1,509)	(96)	(1,605)
<b>Right-of-use assets as at 30 June 2021</b>	<b>4,436</b>	<b>92</b>	<b>4,528</b>

### 3. Investments and financing (continued)

#### 3.1 Property, plant and equipment (continued)

Company	Property \$'000	Vehicles \$'000	Total \$'000
<b>Right-of-use assets at cost</b>			
Balance as at 1 July 2019	3,924	119	4,043
Additions during the year	3,546	155	3,701
Variable lease payment adjustments	34	-	34
<b>Balance as at 30 June 2020</b>	<b>7,504</b>	<b>274</b>	<b>7,778</b>
<b>Accumulated depreciation</b>			
Depreciation charge for the year	(1,416)	(103)	(1,519)
<b>Right-of-use assets as at 30 June 2020</b>	<b>6,088</b>	<b>171</b>	<b>6,259</b>

#### 3.1.2 Lease liabilities

Details of associated lease liabilities recognised in respect of the right-of-use assets are presented below:

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Maturity analysis - contractual undiscounted cash flows</b>				
Less than one year	1,653	1,898	1,653	1,898
One to five years	4,132	5,289	4,132	5,289
More than five years	-	568	-	568
<b>Total undiscounted lease liabilities</b>	<b>5,785</b>	<b>7,755</b>	<b>5,785</b>	<b>7,755</b>
<b>Lease liabilities included in statement of financial position</b>				
Current	1,619	1,844	1,619	1,844
Non-current	3,647	5,100	3,647	5,100
	<b>5,266</b>	<b>6,944</b>	<b>5,266</b>	<b>6,944</b>
<b>Amounts recognised in statement of comprehensive income</b>				
Interest on lease liabilities	290	235	290	235
	<b>290</b>	<b>235</b>	<b>290</b>	<b>235</b>
<b>Amounts recognised in statement of cash flows</b>				
Total cash outflow for leases	1,828	2,387	1,828	2,387
	<b>1,828</b>	<b>2,387</b>	<b>1,828</b>	<b>2,387</b>



### 3. Investments and financing (continued)

#### 3.3 Goodwill

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Goodwill	<b>46,363</b>	46,363	<b>46,363</b>	46,363
	<b>46,363</b>	46,363	<b>46,363</b>	46,363
<i>Representing goodwill arising on the acquisition of:</i>				
Queensland Professional Credit Union Ltd (YCU)	<b>4,306</b>	4,306	<b>4,306</b>	4,306
Mackay Permanent Building Society Ltd (MPBS)	<b>42,057</b>	42,057	<b>42,057</b>	42,057
	<b>46,363</b>	46,363	<b>46,363</b>	46,363

##### 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.

### 3. Investments and financing (continued)

#### 3.3 Goodwill (continued)

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.

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 and a reasonable control premium. 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 assumptions under this approach are:

- Price-Earnings (P/E) multiple observed for these businesses, which for the banking businesses were in the range of 11.0 - 23.2x. Management has applied P/E multiple of 12x, lower than the historical average, as a most prudent estimate of the assumption considering economic impacts of COVID-19.
- Control premium which based on management's best estimate informed by independent advice of a professional services firm is 20%.

### 3. Investments and financing (continued)

#### 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	2021 Shares No.	2021 Shares \$'000	2020 Shares No.	2020 Shares \$'000
<b>Fully paid ordinary shares</b>					
Balance at beginning of year		<b>42,409,838</b>	<b>193,261</b>	42,172,922	191,936
<b>Issued during the year</b>					
Staff share plan	3.4.1	<b>144,641</b>	<b>652</b>	-	-
Dividend reinvestment plan	3.4.2	<b>354,012</b>	<b>2,036</b>	252,231	1,412
Gain/ (loss) in share capital on disposal of treasury shares		-	<b>(25)</b>	-	(12)
<b>Treasury shares</b>					
Movement in treasury shares	3.4.3	<b>(115,457)</b>	<b>(706)</b>	(15,315)	(75)
<b>Balance at end of year</b>		<b>42,793,034</b>	<b>195,218</b>	42,409,838	193,261

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 02 November 2020, 144,641 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.

	Consolidated 2021 Shares No.	2020 Shares No.	Company 2021 Shares No.	2020 Shares No.
Shares issued to employees since the inception of plan	<b>3,119,059</b>	2,974,418	<b>3,119,059</b>	2,974,418
Shares issued to employees during the financial year	<b>144,641</b>	-	<b>144,641</b>	-
	<b>2021 \$'000</b>	2020 \$'000	<b>2021 \$'000</b>	2020 \$'000
Total market value at date of issue (02 November 2020)	<b>720</b>	-	<b>720</b>	-
Total amount paid or payable for the shares at that date	<b>652</b>	-	<b>652</b>	-

### 3. Investments and financing (continued)

#### 3.4 Contributed equity (continued)

##### 3.4.2 Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to reinstate the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2019/20 financial year, payable on 18 September 2020. The Board resolved to maintain the DRP for the interim dividend payable on 19 March 2021 for the 2020/21 financial year.

19 March 2021 - 216,640 ordinary shares were issued  
 18 September 2020 - 137,372 ordinary shares were issued

Shares issued under the plan rank equally in every respect with existing fully paid permanent ordinary shares and participate in all cash dividends declared after the date of issue. The shares issued under the DRP on 19 March 2021 and 18 September 2020 were issued at a discount of 2.5% on the weighted sale price of the Company's shares sold during the five trading days immediately following the Record Date.

##### 3.4.3 Treasury shares

As at the reporting date Auswide Performance Rights Pty Ltd holds 140,335 shares, \$837,303 (Jun 20: 24,878 shares, \$131,051) for the purpose of facilitating the Executive LTI scheme.

#### 3.5 Reserves

	Notes	Consolidated		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment revaluation reserve	3.5.1	-	101	-	101
Asset revaluation reserve	3.5.2	<b>5,944</b>	4,357	<b>5,944</b>	4,357
Cash flow hedge reserve	3.5.3	<b>(1,828)</b>	(1,343)	<b>(1,828)</b>	(1,343)
Share-based payment reserve	3.5.4	<b>482</b>	418	<b>858</b>	654
Statutory reserve	3.5.5	<b>2,676</b>	2,676	<b>2,676</b>	2,676
General reserve	3.5.6	<b>5,834</b>	5,834	<b>5,834</b>	5,834
Doubtful debts reserve	3.5.7	<b>2,388</b>	2,388	<b>2,388</b>	2,388
		<b>15,496</b>	14,431	<b>15,872</b>	14,667

##### 3.5.1 Investment revaluation reserve

###### Investment revaluation reserve

Balance at beginning of year	<b>101</b>	101	<b>101</b>	101
Derecognition of investments classified as at FVTOCI	<b>(144)</b>	-	<b>(144)</b>	-
Deferred tax liability adjustment on derecognition	<b>43</b>	-	<b>43</b>	-
<b>Balance at end of year</b>	<b>-</b>	101	<b>-</b>	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.

##### 3.5.2 Asset revaluation reserve

###### Asset revaluation reserve

Balance at beginning of year	<b>4,357</b>	4,357	<b>4,357</b>	4,357
Increase/(decrease) due to revaluation on land and buildings	<b>2,267</b>	-	<b>2,267</b>	-
Deferred tax liability adjustment on revaluation on land and buildings	<b>(680)</b>	-	<b>(680)</b>	-
<b>Balance at end of year</b>	<b>5,944</b>	4,357	<b>5,944</b>	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)

##### 3.5.3 Cash flow hedge reserve

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Cash flow hedge reserve</b>				
Balance at beginning of year	(1,343)	(521)	(1,343)	(521)
Gain/(loss) arising on changes in fair value of interest rate swaps entered into for cash flow hedges				
Interest rate swaps	(693)	(1,174)	(693)	(1,174)
Income tax related to gains/losses recognised in other comprehensive income	208	352	208	352
<b>Balance at end of year</b>	<b>(1,828)</b>	<b>(1,343)</b>	<b>(1,828)</b>	<b>(1,343)</b>

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.

##### 3.5.4 Share based payments reserve

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Share based payments reserve</b>				
Balance at beginning of year	418	308	654	416
Expensed during the year	204	238	204	238
Vested during the year	(140)	(128)	-	-
<b>Balance at end of year</b>	<b>482</b>	<b>418</b>	<b>858</b>	<b>654</b>

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

##### 3.5.5 Statutory reserve

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

##### 3.5.6 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.

##### 3.5.7 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

	<b>Consolidated 2021 \$'000</b>	2020 \$'000	<b>Company 2021 \$'000</b>	2020 \$'000
<b>Dividends paid during the year</b>				
Interim for current year	<b>8,116</b>	7,171	<b>8,116</b>	7,171
Final for previous year	<b>4,562</b>	7,804	<b>4,562</b>	7,804
	<b>12,678</b>	14,975	<b>12,678</b>	14,975

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 21.00 cents per ordinary share (\$9.016m), for the six months to 30 June 2021, payable on 24 September 2021.

The final dividend for the six months to 30 June 2020 (\$4.562m) was paid on 18 September 2020, and was disclosed in the 2019/20 financial accounts.

The tax rate at which the dividends have been franked is 30% (2020: 30%).

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

	<b>Consolidated 2021 \$'000</b>	2020 \$'000	<b>Company 2021 \$'000</b>	2020 \$'000
Balance as at the end of the financial year	<b>33,875</b>	33,931	<b>33,875</b>	33,931
Credits/(debits) that will arise from the payment of income tax payable per the financial statements	<b>1,226</b>	(3,344)	<b>1,226</b>	(3,344)
Debits that will arise from the payment of the proposed dividend	<b>(3,864)</b>	(1,955)	<b>(3,864)</b>	(1,955)
	<b>31,237</b>	28,632	<b>31,237</b>	28,632

Dividends - cents per share

#### **Dividend proposed**

Fully franked dividend on ordinary shares

**21.00**      10.75      **21.00**      10.75

#### **Interim dividend paid during the year**

Fully franked dividend on ordinary shares

**19.00**      17.00      **19.00**      17.00

#### **Final dividend paid for the previous year**

Fully franked dividend on ordinary shares

**10.75**      18.50      **10.75**      18.50

#### 4. Financial assets, liabilities and related financial risk management

##### 4.1 Categories of financial instruments

	Notes	Classification	Consolidated 2021 \$'000	2020 \$'000	Company 2021 \$'000	2020 \$'000
<b>Financial assets</b>						
Cash and cash equivalents	4.1.1	Amortised cost	112,627	106,478	112,627	106,478
Due from other financial institutions	4.1.2	Amortised cost	12,790	16,293	12,790	16,293
<i>Other financial assets;</i>						
- Certificates of deposit	4.1.3	Amortised cost	341,025	293,172	341,025	293,172
- Investments in Managed Investment Schemes		FVTPL	37,424	60,613	37,424	60,613
- Notes – securitisation program and other		Amortised cost	20,126	24,074	41,133	42,066
- Derivative assets		FVTPL	49	141	49	141
- Interest receivable		Amortised cost	188	266	188	266
Loans and advances	4.1.4	Amortised cost	3,555,043	3,205,775	3,556,287	3,206,167
<i>Other investments;</i>						
- Unlisted shares	4.1.5	FVTOCI	918	918	918	918
<b>Total financial assets</b>			<b>4,080,190</b>	<b>3,707,730</b>	<b>4,102,441</b>	<b>3,726,114</b>
<b>Financial liabilities</b>						
Deposits and other short term borrowings	4.1.6	Amortised cost	3,349,289	3,018,508	3,349,291	3,018,518
Other borrowings	4.1.7	Amortised cost	150,806	49,793	150,806	49,793
<i>Payables and other liabilities</i>						
- Payables and creditors	4.1.8	Amortised cost	15,993	23,586	15,980	23,584
- Derivative liabilities		FVTPL	2,661	2,059	2,661	2,059
Loans under management	4.1.4	Amortised cost	333,714	420,731	354,721	438,723
Subordinated capital notes	4.1.9	Amortised cost	42,000	28,000	42,000	28,000
<b>Total financial liabilities</b>			<b>3,894,463</b>	<b>3,542,677</b>	<b>3,915,459</b>	<b>3,560,677</b>

##### 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:

- 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.

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

### 4.1 Categories of financial instruments (continued)

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

##### 4.1 Categories of financial instruments (continued)

###### 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:

	<b>Consolidated 2021 \$'000</b>	2020 \$'000	<b>Company 2021 \$'000</b>	2020 \$'000
Cash at bank and in hand	<b>45,427</b>	61,878	<b>45,427</b>	61,878
Deposits on call	<b>67,200</b>	44,600	<b>67,200</b>	44,600
	<b>112,627</b>	106,478	<b>112,627</b>	106,478

###### 4.1.2 Due from other financial institutions

	<b>Consolidated 2021 \$'000</b>	2020 \$'000	<b>Company 2021 \$'000</b>	2020 \$'000
Deposits with Special Service Providers (SSPs)	<b>12,790</b>	16,293	<b>12,790</b>	16,293
	<b>12,790</b>	16,293	<b>12,790</b>	16,293

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

	<b>Consolidated 2021 \$'000</b>	2020 \$'000	<b>Company 2021 \$'000</b>	2020 \$'000
Certificates of deposit	<b>341,025</b>	293,172	<b>341,025</b>	293,172
Investments in Managed Investment Schemes (MIS)	<b>37,424</b>	60,613	<b>37,424</b>	60,613
Notes - securitisation program and other	<b>20,126</b>	24,074	<b>41,133</b>	42,066
Derivative assets	<b>49</b>	141	<b>49</b>	141
Interest receivable	<b>188</b>	266	<b>188</b>	266
	<b>398,812</b>	378,266	<b>419,819</b>	396,258

Cash held within securitised trusts at 30 June 2021 of \$20.126m (2020: \$24.074m) is restricted for use only by the trusts.

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

##### 4.1 Categories of financial instruments (continued)

###### 4.1.4 Loans and advances

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Term loans	3,470,566	3,100,117	3,470,565	3,100,115
Continuing credit loans	78,899	102,778	78,899	102,778
Interest receivable	4,157	4,218	4,157	4,218
Deferred mortgage broker commissions	7,560	5,451	7,560	5,451
Loans to controlled entities	-	-	1,245	394
	<b>3,561,182</b>	<b>3,212,564</b>	<b>3,562,426</b>	<b>3,212,956</b>
Expected credit loss	(6,139)	(6,789)	(6,139)	(6,789)
<b>Total loans and advances</b>	<b>3,555,043</b>	<b>3,205,775</b>	<b>3,556,287</b>	<b>3,206,167</b>

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

Loans and advances include an amount of \$553.859m of which have been issued under the federal government's First Home Loan Deposit Scheme by National Housing Finance and Investment Corporation (NHFIC). The scheme provides a guarantee for any loan monies above 80% LVR.

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 \$333.714m (2020: \$420.731m). Class B notes of \$21.007m (2020: \$17.992m) 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 at fair value through other comprehensive income.

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Unlisted shares	918	918	918	918
Equity accounted investment	478	461	478	461
	<b>1,396</b>	<b>1,379</b>	<b>1,396</b>	<b>1,379</b>

###### 4.1.6 Deposits and short term borrowings

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Call deposits	1,439,978	1,118,565	1,439,980	1,118,575
Term deposits	1,492,619	1,501,841	1,492,619	1,501,841
Negotiable certificates of deposit (NCDs)	251,692	267,102	251,692	267,102
Floating rate notes (FRNs)	165,000	131,000	165,000	131,000
	<b>3,349,289</b>	<b>3,018,508</b>	<b>3,349,291</b>	<b>3,018,518</b>

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

##### 4.1 Categories of financial instruments (continued)

###### 4.1.7 Other borrowings

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
RBA Term Funding Facility (TFF)	<b>150,806</b>	49,793	<b>150,806</b>	49,793
	<b>150,806</b>	49,793	<b>150,806</b>	49,793

The Term Funding Facility (TFF) was announced by the RBA in March 2020 as part of a package of measures to support the Australian economy. Under the TFF, the RBA offered three-year funding to ADI's subject to collateral requirements. Auswide Bank has utilised \$89.766m charged at a rate of 0.25% and \$61.040m at a rate of 0.10%. Interest is payable to the RBA at the end of the funding period. Term funding liabilities are initially recognised at fair value and subsequently measured at amortised cost using effective interest method

###### 4.1.8 Payables and other liabilities

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Trade creditors	<b>2,966</b>	2,881	<b>2,953</b>	2,879
Derivative liabilities	<b>2,661</b>	2,059	<b>2,661</b>	2,059
Accrued interest payable	<b>6,597</b>	10,357	<b>6,597</b>	10,357
Other creditors	<b>1,174</b>	3,404	<b>1,174</b>	3,404
Lease liabilities	<b>5,256</b>	6,944	<b>5,256</b>	6,944
	<b>18,654</b>	25,645	<b>18,641</b>	25,643

###### 4.1.9 Subordinated capital notes

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Inscribed debenture stock	<b>42,000</b>	28,000	<b>42,000</b>	28,000
	<b>42,000</b>	28,000	<b>42,000</b>	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).

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 2020 and 2021.

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

### 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 2021 and 2020 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 2021 and 30 June 2020 have been prepared in accordance with the revised prudential standards incorporating the Basel III principles.

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

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

##### 4.2 Capital risk management (continued)

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Total risk weighted assets	1,792,514	1,631,807	1,793,728	1,632,124
Capital base	238,662	211,382	239,427	211,766
<b>Risk-based capital ratio</b>	<b>13.31%</b>	12.95%	<b>13.35%</b>	12.97%

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](http://www.auswidebank.com.au).

##### 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 Interest Rate 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 at the balance date, are as follows:

##### Fixed interest rate maturing in:

Financial instruments	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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
<b>Financial assets</b>												
Cash and cash equivalents	111,386	105,568	-	-	-	-	1,241	910	112,627	106,478	0.06	0.50
Due from other financial institutions	12,695	16,198	-	-	-	-	95	95	12,790	16,293	0.03	0.44
Other financial assets	20,126	24,074	341,213	293,438	37,424	60,613	-	-	398,763	378,125	1.37	2.39
Loans and advances	1,882,779	2,184,650	400,498	288,556	1,266,189	729,689	5,577	2,880	3,555,043	3,205,775	2.96	3.61
<b>Total financial assets</b>	<b>2,026,986</b>	<b>2,330,490</b>	<b>741,711</b>	<b>581,994</b>	<b>1,303,613</b>	<b>790,302</b>	<b>6,913</b>	<b>3,885</b>	<b>4,079,223</b>	<b>3,706,671</b>		
<b>Financial liabilities</b>												
Deposits and short term borrowings	1,439,978	1,118,565	1,633,774	1,704,771	275,537	195,172	-	-	3,349,289	3,018,508	0.56	1.13
Other borrowings	-	-	-	-	150,806	49,793	-	-	150,806	49,793	0.20	0.20
Payables and other liabilities	-	-	-	-	-	-	15,994	23,586	15,994	23,586	-	-
Loans under management	177,261	287,095	37,595	37,870	118,858	95,766	-	-	333,714	420,731	1.41	2.16
Subordinated capital notes	-	-	42,000	28,000	-	-	-	-	42,000	28,000	3.89	4.86
<b>Total financial liabilities</b>	<b>1,617,239</b>	<b>1,405,660</b>	<b>1,713,369</b>	<b>1,770,641</b>	<b>545,201</b>	<b>340,731</b>	<b>15,994</b>	<b>23,586</b>	<b>3,891,803</b>	<b>3,540,618</b>		

#### 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 all other variables were held constant the Group's net profit before tax would decrease by \$0.024m. If interest rates were 1.0% lower and all other variables were held constant the Group's net profit before tax would decrease by \$5.352m (2020: 2.0% higher an increase of \$2.763m or 1.0% lower a decrease of \$4.307m). The parameters used were consistent with those adopted for the prior period and is mainly due to the Company's exposures to variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from the Interest Rate Risk Report which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities.

##### *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 following 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:

	2021 \$'000	2020 \$'000
Wide Bay Trust No. 5	(1,144)	(546)
WB Trust 2008-1	6,133	10,442
WB Trust 2014-1	50	117
WB Trust 2010-1	-	85
ABA Trust 2017-1	(20)	(36)

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. 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 \$0.049m and \$2.661m respectively (2020: \$0.141m and \$2.059m).

##### *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.

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

##### 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.

The Company holds an additional reserve which is assessed on an ongoing basis 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:

<b>Securitisation trust</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Wide Bay Trust No. 5	<b>40,300</b>	84,235
ABA Trust No. 7	<b>36,100</b>	23,503
<b>Total</b>	<b>76,400</b>	107,738

##### *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 2021	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
<b>Financial assets</b>							
Cash and cash equivalents	112,627	-	-	-	-	-	112,627
Due from other financial institutions	-	-	-	-	-	12,790	12,790
Other financial assets	-	178,063	12,500	150,699	57,550	-	398,812
Loans and advances	-	7,510	3,377	42,300	3,501,856	-	3,555,043
<b>Total</b>	<b>112,627</b>	<b>185,573</b>	<b>15,877</b>	<b>192,999</b>	<b>3,559,406</b>	<b>12,790</b>	<b>4,079,272</b>
<b>Financial liabilities</b>							
Deposits and short term borrowings	1,439,978	915,811	868,769	124,731	-	-	3,349,289
Other borrowings	-	-	-	150,806	-	-	150,806
Payables and other liabilities*	-	6,616	3,946	2,836	-	-	13,398
Loans under management	-	38,874	164,721	130,119	-	-	333,714
Subordinated capital notes	-	-	-	42,000	-	-	42,000
<b>Total</b>	<b>1,439,978</b>	<b>961,301</b>	<b>1,037,436</b>	<b>450,492</b>	<b>-</b>	<b>-</b>	<b>3,889,207</b>

\* The maturity analysis for the contractual undiscounted cash flows of lease liabilities are separately disclosed in Section 3.1.2.

Consolidated entity 30 June 2020	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
<b>Financial assets</b>							
Cash and cash equivalents	106,478	-	-	-	-	-	106,478
Due from other financial institutions	-	-	-	-	-	16,293	16,293
Other financial assets	-	169,638	15,091	108,850	84,687	-	378,266
Loans and advances	-	7,914	6,521	37,633	3,153,707	-	3,205,775
<b>Total</b>	<b>106,478</b>	<b>177,552</b>	<b>21,612</b>	<b>146,483</b>	<b>3,238,394</b>	<b>16,293</b>	<b>3,706,812</b>

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

Consolidated entity 30 June 2020	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
<b>Financial liabilities</b>							
Deposits and short term borrowings	1,118,565	927,945	826,619	145,379	-	-	3,018,508
Other borrowings	-	-	-	49,793	-	-	49,793
Payables and other liabilities*	-	-	10,454	5,534	2,708	-	18,696
Loans under management	-	51,497	175,754	193,480	-	-	420,731
Subordinated capital notes	-	-	-	28,000	-	-	28,000
<b>Total</b>	<b>1,118,565</b>	<b>979,442</b>	<b>1,012,827</b>	<b>422,186</b>	<b>2,708</b>	<b>-</b>	<b>3,535,728</b>
	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
<b>Company 30 June 2021</b>							
<b>Financial assets</b>							
Cash and cash equivalents	112,627	-	-	-	-	-	112,627
Due from other financial institutions	-	-	-	-	-	12,790	12,790
Other financial assets	-	178,063	12,500	150,699	78,557	-	419,819
Loans and advances	-	7,510	3,377	42,300	3,503,100	-	3,556,287
<b>Total</b>	<b>112,627</b>	<b>185,573</b>	<b>15,877</b>	<b>192,999</b>	<b>3,581,657</b>	<b>12,790</b>	<b>4,101,523</b>
	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
<b>Financial liabilities</b>							
Deposits and short term borrowings	1,439,980	915,811	868,769	124,731	-	-	3,349,291
Other borrowings	-	-	-	150,806	-	-	150,806
Payables and other liabilities*	-	6,603	3,946	2,836	-	-	13,385
Loans under management	-	42,887	181,715	130,119	-	-	354,721
Subordinated capital notes	-	-	-	42,000	-	-	42,000
<b>Total</b>	<b>1,439,980</b>	<b>965,301</b>	<b>1,054,430</b>	<b>450,492</b>	<b>-</b>	<b>-</b>	<b>3,910,203</b>

\* The maturity analysis for the contractual undiscounted cash flows of lease liabilities are separately disclosed in Section 3.1.2.

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

##### 4.4 Liquidity risk management (continued)

Company 30 June 2020	On call Up to 3 months \$'000	3-12 months \$'000	1 - 5 years \$'000	Later than 5 years \$'000	No maturity specified \$'000	Total \$'000
<b>Financial assets</b>						
Cash and cash equivalents	106,478	-	-	-	-	106,478
Due from other financial institutions	-	-	-	-	16,293	16,293
Other financial assets	-	15,091	108,850	102,679	-	396,258
Loans and advances	-	7,914	37,633	3,154,099	-	3,206,167
<b>Total</b>	<b>106,478</b>	<b>21,612</b>	<b>146,483</b>	<b>3,256,778</b>	<b>16,293</b>	<b>3,725,196</b>
<b>Financial liabilities</b>						
Deposits and short term borrowings	1,118,575	826,619	145,379	-	-	3,018,518
Other borrowings	-	-	49,793	-	-	49,793
Payables and other liabilities*	-	10,454	5,534	2,708	-	18,696
Loans under management	-	189,732	193,480	-	-	438,723
Subordinated capital notes	-	-	28,000	-	-	28,000
<b>Total</b>	<b>1,118,575</b>	<b>1,026,805</b>	<b>422,186</b>	<b>2,708</b>	<b>-</b>	<b>3,553,730</b>

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

### 4.5 Credit risk management

The company has a diversified branch network consisting of 18 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.

#### *Managing credit risk*

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

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.

#### *Exposure to credit risk*

Credit risk exists predominantly on the Group's loan portfolio. 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.

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.

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.

#### *Minimising credit risk*

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.

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.

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. This excludes loans issued under the federal government's First Home Loan Deposit Scheme by National Housing Finance and Investment Corporation (NHFIC). The scheme provides a guarantee for any loan monies above 80% LVR.

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.

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

##### 4.5 Credit risk management (continued)

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.

##### *Additional provisions*

During the year, the Group recognised an additional provision of \$1.0 million for the potential impact of COVID-19 on the lending portfolio taking into account stress on the economy introduced by COVID-19 and the mitigating impact of Government and industry assistance packages and support, such as loan repayment deferral arrangements.

##### *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	Expected credit loss	Maximum exposure to credit risk	Expected credit loss
				2021 \$'000	2021 \$'000	2020 \$'000	2020 \$'000
	Cash and cash equivalents	4.1.1	Cash and cash equivalents	112,627	-	106,478	-
	Due from other financial institutions	4.1.2	Due from other financial institutions	12,790	-	16,293	-
	Certificates of deposit	4.1.3	Other financial assets	341,025	-	293,172	-
	Notes – securitisation program and other	4.1.3	Other financial assets	20,126	-	24,074	-
	Interest receivable	4.1.3	Other financial assets	188	-	266	-
	Loans and advances	4.1.4	Loans and advances	3,822,764	5,999	3,457,232	6,592
	<b>Total</b>			<b>4,309,520</b>	<b>5,999</b>	<b>3,897,515</b>	<b>6,592</b>
	<b>Off-balance sheet exposures</b>						
	Loans approved not advanced (LANA)	6.3		159,053	140	114,807	197
	Bank guarantees	6.3		1,763	-	591	-
	<b>Total</b>			<b>160,816</b>	<b>140</b>	<b>115,398</b>	<b>197</b>

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

### 4.5 Credit risk management (continued)

#### *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.

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.

Repayment deferral availed by the borrowers as a result of COVID-19 does not in itself constitute a default or credit impairment event unless the exposure meets the above criteria.

#### *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.

Repayment deferral availed by the borrowers as a result of COVID-19 does not in itself constitute a significant increase in credit risk unless the exposure meets the above criteria.

#### *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.

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

### 4.5 Credit risk management (continued)

#### *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.

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 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.

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

##### 4.5 Credit risk management (continued)

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.

##### *Sensitivity analysis and forward looking information*

The following table shows the reported ECL based on the probability weighting of scenarios, with the sensitivity range reflecting the ECL impacts assuming a 100% weighting is applied to the base case scenario, the downside scenario or the severe downside scenario (with all other assumptions held constant). As at 30 June 2021, the probability weighted ECL is a blended outcome taking into consideration the respective scenarios.

The base case scenario incorporates a reasonable level of portfolio stress driven by forecast macro-economic factors, including potential impacts of the COVID-19 pandemic as Australia responds to COVID-19.

Scenario	ECL	Macroeconomic forecast
	Jun 21 \$m	
<b>Reported ECL</b>	<b>6,139</b>	
<b>100% base case</b>	<b>5,995</b>	Includes a reasonable level of portfolio stress. By the end of 2021 the unemployment rate is expected to 4.5% with marginal improvements beyond that. Unemployment is forecast to be 4.25% by the end of 2022. The RBA has forecast GDP growth of 4%, with further contractions possible due to the ongoing impact of COVID-19.
<b>100% downside</b>	<b>6,305</b>	Assumes a moderate but reasonable level of portfolio stress.
<b>100% severe downside</b>	<b>6,915</b>	Assumes a more severe and prolonged downturn including elevated levels of unemployment and GDP decline.

##### *Assumptions*

The following table summarises the key judgements and assumptions in relation to the model inputs and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries. Accordingly, the Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

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

##### 4.5 Credit risk management (continued)

Judgement/ Assumption	Description	Changes and considerations during the year ended 30 June 2021
<b>Determining when a significant increase in credit risk (SICR) has occurred</b>	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'stage 1' to 'stage 2'. This is a key area of judgement since transition from stage 1 to stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance.	Various initiatives, such as loan repayment holidays and deferrals have been offered to customers throughout the year recognising the potential detrimental impact of COVID-19. Such offers, if accepted, are not automatically considered to indicate SICR.
<b>Measuring both 12-month and lifetime credit losses</b>	ECL is a function of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) which are point-in-time measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward looking information variables are relevant for particular lending portfolios and for determining the sensitivity of the parameters to movements in these forward looking variables.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 30 June 2021.  There were no changes to behavioural lifetime estimates during the year ended 30 June 2021.
<b>Base case economic forecast</b>	The Group derives a forward looking "base case" economic scenario which reflects Auswide's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current year.  As at 30 June 2021, the base case assumptions have been updated to reflect the ongoing situation with respect to COVID-19. This includes an assessment of the impact of central bank (monetary policy), governments (wage subsidies), and institution specific responses (such as payment holidays). These are considered in determining the length and severity of the forecast economic downturn.
<b>Probability weighting of each scenario (base case, downside and severe downside scenarios)</b>	Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case scenario.	The key consideration for probability weightings in the current period is the continuing impact of COVID-19. The base case forecast reflects largely the negative economic consequences of COVID-19. Management have assessed the weightings applied to the downside and severe downside scenarios and determined that these remained appropriate.
<b>Management overlays</b>	Management overlays to the ECL allowance are used where it is judged that existing inputs, assumptions and model techniques do not adequately capture the risk factors in the lending portfolio.	An overlay for model error risk continues to be applied. In assessing the potential impacts of COVID-19, management have applied an additional overlay, increasing the ECL, allowing for the increased uncertainty in future economic conditions.

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

##### 4.5 Credit risk management (continued)

###### *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.

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 2021	Maximum exposure to credit risk			Expected credit loss				
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Class of financial instrument</b>								
Cash and cash equivalents	112,627	-	-	112,627	-	-	-	-
Due from other financial institutions	12,790	-	-	12,790	-	-	-	-
Certificate of deposit	341,025	-	-	341,025	-	-	-	-
Notes – securitisation program and other	20,126	-	-	20,126	-	-	-	-
<b>Total</b>	<b>486,568</b>	<b>-</b>	<b>-</b>	<b>486,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans and advances*</b>								
- Mortgage lending	3,708,130	6,868	8,862	3,723,860	2,465	289	2,342	5,096
- Personal lending	28,636	43	19	28,698	172	12	15	199
- Commercial lending	68,896	-	1,310	70,206	98	-	606	704
<b>Total</b>	<b>3,805,662</b>	<b>6,911</b>	<b>10,191</b>	<b>3,822,764</b>	<b>2,735</b>	<b>301</b>	<b>2,963</b>	<b>5,999</b>
<b>Off-balance sheet exposures</b>								
Loans approved not advanced (LANA)	159,053	-	-	159,053	140	-	-	140
Bank guarantees	1,763	-	-	1,763	-	-	-	-
<b>Total</b>	<b>160,816</b>	<b>-</b>	<b>-</b>	<b>160,816</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>140</b>

\* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2021 is \$3.549b.

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

##### 4.5 Credit risk management (continued)

Consolidated entity Balance at 1 July 2020	Maximum exposure to credit risk			Expected credit loss			Total \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	
	Total \$'000	Total \$'000	Total \$'000	Total \$'000	Total \$'000	Total \$'000	
<b>Class of financial instrument</b>							
Cash and cash equivalents	106,478	-	-	-	-	-	-
Due from other financial institutions	16,293	-	-	-	-	-	-
Certificate of deposit	293,172	-	-	-	-	-	-
Notes – securitisation program and other	24,074	-	-	-	-	-	-
<b>Total</b>	<b>440,017</b>	<b>-</b>	<b>-</b>	<b>440,017</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans and advances*</b>							
- Mortgage lending	3,332,873	7,356	11,638	2,503	241	2,439	5,183
- Personal lending	24,306	-	35	219	-	90	309
- Commercial lending	79,070	180	1,774	263	22	815	1,100
<b>Total</b>	<b>3,436,249</b>	<b>7,536</b>	<b>13,447</b>	<b>2,985</b>	<b>263</b>	<b>3,344</b>	<b>6,592</b>
<b>Off-balance sheet exposures</b>							
Loans approved not advanced (LANA)	114,807	-	-	197	-	-	197
Bank guarantees	591	-	-	-	-	-	-
<b>Total</b>	<b>115,398</b>	<b>-</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>197</b>

\* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2020 is \$3.203b.

#### 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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000	
<b>Loans and advances at amortised cost*</b>				
Gross carrying amount at beginning of year	3,181,902	7,520	13,473	3,202,895
Transfer to stage 1	6,958	(4,018)	(2,940)	-
Transfer to stage 2	(4,882)	5,382	(500)	-
Transfer to stage 3	(4,091)	(892)	4,983	-
Financial assets that have been derecognised during the period including write-offs	(483,268)	(970)	(4,422)	(488,660)
New financial assets originated	963,367	-	-	963,367
Adjustments for repayments and interest	(127,662)	(115)	(360)	(128,137)
<b>Net carrying amount as at 30 June 2021</b>	<b>3,532,324</b>	<b>6,907</b>	<b>10,234</b>	<b>3,549,465</b>

\* Excludes interest receivable and deferred mortgage brokers commissions.

Consolidated entity	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000	
<b>Loans and advances at amortised cost *</b>				
Gross carrying amount at beginning of year	3,050,753	17,257	13,082	3,081,092
Transfer to stage 1	10,785	(7,542)	(3,243)	-
Transfer to stage 2	(5,914)	6,192	(278)	-
Transfer to stage 3	(4,472)	(4,096)	8,568	-
Financial assets that have been derecognised during the period including write-offs	(436,929)	(4,550)	(5,895)	(447,374)
New financial assets originated	685,733	310	847	686,890
Adjustments for repayments and interest	(118,054)	(51)	392	(117,713)
<b>Net carrying amount as at 30 June 2020</b>	<b>3,181,902</b>	<b>7,520</b>	<b>13,473</b>	<b>3,202,895</b>

\* 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.

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

##### 4.5 Credit risk management (continued)

Consolidated entity	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loans and advances at amortised cost*	\$'000	\$'000	\$'000	\$'000
Loss allowance at beginning of year	3,062	263	3,267	6,592
Transfer to stage 1	628	(118)	(510)	-
Transfer to stage 2	(10)	47	(37)	-
Transfer to stage 3	(2)	(40)	42	-
Financial assets derecognised during the period including write-offs	(599)	(90)	(938)	(1,627)
New financial assets originated	637	-	-	637
Changes in model risk assessment	(981)	239	1,139	397
<b>Loss allowance as at 30 June 2021</b>	<b>2,735</b>	<b>301</b>	<b>2,963</b>	<b>5,999</b>

\* Excludes interest receivable and deferred mortgage brokers commissions.

Loans and advances at amortised cost*	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	\$'000	\$'000	\$'000	\$'000
Loss allowance at beginning of year	2,232	734	1,525	4,491
Transfer to stage 1	269	(260)	(9)	-
Transfer to stage 2	(7)	8	(1)	-
Transfer to stage 3	(17)	(218)	235	-
Financial assets derecognised during the period including write-offs	(826)	(242)	(1,055)	(2,123)
New financial assets originated	727	1	363	1,091
Changes in model risk assessment	684	240	2,209	3,133
<b>Loss allowance as at 30 June 2020</b>	<b>3,062</b>	<b>263</b>	<b>3,267</b>	<b>6,592</b>

\* 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.

Consolidated entity	Loans and advances	LANA	Total
	\$'000	\$'000	\$'000
<b>Expected credit loss</b>			
Loss allowance at beginning of year	6,592	197	6,789
Loss allowance recognised/ (reversed) during the year	646	(57)	589
Bad debts written off	(1,239)	-	(1,239)
<b>Loss allowance as at 30 June 2021</b>	<b>5,999</b>	<b>140</b>	<b>6,139</b>

#### 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
<b>Expected credit loss</b>			
Loss allowance at beginning of year	4,437	54	4,491
Loss allowance recognised/ (reversed) during the year	3,702	143	3,845
Bad debts written off	(1,547)	-	(1,547)
<b>Loss allowance at 30 June 2020</b>	<u>6,592</u>	<u>197</u>	<u>6,789</u>

##### 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 2021 \$'000	2020 \$'000
<b>Loans and advances at amortised cost*</b>		
<b>Concentration by sector</b>		
Mortgage lending	3,469,468	3,112,868
Personal lending	24,271	21,908
Commercial lending	55,726	68,119
<b>Total</b>	<u>3,549,465</u>	<u>3,202,895</u>

\* Excludes interest receivable and deferred mortgage brokers commissions.

Consolidated entity	Consolidated 2021 \$'000	2020 \$'000
<b>Loans and advances at amortised cost*</b>		
<b>Concentration by region</b>		
Queensland	2,527,350	2,371,985
New South Wales	445,274	360,263
Australian Capital Territory	53,291	38,542
Victoria	355,108	281,021
South Australia	31,753	29,272
Western Australia	100,623	82,506
Tasmania	13,494	12,779
Northern Territory	22,572	26,527
<b>Total</b>	<u>3,549,465</u>	<u>3,202,895</u>

\* Excludes interest receivable and deferred mortgage brokers commissions.

LANA of \$159.053m (2020: \$114.807m) 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 \$3.668m (2020: \$3.577m) determined in accordance with the aforementioned prudential standard.

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

##### 4.5 Credit risk management (continued)

###### 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 \$37.424m at 30 June 2021 (2020: \$60.613m). The change in fair value due to credit risk for the MISs designated at FVTPL is \$1.013m for the year (2020: \$1.051m). 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.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
30 days and less than 60 days	<b>3,047</b>	1,609	<b>3,047</b>	1,609
60 days and less than 90 days	<b>735</b>	903	<b>735</b>	903
90 days and less than 182 days	<b>862</b>	3,333	<b>862</b>	3,333
182 days and less than 273 days	<b>431</b>	1,265	<b>431</b>	1,265
273 days and less than 365 days	-	549	-	549
365 days and over	<b>3,905</b>	4,900	<b>3,905</b>	4,900
	<b>8,980</b>	12,559	<b>8,980</b>	12,559

###### 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		Expected credit loss	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Mortgage lending LVR ratio</b>				
Less than 50%	450,012	416,877	269	495
51-70%	920,479	920,521	1,096	1,047
71-90%	1,326,451	1,395,369	1,523	1,772
91-100%	195,072	230,207	325	11
More than 100%	23,595	31,243	1,482	1,672
FHLDS	553,859	118,651	401	186
<b>Total</b>	<b>3,469,468</b>	<b>3,112,868</b>	<b>5,096</b>	<b>5,183</b>

Loans issued under the federal government's First Home Loan Deposit Scheme by National Housing Finance and Investment Corporation (NHFIC) are guaranteed for any loan monies above 80% LVR.

##### *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		Expected credit loss	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Commercial lending LVR ratio</b>				
Less than 50%	15,212	20,604	35	92
51-70%	18,117	24,078	33	94
71-90%	17,018	13,278	24	68
91-100%	308	3,380	-	473
More than 100%	5,071	6,779	612	374
<b>Total</b>	<b>55,726</b>	<b>68,119</b>	<b>704</b>	<b>1,101</b>

##### *Other financial assets*

The Group holds other financial assets at amortised cost with a carrying amount of \$486.756m (2020: \$440.284m) and at FVTOCI with a carrying amount of \$0.918m (2020: \$0.918m). 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

<b>Consolidated entity</b> <b>30 June 2021</b>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<i>Financial assets mandatorily measured at FVTPL</i>				
Investments in Managed Investment Schemes	-	-	37,424	37,424
Derivative assets	-	49	-	49
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	918	918
<b>Total assets</b>	<b>-</b>	<b>49</b>	<b>38,342</b>	<b>38,391</b>
<i>Financial liabilities mandatorily measured at FVTPL</i>				
Derivative liabilities	-	2,661	-	2,661
<b>Total liabilities</b>	<b>-</b>	<b>2,661</b>	<b>-</b>	<b>2,661</b>
<b>Consolidated entity</b> <b>30 June 2020</b>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<i>Financial assets mandatorily measured at FVTPL</i>				
Investments in Managed Investment Schemes	-	-	60,613	60,613
Derivative assets	-	141	-	141
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	918	918
<b>Total assets</b>	<b>-</b>	<b>141</b>	<b>61,531</b>	<b>61,672</b>
<i>Financial liabilities mandatorily measured at FVTPL</i>				
Derivative liabilities	-	2,059	-	2,059
<b>Total liabilities</b>	<b>-</b>	<b>2,059</b>	<b>-</b>	<b>2,059</b>

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

##### 4.6 Fair value measurements (continued)

Company 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets mandatorily measured at FVTPL</i>				
Investments in Managed Investment Schemes	-	-	37,424	37,424
Derivative assets	-	49	-	49
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	918	918
<b>Total assets</b>	<b>-</b>	<b>49</b>	<b>38,342</b>	<b>38,391</b>
<i>Financial liabilities mandatorily measured at FVTPL</i>				
Derivative liabilities	-	2,661	-	2,661
<b>Total liabilities</b>	<b>-</b>	<b>2,661</b>	<b>-</b>	<b>2,661</b>
Company 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets mandatorily measured at FVTPL</i>				
Investments in Managed Investment Schemes	-	-	60,613	60,613
Derivative assets	-	141	-	141
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	918	918
<b>Total assets</b>	<b>-</b>	<b>141</b>	<b>61,531</b>	<b>61,672</b>
<i>Financial liabilities mandatorily measured at FVTPL</i>				
Derivative liabilities	-	2,059	-	2,059
<b>Total liabilities</b>	<b>-</b>	<b>2,059</b>	<b>-</b>	<b>2,059</b>

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.

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).

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

##### 4.6 Fair value measurements (continued)

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		FVTPL	
	Unlisted shares		Managed investment schemes	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Balance at beginning of year</b>	<b>918</b>	918	<b>60,613</b>	44,569
Total gains or losses:				
- in profit or loss	-	-	<b>2,789</b>	3,851
- in other comprehensive income	-	-	-	-
Purchases	-	-	<b>2,000</b>	26,400
Disposals	-	-	<b>(27,978)</b>	(14,207)
<b>Balance at end of year</b>	<b>918</b>	918	<b>37,424</b>	60,613

Company	FVTOCI		FVTPL	
	Unlisted shares		Managed investment schemes	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Balance at beginning of year</b>	<b>918</b>	918	<b>60,613</b>	44,569
Total gains or losses:				
- in profit or loss	-	-	<b>2,789</b>	3,851
- in other comprehensive income	-	-	-	-
Purchases	-	-	<b>2,000</b>	26,400
Disposals	-	-	<b>(27,978)</b>	(14,207)
<b>Balance at end of year</b>	<b>918</b>	918	<b>37,424</b>	60,613

#### 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 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Total carrying amount \$'000
<b>Financial assets</b>					
Cash and cash equivalents	112,627	-	-	112,627	112,627
Due from other financial institutions	12,790	-	-	12,790	12,790
Other financial assets	361,719	-	-	361,719	361,340
Loans and advances	-	-	3,574,708	3,574,708	3,555,043
<b>Total financial assets</b>	<b>487,136</b>	<b>-</b>	<b>3,574,708</b>	<b>4,061,844</b>	<b>4,041,800</b>
<b>Financial liabilities</b>					
Deposits and short-term borrowings	-	3,337,996	-	3,337,996	3,349,289
Other borrowings	-	147,978	-	147,978	150,806
Payables and other liabilities	-	-	15,993	15,993	15,993
Loans under management	-	336,084	-	336,084	333,715
Subordinated capital notes	-	42,000	-	42,000	42,000
<b>Total financial liabilities</b>	<b>-</b>	<b>3,864,058</b>	<b>15,993</b>	<b>3,880,051</b>	<b>3,891,803</b>

Consolidated entity 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Total carrying amount \$'000
<b>Financial assets</b>					
Cash and cash equivalents	106,478	-	-	106,478	106,478
Due from other financial institutions	16,293	-	-	16,293	16,293
Other financial assets	327,968	-	-	327,968	317,512
Loans and advances	-	-	3,217,658	3,217,658	3,205,775
<b>Total financial assets</b>	<b>450,739</b>	<b>-</b>	<b>3,217,658</b>	<b>3,668,397</b>	<b>3,646,058</b>
<b>Financial liabilities</b>					
Deposits and short-term borrowings	-	3,008,456	-	3,008,456	3,018,508
Other borrowings	-	48,859	-	48,859	49,793
Payables and other liabilities	-	-	23,586	23,586	23,586
Loans under management	-	422,668	-	422,668	420,731
Subordinated capital notes	-	28,000	-	28,000	28,000
<b>Total financial liabilities</b>	<b>-</b>	<b>3,507,983</b>	<b>23,586</b>	<b>3,531,569</b>	<b>3,540,618</b>

###### 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 either 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		
		2021	2020	2021	2020	2021	2020	
		%	%	\$'000	\$'000	\$'000	\$'000	
<b>Controlled entities</b>								
Widcap Securities Pty Ltd	Australia	100.0	100.0	-	-	-	-	
Auswide Performance Rights Pty Ltd	Australia	100.0	100.0	-	-	-	-	

#### Widcap Securities Pty Ltd

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

#### 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
- WB Trust 2008-1
- WB Trust 2010-1 (paid out March 2021)
- 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:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2021	2020
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.

## 5. Group structure and related parties (continued)

### 5.1 Subsidiaries, associates and other related parties (continued)

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.

<b>Share of associate's balance sheet:</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Current assets	<b>554</b>	552
Non-current assets	<b>597</b>	537
Current liabilities	<b>(236)</b>	(204)
Non-current liabilities	<b>(46)</b>	(63)
Net assets	<b>871</b>	822
<b>Share of associate's revenue and profit:</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Revenue	<b>1,227</b>	1,194
Profit / (loss) before income tax	<b>168</b>	160
Income tax	<b>(50)</b>	(44)
Profit / (loss) after income tax	<b>118</b>	116
Total comprehensive income for the year	<b>118</b>	116
Dividends received from associate during the year	<b>63</b>	50

The above figures were based on the unaudited accounts of FAMG as at 30 June 2021.

## 5. Group structure and related parties (continued)

### 5.2 Key management personnel disclosures

#### 5.2.1 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

SC Birkenleigh	Chairman - Non-executive Director
MJ Barrett	Managing Director
B Dangerfield	Director - Non-executive
GN Kenny	Director - Non-executive
GB Murdoch (appointed 01/01/2021)	Director - Non-executive
J Korhonen (appointed 01/04/2021)	Director - Non-executive
JS Humphrey (ceased 31/12/2020)	Chairman - Non-executive Director

#### Executives

WR Schafer	Chief Financial Officer, Company Secretary
D Hearne	Chief Customer Officer
GM Job	Chief People and Property Officer
SD Johnson (appointed 09/11/2020)	Chief Information Officer
CA Lonergan	Chief Risk Officer
MS Rasmussen	Chief Operating Officer
R Stephens (appointed 04/11/2020)	Chief Transformation 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)

### 5.2 Key management personnel disclosures (continued)

#### 5.2.2 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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Short-term benefits</b>				
Cash salary and fees	2,658	2,546	2,658	2,546
Cash bonus	228	143	228	143
<b>Post employment benefits</b>				
Superannuation	202	181	202	181
Share based payments	150	133	150	133
Other long term benefits	57	46	57	46
	<b>3,295</b>	<b>3,049</b>	<b>3,295</b>	<b>3,049</b>

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.

#### 5.2.3 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 \$162,747 (2020: \$177,935) 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		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Profit after tax from continuing operations	24,155	18,504	24,158	18,513
Depreciation and amortisation	3,833	4,033	3,833	4,033
Bad debts expense	589	3,845	589	3,845
(Profit)/loss on disposal of non-current assets	-	125	-	125
<b>Movement in assets</b>				
Loans and advances	(349,871)	(124,550)	(350,723)	(124,772)
Accrued interest on investments	139	784	139	781
Prepayments and other receivables	(17)	706	(18)	709
Deferred tax asset	936	(521)	936	(521)
<b>Movement in liabilities</b>				
Deposits and short term borrowings	431,794	265,696	431,786	265,703
Creditors and accruals	(5,302)	(18,847)	(5,313)	(18,847)
Deferred tax payable	552	(382)	552	(382)
Income tax payable	4,574	(1,769)	4,571	(1,769)
Employee benefit provisions	132	339	132	339
Other provisions	76	(1)	76	(1)
Reserves	(428)	352	(428)	352
<b>Net cash generated from operating activities</b>	<b>111,162</b>	<b>148,314</b>	<b>110,290</b>	<b>148,108</b>

#### 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		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Capital expenditure commitments</b>				
Capital expenditure contracted for within one year	732	1,096	732	1,096
	<b>732</b>	<b>1,096</b>	<b>732</b>	<b>1,096</b>

### 6.3 Contingent liabilities and credit commitments

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Approved but undrawn loans	159,053	114,807	159,053	114,807
Approved but undrawn credit limits	88,841	87,808	88,841	87,808
Bank guarantees	1,763	591	1,763	591
	<b>249,657</b>	<b>203,206</b>	<b>249,657</b>	<b>203,206</b>

## 6. Other financial information (continued)

### 6.4 Provisions

	Consolidated		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Employee entitlements</b>				
Balance at beginning of year	3,308	2,969	3,308	2,969
Provided for during the year	401	628	401	628
Used during the year	(268)	(289)	(268)	(289)
<b>Balance at end of year</b>	<b>3,441</b>	<b>3,308</b>	<b>3,441</b>	<b>3,308</b>
<b>Maturity analysis</b>				
Current provision	3,024	2,873	3,024	2,873
Non-current provision	417	435	417	435
	<b>3,441</b>	<b>3,308</b>	<b>3,441</b>	<b>3,308</b>
<b>Other provisions</b>	<b>114</b>	<b>39</b>	<b>114</b>	<b>39</b>
<b>Total provisions</b>	<b>3,555</b>	<b>3,347</b>	<b>3,555</b>	<b>3,347</b>

#### 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.

##### 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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Prepayments	2,824	2,969	2,821	2,966
Other	298	281	298	281
	<b>3,122</b>	<b>3,250</b>	<b>3,119</b>	<b>3,247</b>

## 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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	\$	\$	\$	\$
<i>Audit or review of financial reports:</i>				
Group	<b>354,116</b>	286,194	<b>354,116</b>	286,194
Subsidiaries and joint operations	<b>25,225</b>	20,600	<b>25,225</b>	20,600
	<b>379,341</b>	306,794	<b>379,341</b>	306,794
Statutory assurance services required by legislation to be provided by the auditors	<b>94,600</b>	77,250	<b>94,600</b>	77,250
	<b>94,600</b>	77,250	<b>94,600</b>	77,250
Other assurance and agreed upon procedures under other legislation or contractual arrangements	<b>13,096</b>	13,690	<b>13,096</b>	13,690
	<b>13,096</b>	13,690	<b>13,096</b>	13,690
<i>Other services:</i>				
Tax compliance services	<b>24,007</b>	65,612	<b>24,007</b>	65,612
Consulting services	<b>131,118</b>	89,002	<b>131,118</b>	89,002
	<b>155,125</b>	154,614	<b>155,125</b>	154,614
<b>Total auditors' remuneration</b>	<b>642,162</b>	552,348	<b>642,162</b>	552,348

### 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.

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 2021 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 - ; 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 2021.

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:



SC Birkenleigh  
Director



GB Murdoch  
Director

Brisbane  
26 August 2021

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

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Auswide Bank Ltd (the "Bank") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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
<p><b><i>Impairment of loans and advances</i></b></p> <p>As at 30 June 2021, the Group has recognised provisions amounting to \$6.1m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) approach required under AASB 9 <i>Financial Instruments</i> as disclosed in Note 4.5.</p> <p>Loans and advances subject to provisioning using the ECL model include the residential lending portfolio, personal loan portfolio and loans approved but not yet advanced.</p> <p>Significant management judgement was necessary in determining expected credit losses, including:</p> <ul style="list-style-type: none"> <li>- The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current economic environment and the impacts of COVID-19;</li> <li>- The identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime ECL should be recognised; and</li> <li>- Assumptions used in the ECL model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 4.5.</li> </ul>	<p>Our audit procedures in conjunction with our specialists included, but were not limited to:</p> <p>Testing the design and implementation of controls over the impairment provision including:</p> <ul style="list-style-type: none"> <li>- The accuracy of data input into the system used for determining past due status and the approval of credit facilities; and</li> <li>- The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on a timely basis to appropriate default stages including generation of days past due reports.</li> </ul> <p><b>Assessing impairment model adequacy:</b></p> <p>We assessed the adequacy of management's internally developed model in determining the impairment loss provision. Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- Assessing whether the impairment model adequately addresses the requirements of the relevant accounting standard;</li> <li>- Evaluating management's assessment of the impact of COVID-19 on the loan portfolio and as a result the estimate of ECL;</li> <li>- Testing on a sample basis, individual exposures to assess if they are classified into appropriate default stages and aging buckets for the purpose of determining the impairment loss provision;</li> <li>- Assessing reasonableness of assumptions driving Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and</li> <li>- Assessing reasonableness of management overlays to the modelled collective provision by recalculating the coverage provided by the collective impairment provision (including overlays) to the loan book, taking into account recent history, performance and de-risking of the relevant portfolios.</li> </ul> <p>We also assessed appropriateness of the disclosures in Note 4 to the financial statements.</p>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b><i>Impairment of non-current assets</i></b></p> <p>As at 30 June 2021, the Group’s non-current assets include goodwill amounting to \$46.3m as disclosed in Note 3.3. In accordance with AASB 136 <i>Impairment of Non-Current Assets</i>, cash-generating units (CGU) to which goodwill is allocated are required to be tested for impairment at least annually by comparing the CGU’s carrying value with its recoverable amount.</p> <p>Significant management judgement is required in determining recoverable amount of the CGU including:</p> <ul style="list-style-type: none"> <li>- Identification of appropriate Cash Generating Units (CGU) to which goodwill is allocated for the purpose of impairment testing;</li> <li>- Selection of appropriate valuation methodology; and</li> <li>- Determination of assumptions and estimates in the valuation methodology, in particular those affected by current economic conditions due to the impact of COVID-19 such as control premium and price-earnings multiples.</li> </ul>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- 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 such as the carrying value exceeding the market capitalisation;</li> <li>- Assessing appropriateness of the valuation methodology applied in determining the recoverable amount of the one CGU;</li> <li>- Assessing the reasonableness of the key assumptions used by management in the impairment model and whether they are suitably adjusted to reflect the current economic environment including the impact of COVID-19; and</li> <li>- Testing the mathematical accuracy of the impairment model.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 3.3 to the financial statements.</p>

### *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, actions taken to eliminate threats or safeguards applied.

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 7 to 18 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2021, 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



Gareth Bird  
Partner  
Chartered Accountants  
Brisbane, QLD  
26 August 2021



AUSWIDE BANK LTD | ABN 40 087 652 060

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