Auswide Bank
Annual Report 2020

New Brisbane CBD Branch

auswidebank.com.au

ABOUT AUSWIDE BANK

For over 50 years Auswide Bank has been providing an extensive range of banking products and financial services to our valued customers. Auswide Bank is not a big bank and we do not want to be like one.

We believe it is the small things that reveal who each of us are. Small is real. Small is sincere. It is the smile on a familiar face and knowing how hard you have worked to get ahead. Small is finding your voice and meaning what you say.

At Auswide Bank, we are here to help our customers find that voice, to tell their story and at last be heard. We want our customers to discover a whole new way to engage with a bank.

Established in 1966

Auswide Bank provides home loans, consumer lending and a range of personal and business banking services nationally - in branch, online, over-the-phone and through distribution partnerships and a national mortgage broker network.

Strong legacy

Our heartland is in regional Queensland and we have a growing presence in South East Queensland, New South Wales and Victoria.

$3.7b in assets

Representing a high quality loan book.

Partnerships

Establishing mutually beneficial partnerships such as Queensland Rugby League.

Industry-leading

Staff engagement score of 96%.

Our Mission

To demonstrate the 'power of small' by placing our customers at the centre of everything we do.

Our Vision

To be the Bank that our customers, staff and partners want their friends, family and colleagues to bank with.

Our Values

- Empowering customers and staff to initiate change.
- Exceed our customers' expectations and celebrate their successes and our own.
- Make decisions and adapt quickly to meet our customers' needs.
- A commitment to be ethical and operate in a sustainable workplace.
- Identify your purpose and be passionate about it.
- Build open and honest relationships and deliver on our promises.
- Own our actions, decisions, customers and outcomes.

Financial Highlights

NPAT[1] *Excluding the effects of Covid-19*	STATUTORY NPAT[1]	COST TO INCOME RATIO	CAPITAL	LOAN BOOK	CUSTOMER DEPOSITS
$20.114m	$18.504m	62.5%	12.95%	$3.266b[2]	$2.620b
↑ 16.9%	↑ 7.6%	↓ 2%	↓ 0.8%	↑ 4.3%	↑ 10.4%

1. Difference between Statutory NPAT and NPAT excluding the effects of COVID-19 due to additional provisioning related to COVID-19
2. Grossed up for Investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet

OUR BOARD OF DIRECTORS

John Humphrey LL.B | Chairman

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-EDI Limited (until November 2016) and a Non-Executive Director of Horizon Oil Limited (until November 2018). Mr Humphrey is a member of the Audit Committee and is an independent Director.

Barry Dangerfield | Director

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield is the Chairman of the Group Board Remuneration Committee, a member of the Audit Committee, a member of the Risk Committee and is an independent Director. Mr Dangerfield served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Mr Dangerfield is currently a Director of the Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg and he is Chairman of the Institute's Audit and Risk Committee and Chairman of the Institute's Remuneration Committee.

Greg Kenny GAICD, GradDipFin | Director

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

Martin Barrett BA(ECON), MBA | Managing Director

Mr Barrett commenced as Chief Executive Officer of Wide Bay Australia Ltd (now Auswide Bank Ltd) on 4 February 2013 and was subsequently appointed Managing Director on 19 September 2013. Mr Barrett has extensive experience in the banking sector having previously held the positions of Managing Director (Queensland, Western Australia and National Motor Finance Business) and General Manager NSW/ACT Corporate & Business Bank at St George Bank Ltd. Prior to working at St George Bank, Mr Barrett held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Mr Barrett is currently a Non-Executive Director of Impact Community Services and served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Mr Barrett is an Executive Director.

Sandra Birkensleigh BCom, CA, GAICD, ICCP (Fellow) | Director

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

OUR LEADERSHIP TEAM

Managing Director

Martin Barrett |

- Strategy development and implementation
- Group operational and financial performance
- Regulatory engagement
- Risk culture and management
- Social responsibility and sustainability
- Customer satisfaction and growth
- Shareholder returns

Chief Financial Officer and Company Secretary

Bill Schafer |

- Group Accounting and Treasury
- Budgeting and financial analysis
- Financial and management reporting
- Statutory, ASX and regulatory reporting
- Capital, funding and liquidity planning strategy
- Investor relations

Chief Operating Officer

Mark Rasmussen |

- Lending services
- Lending origination services
- Support services operations
- Support services performance
- Business Continuity Planning (BCP) and Management (BCM)
- Key outsourcing Partnership Management (Support Services functions)
- PEXA management and processing

Chief Customer Officer

Damian Hearne |

- Customer operations
- Customer experience
- Retail and business banking sales and distribution
- Mortgage broker and third party relationships
- Marketing and products
- Community and strategic partnerships
- Customer Hub and Digital Bank

Chief People & Property Officer

Gayle Job |

- People engagement and performance
- Payroll management, remuneration and benefits
- Talent acquisition, recruitment and retention strategies
- Learning and development
- Employment law regulation and compliance
- Employee wellbeing and workplace health & safety
- Property portfolio management of leased and bank owned assets

Chief Risk Officer

Craig Lonergan |

- Risk profile within Board approved risk appetite
- Risk management strategy and practices
- Risk management and compliance framework and control systems
- Risk culture awareness
- Credit portfolio review

Chief Information Officer *(Acting 09.04.20)*

Scott Johnson |

- Group Information Technology management
- IT strategic planning
- Key technology project implementation

2020: YEAR IN REVIEW

John Humphrey | Chairman

Martin Barrett | Managing Director

Financial year 2020 has been another successful year for Auswide Bank – a year where we delivered on all our key financial targets.

Improving our attraction and delivery to customers resulted in outstanding growth in lending and customer deposits and an equally outstanding year in profitability.

Significantly, these outcomes were achieved during a period of record low interest rates and unprecedented volatility with the second half marked by the coronavirus COVID-19 pandemic.

We responded rapidly to support our customers and staff to ensure their wellbeing and safety. Our COVID-19 assistance packages provided immediate financial relief to many customers and we are proud of that.

We are celebrating another year of quality growth in our balance sheet and profitability demonstrating our consistent progress and which, in recent times, we believe positively defies the industry norm.

Our Financial Performance

We are pleased to report that our statutory Net Profit after Tax (NPAT) was up 7.6% to $18.5 million compared to $17.2 million in the 2018/19 year. Our NPAT excluding the effects of COVID-19 was up 16.9% to $20.1 million.

The positive result was based on growth with the loan book increasing by 4.3% to $3.26 billion, or 1.5 x system growth in a highly competitive market.

We achieved this in conjunction with a 10 basis point increase in the Net Interest Margin (NIM), up to 197 basis points from 187 basis points in 2018/2019, as active management of our funding costs continued to deliver significant benefits.

Based on growth in our loan book and the significant increase in our NIM, our Net Interest Revenue was $70.5 million, up by $7.3 million compared to 2018/19, an increase of 11.6%.

The competitive environment has not affected our ability to grow our customer deposit base which increased by 10.4% to $2.62 billion, taking our self-funding ratio to 74.5%. This represents an increase of more than 300 basis points over the prior year allowing us to reduce more expensive funding lines such as securitisation.

Our Cost to Income Ratio continues to fall and at 62.5% we are making good progress towards our 60% goal.

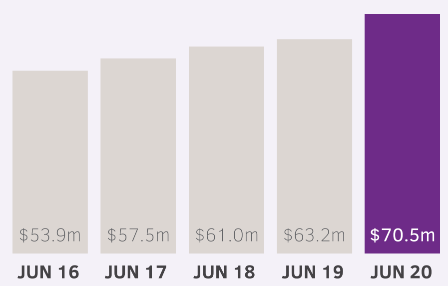
Underlying Earnings per Share (EPS) was 47.6 cents when the effects of COVID-19 are excluded. EPS on a statutory basis was up 3.0 cents per share to 43.8 cents per share comparing very favourably to our peers. Our EPS has improved steadily on a continuing operations basis since 2016 when it was 31.2 cents per share or 40% lower than 2019/2020.

Another medium-term goal we have previously flagged is Return on Net Tangible Assets (RONTA) of 10%. NPAT excluding the effects of COVID-19 demonstrated a RONTA of 10.6%. Using statutory NPAT, RONTA improved from 9.1% to 9.7%.

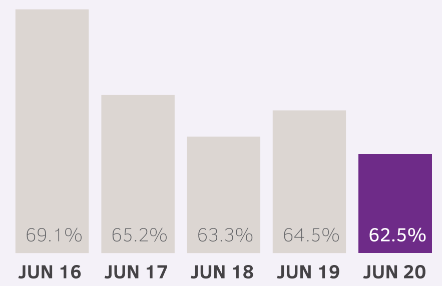
Our performance means your Board declared a final fully franked dividend of 10.75 cents per share payable on 18 September 2020, representing a payout ratio of 49.3% of our second half year statutory NPAT.

Our full financial year dividends amounted to 27.75 cents per share representing a payout ratio of 63.4%. This lower final dividend in the context of higher profits, seeks to achieve the balance required to manage our capital prudently and to operate within the guidelines announced by the Australian Prudential Regulation Authority (APRA) on 29 July 2020 in response COVID-19 economic conditions.

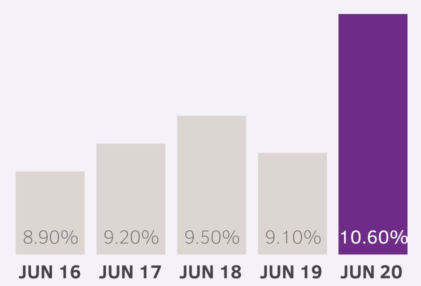
NET INTEREST REVENUE



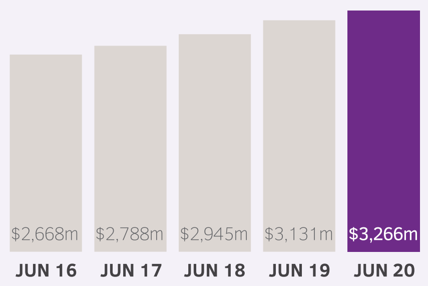
COST TO INCOME RATIO



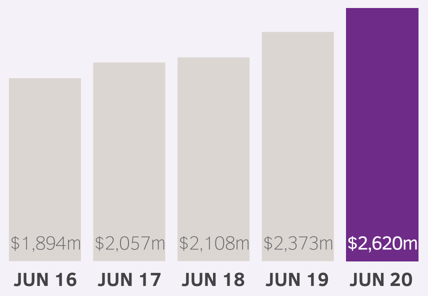
UNDERLYING RONTA [1]



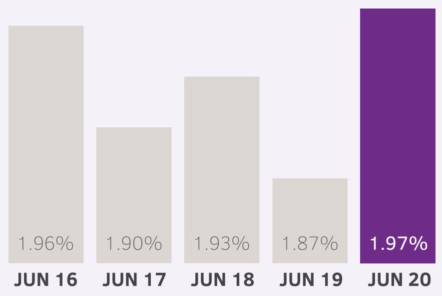
LOAN BOOK



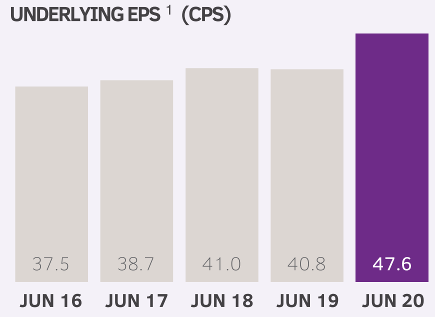
CUSTOMER DEPOSITS



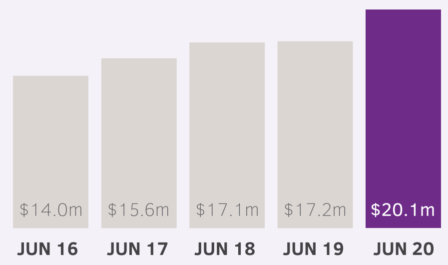
NET INTEREST MARGIN



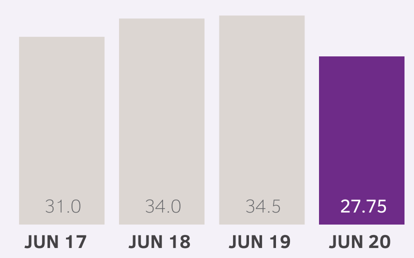
UNDERLYING EPS [1] (CPS)



UNDERLYING NPAT [1]



DIVIDEND (CPS)



1. FY20 results excluding the effects of COVID-19

Our Operational Performance

Lending

Home loans were up 3.5% to $3.05 billion representing over 93% of the total book. Our growth was driven by strong mortgage broker flows and our successful participation in the First Home Loan Deposit Scheme (FHLDS).

In December 2019, we received approval from the National Housing Finance Investment Corporation (NHFIC) to join the Scheme lending panel. From 1 February 2020, we commenced offering home loans to eligible first homebuyers with the FHLDS providing a government guarantee for any loan monies above 80% LVR. The FHLDS contributed to a 25.8% increase in approvals and a 9.9% increase in home loan settlements for the year.

Consumer lending, including funding of consumer loans through managed investment schemes, materially increased totalling $80.5 million at the end of year, up from $62.3 million from 30 June 2019.

Business lending, including residentially secured lending to business customers, was up to $135.9 million. A strategic decision was made at the end of the year to pause new business lending to non-customers as part of our risk management response to COVID-19.

We are committed to maintaining quality lending and risk management of our loan book.

Total arrears were $12.6 million at 30 June 2020, representing 39 basis points of the loan book. This figure excludes COVID-19 related assistance in accordance with APRA guidelines. It compares to total arrears of 46 basis points of loans at June 2019 and is 53% down compared to June 2016. Our arrears compare favourably with our peers with the SPIN index for >30 days past due for "Other Banks" at 131 basis points and for "Regional Banks" at 173 basis points.

One quarter of our loan book securities are now situated outside of Queensland, principally Sydney and Melbourne, and we continue to diversify our historical concentration away from our regional Queensland heartland, with New South Wales and South East Queensland representing significant growth opportunities.

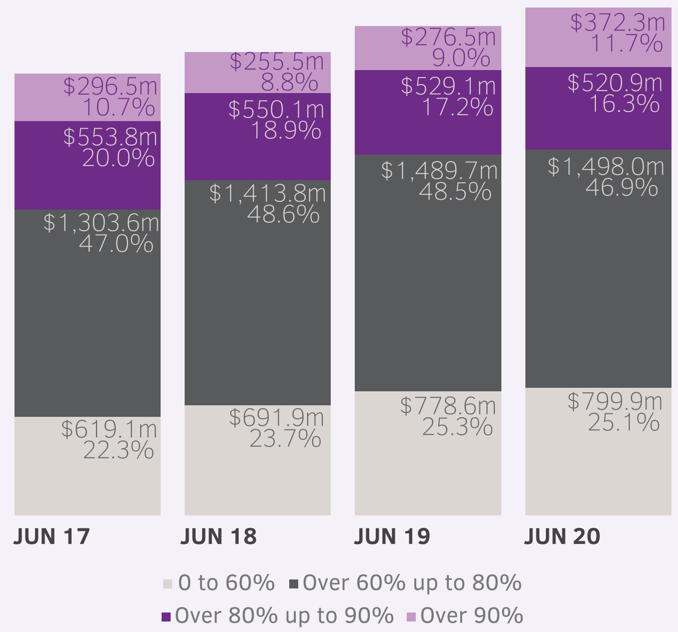
Our home lending book remains mature with 72% of home loans having an LVR of 80% or less. An increase in loans with LVR over 90% was due to the success of the FHLDS, however the government guarantee provides for any loan monies above 80% LVR. The majority of other home loans with an LVR over 80% are covered with a recognised Lenders Mortgage Insurer.

LOANS AND ADVANCES BALANCES

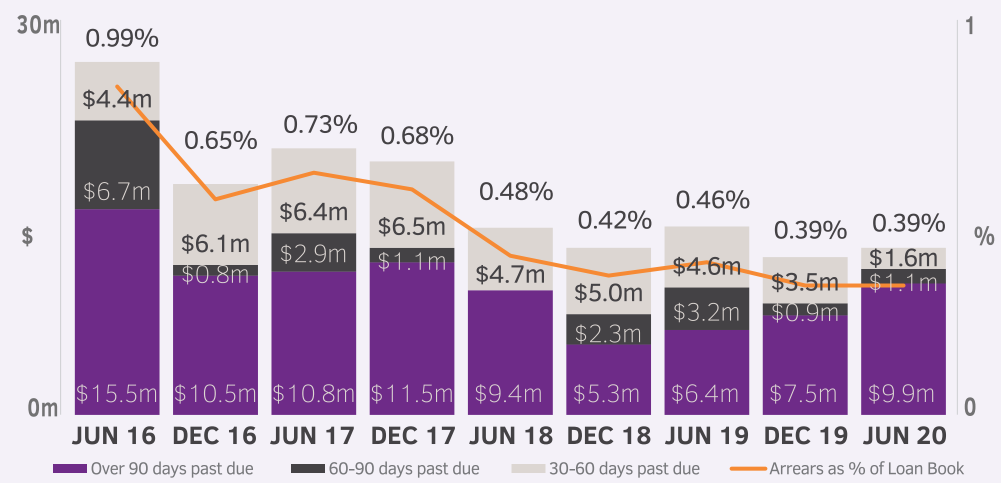
LOAN BOOK DISTRIBUTION

	LOAN BOOK JUN 19	LOAN BOOK DEC 19	LOAN BOOK JUN 20	GROWTH RATE	BREAKDOWN JUN 20
SOUTH EAST QLD	$1210.1m	$1230.9m	$1244.2m	2.8%	38.9%
QLD OTHER	$1130.1m	$1125.3m	$1148.7m	1.6%	36.0%
NSW	$352.3m	$373.9m	$381.3m	8.2%	11.9%
VICTORIA	$241.8m	$251.8m	$255.0m	5.5%	8.0%
AUSTRALIA OTHER	$142.5m	$156.4m	$166.8m	17.1%	5.2%

LOAN VALUATION RATIO



LOAN BOOK ARREARS [1]



1. Covid-19 loan deferrals not included based on APRA guidelines

Funding

During the year, we prudently managed our funding and we saw an ongoing shift in our funding mix as customer deposits increased by 10.4% to $2,620 million and securitisation continued to fall.

Customer deposits now represent 74.5% of funding, driven largely by the strong growth in at-call savings accounts which increased by 24.8% to $1.13 billion.

Regulators have responded decisively to the COVID-19 pandemic with the Reserve Bank announcing a Term Funding Facility for banks at 0.25%, which provide an attractive and very cost-effective funding line.

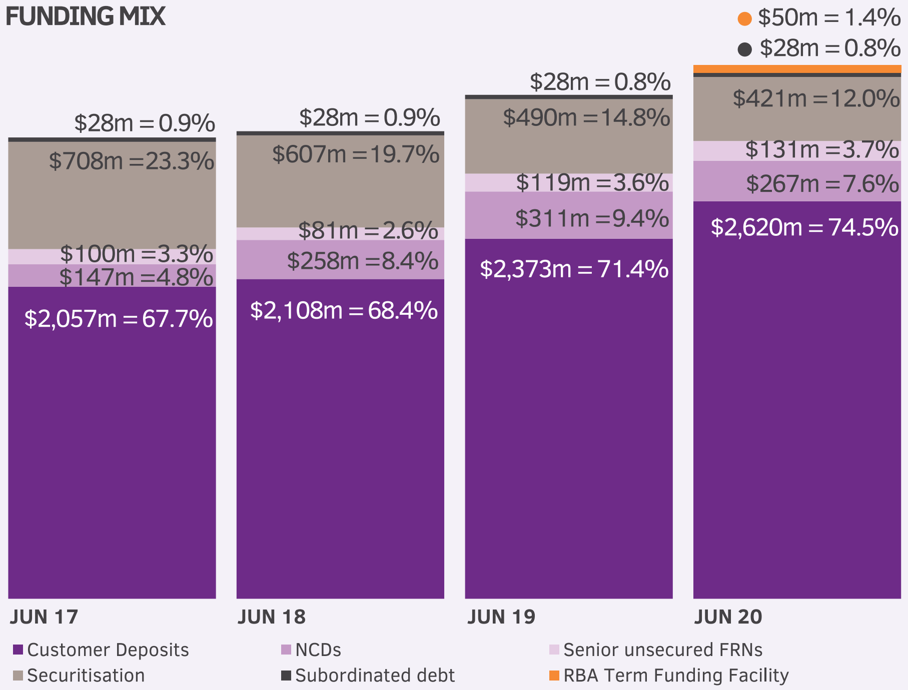
Capital

We have maintained a strong capital adequacy ratio of 12.95% and CET1 of 11.09% at 30 June 2020, meeting 'unquestionably strong' regulatory targets.

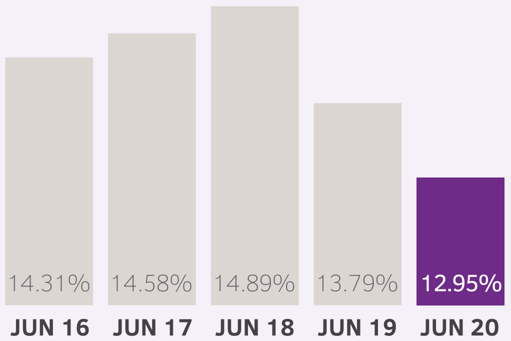
Our capital ratio reduced from 13.79% at 30 June 2019 due to our loan book growth and the suspension of the Dividend Reinvestment Plan for the 2018/19 final dividend.

Our capital position remains comfortably in excess of the Board's target. We will continue to support loan book growth with capital supply drivers including a Tier 2 subordinated debt transaction and the Dividend Reinvestment Plan for our 2019/20 final dividend.

FUNDING MIX



CAPITAL



Our COVID-19 Response

We have responded to the coronavirus pandemic by supporting our customers and staff.

The health and wellbeing of all our personnel and customers was an early priority with the rapid development of a response plan and continuous oversight of the situation. Our branches remained open with the appropriate safety measures in place and our office staff worked remotely where possible.

Our assistance packages for customers are consistent with our peers and included deferral of payments or change to interest only terms. We responded with urgency and without the need for further evidence. We are proud that, in most cases, we responded to our customers within three days.

As at 30 June 2020, just below 9% of our loan book was placed on assistance, slightly lower than the average for the industry. This represented 1014 loan accounts for $288 million. The majority of requests were made in March slowing materially into April.

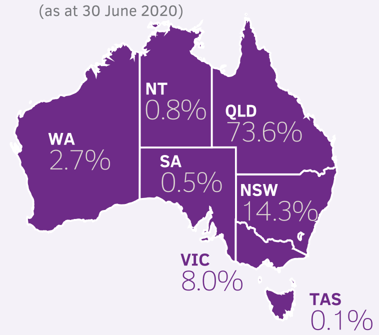
Significantly, given how the pandemic has rolled out differently across the States, nearly 75% of our loan book is concentrated in Queensland with only 8% located in Victoria. Our loans are also heavily concentrated on residential lending representing over 95% of support that has been provided.

Our total Provision for Doubtful Debts increased from $4.9 million in December 2019 to $7.1million in June 2020 with an additional $2.3 million included for the effects of COVID-19, including a $1million overlay to provide for uncertainty going forward. The modelling for the provisions included stressed scenarios and the prescribed provisions required under APRA standards.

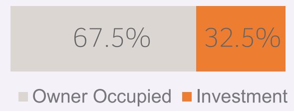
RESPONDING TO COVID-19

9% Loan balances with assistance approved % loan book

ASSISTANCE BY STATE
(as at 30 June 2020)

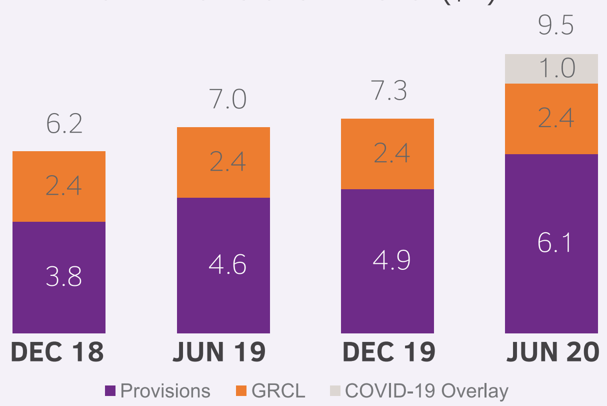


RESIDENTIAL PORTFOLIO - OWNER-OCCUPIED Vs INVESTMENT

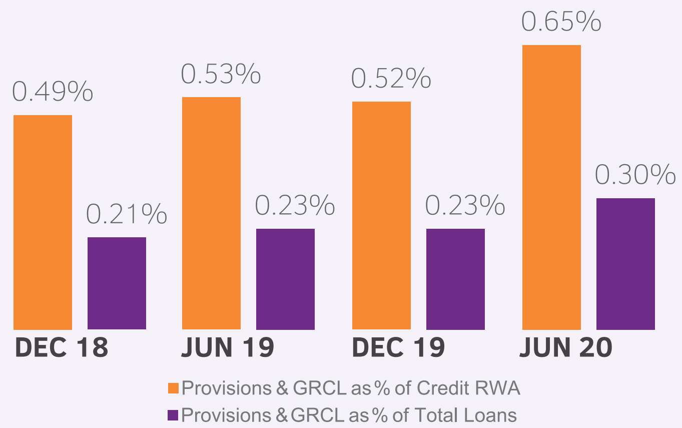


COVID-19 PROVISIONS & COVERAGE RATIOS

TOTAL PROVISIONS AND GRCL ($M)



TOTAL PROVISION COVERAGE RATIO



Our Strategy

We are making substantial progress on our 2019/2022 strategic plan which seeks to work with the strengths of the organisation.

Our plan determines our direction, resource allocation and prioritisation and has already supported our financial performance. It has also helped us address challenges and work more collaboratively as an organisation with a common purpose.

Our strategic goals are being delivered with a number of clearly defined focuses.

Brand Awareness

Our goal is to grow our brand awareness across Queensland to over 60% by the end of 2022. We were pleased to see a 31.23% improvement in brand recognition in July 2019 compared to the same time in 2018.

We are growing brand awareness through consistent messaging about our value proposition, through advocacy off the back of enhanced customer service, by extending our brand through partnerships, and by differentiating our brand from the ‘Big 4’ through community engagement.

In 2019, we commenced the first year of our community partnership with Queensland Rugby League (QRL). The three year agreement includes Auswide Bank Naming Rights sponsorship of the under 18’s Mal Meninga Cup and sponsorship of the Queensland Maroons team. In 2019, approximately 9,537,000 viewers were exposed to the Auswide Bank brand on television, with the three State of Origin Games being the three most watched programs of the year. We are leveraging this exposure to the QRL membership and fan base to drive new customer acquisition and in January 2020 launched our ‘Club Rewards Program’ where QRL affiliated clubs can benefit when their members refer home loans and personal loans to us.

Unfortunately, the second year of our partnership with QRL has been impacted by COVID-19. The Mal Meninga Cup was cancelled and the 2020 State of Origin series delayed until November. This impacted our engagement and marketing opportunity, so we were pleased to negotiate an extension of our agreement with QRL for an additional year.

We were again the recipient of several awards that provided national recognition for our products and as at May 2020 rated 4.4 out of 5 stars across online and branch reviews on **ProductReview.com.au**

We are building our presence on online and social media platforms with our Facebook following growing around 11%, our LinkedIn following growing around 31%, and our Instagram and Twitter following both growing around 23% for the year.

Partnerships

We will continue to identify and work with strategic partners that meet our criteria and where we believe we can create opportunity to reach our strategic and operational objectives.

During the year, we strengthened our partnership governance framework to ensure appropriate assessment and ongoing management of these relationships. Our strategic partnerships can be broadly divided into: product partnerships where we seek to more fully meet the financial needs of our customers; distribution partnerships where we promote our products and services via our partner’s networks; community partnerships that support our brand and our commitment to social responsibility; and managed investments where we provide funding, for example to peer to peer lenders.

Apart from our partnership with QRL, two examples of how partnerships have supported our growth and financial performance in 2019/20 are the National Housing Finance and Investment Corporation (NHFIC) and National Seniors Australia (NSA).

As advised earlier, our participation in the First Home Loan Deposit Scheme administered by NHFIC contributed significantly to our home loan program. It has been exciting to see the quality of applications from a variety of backgrounds including a good proportion of young professionals and we congratulate the federal government on the initiative.

In December 2019, we announced a partnership with National Seniors Australia, the peak national advocacy group representing the interests of older Australians. The principal partnership focus was to provide their members and supporters with a range of ‘white label’ fixed interest term deposits. With NSA support, we have seen solid growth of these deposits. It has been pleasing to note that the majority of deposits have been sourced outside of Queensland helping diversify our deposit base. This partnership together with similar partnerships where our term and on-call deposits are marketed and distributed have greatly supported our shift away from higher cost forms of funding and have directly supported the growth in our 2019/20 NIM.

Digital Innovation and Customer Hub

A significant driver of growth, retention and efficiency is technology. Our digital banking journey is simply to collaborate with those that have made the investment and that can assist us with digital distribution, improve customer experience, create efficiency and deliver to our customers what they want and need to improve their experience with us.

However, we are mindful of return on investment from technology spend and will continue to invest prudently.

During the year, we continued to improve customer experience through capable digital implementation and supporting customer transition from branch to digital channel. An example includes our roll out of a digital identification solution that allows customers to meet identification requirements using their mobile device without having to visit a branch or Australia Post. The solution also helps us mitigate fraud via a 'liveliness' test that ensures the legitimacy of the customer.

We also enhanced our Bundaberg-based Customer Hub with additional technologies to maximise service levels and opportunities in order to grow our customer base over-the-phone and via online and partnership origination. A significant focus for our Customer Hub and the bank as a whole has been to improve our customer retention capability and early intervention that is particularly important in a competitive market.

Our core banking system upgrade is targeted for late 2020. We expect to make considerable headway in our digital capability with a number of projects set to be delivered.

Efficiency

Apart from seeking efficiency through technology, we continue to review our products and processes.

In particular, this year we have reduced the processing cost per loan while consistently providing very good turnaround times.

In May 2019, we initiated a Broker Journey Review by engaging with mortgage brokers who helped us identify key areas that would deliver efficiency as well as a better customer and broker experience. Since then, a raft of technology and process optimisation initiatives have been progressively rolled out and we have consistently improved our turnaround times delivering an average of five business days to decision since February 2020.

This year, we also commenced testing of 'just in time' customer experience surveys with a goal of understanding our customer experiences and identifying additional areas of improvement for our products and processes.

We continued our simplification program with the conversion of multiple legacy products and the winding up of products and product features that we considered are low value. This also supports our risk and compliance management given increasingly more complex product compliance requirements

such as Open Banking and product Design and Distribution Obligations in the year ahead.

Strength

We have maintained our focus on strengthening the bank by enhancing staff capabilities through our learning and development program and by fostering the right culture that continues to balance our stakeholder demands.

We ensured continued focus on incident reporting, reducing errors, developing risk audit processes, enhancing cyber risk resilience and building our fraud detection capability.

We revamped our customer feedback and dispute resolution processes to ensure timely and effective responses.

Non-Organic Growth

We continue to review potential merger and acquisition, fintech and other partnering opportunities as an opportunity to grow scale and this remains an important part of our strategy.

The Year Ahead

In 2020/21, we will remain focused on all the key planks of our three-year strategic plan.

In addition, we will continue to provide the appropriate level of support to our people and any customers affected by COVID-19.

We have a relatively simple business. Scale and complexity in this environment is not the competitive advantage it once was. Today simplicity and nimbleness backed by good value products that are distributed efficiently via multiple channels, both proprietary and partner, is the opportunity for Auswide Bank.

The impact of COVID-19 on the economy and on consumer confidence will be a very important factor for the future. At the time of writing, Queensland and New South Wales, where 88% of our loan book is located, have not been as negatively impacted by the crisis and have not experienced any material impacts to housing markets and prices. In fact, regional Queensland is showing resilience with several markets experiencing increased land sales and housing construction. We are well placed to take advantage of this growth.

We have in the past held out four medium term financial targets including a Cost to Income Ratio of 60%, a stable NIM, a RONTA of 10% and above system loan growth. Despite the challenges and uncertainty, we expect to continue our momentum in all of these areas in the year ahead.

As we progress into the year ahead, we both extend our appreciation to the Auswide Bank team and our fellow Directors for your contribution and your dedication to achieving Auswide Bank's mission, vision and values.

Thank you also to our customers, shareholders and to our partners for your continuing support.

JS Humphrey	**MB Barrett**
Director	Managing *Director*

SUSTAINABILITY

Conduct and Ethics

We are committed to achieving outstanding customer service, performance standards and returns to provide value to our shareholders.

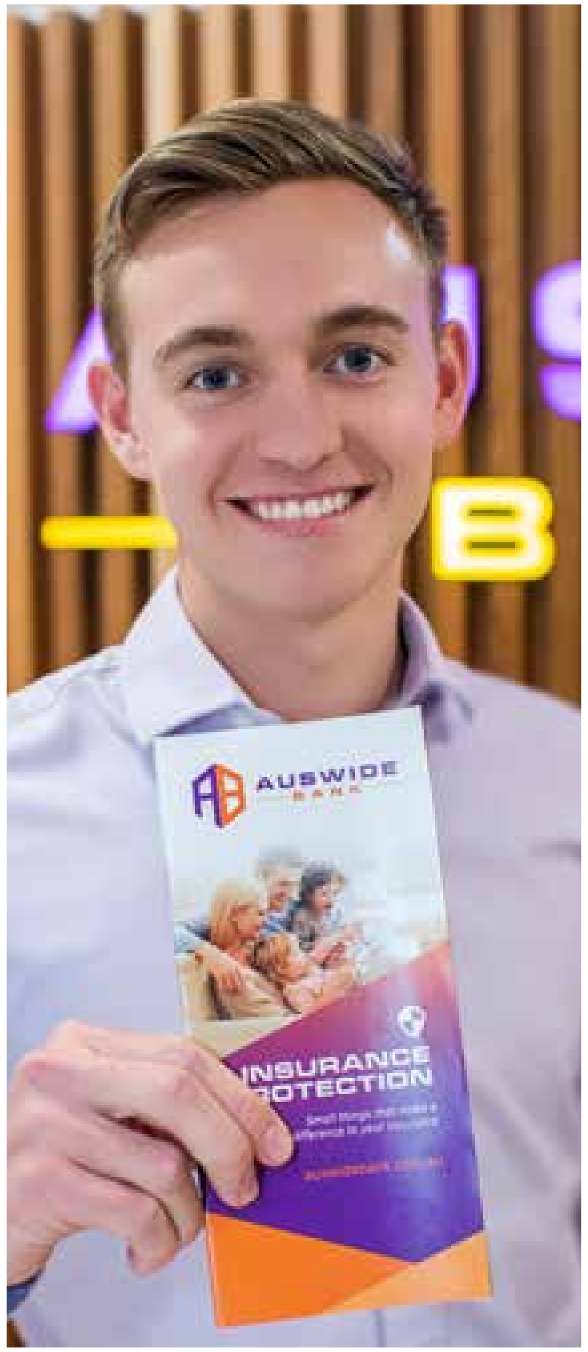
In achieving these outcomes, we always strive to not compromise our values, ethics and principles.

Under our Code of Conduct and Ethics, we ask all our employees and business partners to demonstrate honesty, integrity and trust in all their dealings. We ask them to set an example for others to follow. We also seek to recognise those that demonstrate these positive behaviours.

We encourage our people to speak up without fear of retribution when these behaviours are threatened or are compromised. Our Whistle-blower Protection Policy allows employees to make confidential, anonymous submissions regarding any misconduct or dishonest or illegal activity that has occurred.

We seek to comply with relevant laws in relation to workplace conditions. This includes supporting diversity in the workplace and a zero tolerance for any form of discrimination or harassment.

We are also committed to developing, maintaining and improving systems and processes to avoid being complicit in human rights violations. In 2019/20, in keeping with the Modern Slavery Act 2018, we undertook actions to mitigate the potential for our activities to indirectly support slavery and human trafficking. This included identifying and reviewing agreements with high-risk suppliers and developing policies and processes which are designed to assist us to identify, assess and mitigate this risk.



Social Responsibility

We are very conscious of the impacts that our business activities have on people and the world around us.

Our People

We are passionate about increasing professional and personal development of the teams responsible for managing our relationships.

Our learning and development program is designed to improve the knowledge and capability of our staff and to support them in carrying out their roles effectively and efficiently.

We maintain a number of human resource policies to assist our people to act responsibly, to protect them and our customers, and in which they commit to helping us meet our obligations. In working together, we ask that our people understand and commit to our Mission, Vision and Values – EMPOWER.

We also continue to adopt strategies to improve on the social and emotional health and wellbeing of our people by playing our role in keeping our employees engaged, healthy and productive both at work and in their everyday life. In particular, the support of our people during the COVID-19 pandemic has been a significant focus for us.

Our Customers

Our desire to grow our business is underpinned by positive customer experiences, loyalty and advocacy as well as supporting customers in socially responsible ways.

Financial Wellbeing

Apart from providing products and services that help our customers manage their finances, we are committed to supporting their overall financial wellness. Our products can also help them grow their wealth for tomorrow or we can arrange to provide protection to insure their assets against unexpected loss.

We have never been more conscious of supporting the financial wellbeing of our customers than through the COVID-19 pandemic where some of our customers were left concerned about their finances and financial future. This includes changes to superannuation, investments and government benefits, job changes and losses and impacts on household budgets.

Apart from the measures we adopted to support loan customers, we directed customers towards Government support and provided access to other resources that helped them to make appropriate financial decisions.

Through our partner National Seniors Australia, we directed our senior customers to the Older Australians COVID-19 Support Hotline (1800 171 866) launched in conjunction with the Federal Government Department of Health. The Hotline is available to seniors needing a listening ear, a friendly voice or help on what COVID-19 means for their circumstances.

For customers seeking more personalised financial advice, we were able to direct customers to our partners at Alliance Wealth and Financial Advice Matters (FAM). FAM have also been supporting employers with financial wellness education for workplaces.

Complaints & Dispute Resolution

We see feedback, including complaints, as an opportunity to help and understand our customers and to improve our products, procedures and services. Effective resolution means we also retain customers who might otherwise go elsewhere.

Our Complaints Management Policy and dispute resolution process includes assignment of responsibility, full transparency and a commitment to agreed resolution timeframes.

We are also a member of the Australian Financial Complaints Authority for when complaints remain unresolved.

Responsible Lending

As an Australian Credit Licensee and under the National Consumer Credit Protection Act (NCCP), we will always seek to meet our responsible lending obligations.

To achieve this our credit approval processes

include making reasonable enquiries about the consumer and making a preliminary assessment whether the proposed credit is “not unsuitable” for the consumer.

These responsible lending obligations are incorporated into our lending policies and procedures and relevant staff are required to participate in appropriate training.

Financial Hardship

We maintain policies and procedures to support borrowers who may be unable to meet their obligations under a credit contract due to illness, unemployment, natural disasters, pandemic events such as COVID19 or another reasonable cause.

We assess and manage hardship applications by working with the customer to arrive at a reasonable solution to assist them to overcome their hardship.

Our Community

We originated in regional Queensland communities and community is part of our DNA. Where possible, we support community organisations and events through our Community Grant Scheme and we actively encourage our staff to support worthy causes.

In 2019/20 we participated in events such as the Central Queensland University Open Day and the Fraser Coast Expo, and supported causes such as the Queensland and New South Wales Bushfire Appeals; Jeans for Genes Day, R U OK Day, Breast Cancer Awareness, Movember, NAIDOC Week and the Salvation Army Red Shield Appeal.

We also launched our Community Rewards program designed to financially benefit not-for-profit organisations who provide referrals to us through their network of members and supporters.

Our Environment

We are very conscious of our impact on the environment, our community’s expectations and the need to set an example to other businesses.

As a responsible corporate citizen, we understand our responsibility to reduce our environmental impact and be transparent about our environmental approaches and performance.

We are conscious that any increase in natural disasters and negative environmental impacts from climate change, will impact the well-being and livelihood of our customers.

For shareholders there is the additional risk that our loans portfolio will be at heightened risk if major natural disasters occur, damaging security properties or our customer’s place of work, impacting on their ability to meet loan repayments. Increased likelihood of disasters such as flood or fire in vulnerable locations also means the additional cost of risk measures such as insurance for the bank and our customers as well as reducing opportunity for consumers as we seek to manage these risks. We have a range of policies that assist in mitigating risk in high disaster prone areas.

We proactively seek to reduce our environmental footprint through secure destruction and recycling of documents; promoting digital alternatives such as eStatements; utilising energy efficient lighting and switching off air-conditioning and electrical appliances when not in use.

We do not finance companies engaged principally in the exploration, mining, manufacture or export of thermal coal or coal seam gas and we do not intentionally invest directly in companies specialising in these areas.

During 2020/21 we will develop a sustainable environmental policy and associated targets.

Managing Risk

In protecting our operations and stakeholders, we have a comprehensive risk and compliance management program to actively identify and eliminate risk where possible, and to mitigate and minimise the impact of those risks that cannot be eliminated.

Strengthening our risk management approach is a high priority with a strong Board oversight of the risk profile and risk management, particularly with reference to the Board determined risk appetite.

Our Risk Management Framework is underpinned by the ‘three lines of defence’ risk management model with accountabilities for risk ownership (the ‘first line’), functional oversight (the ‘second line’) and assurance (the ‘third line’).

Compliance

Following various commissions of enquiry over recent years, the regulatory landscape is increasingly complex for our sector. We are working hard to remain compliant across the broad range of obligations and expectations.

We maintain a range of internal policies and processes that help us ensure compliance and which support good governance.

In 2020/21, the Open Banking regime will create further compliance obligations and challenges, but also provide us with opportunities in the future.

Business Continuity

We strive to maintain a minimum level of operational capacity including the provision of services for key stakeholders by minimising the impact that a disruptive event could have on the viability of our organisation and provision of customer services.

Our Business Continuity framework includes ensuring the welfare of our personnel and customers; protecting our reputation; maintaining customer satisfaction; enhancing organisational stability; reducing risk exposures and potential economic losses; minimising legal liabilities and anticipating and satisfying future regulatory requirements.

Data Security

We are committed to protecting the data we hold and manage, particularly in a digital world.

Our IT security risk management framework addresses our approach to managing data security through a range of policies, standards, guidelines and procedures.   This framework is based on clearly defined security principles and defined roles and responsibilities to ensure the achievement of effective IT and data security risk management outcomes.

Risk assessments are completed regularly and applicable controls and security vulnerabilities are assessed regularly using various monitoring and testing techniques.

Privacy

We have embedded a culture of privacy in keeping with the Australian Privacy Principles.

Our Privacy Policy is our commitment to customers, while our Privacy Management Plan provides a framework to ensure we are able to meet that commitment.

All our people are provided with privacy training to understand obligations and considerations relevant to identifying, assessing and managing privacy risks.

FINANCIAL REPORT

DIRECTORS' STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2020

Review and results of operations

The continued successful implementation of our strategy has led to a further year of strong operational performance for the company with improvement across all key performance areas. We have continued to achieve success in balancing our funding costs with our lending growth despite a low growth and highly competitive market and we will continue to invest for growth and improved customer outcomes.

COVID-19 has had a material impact on some of our customers and we have provided support as we assist these customers work through the challenges the pandemic has created. Consequently, our statutory Net Profit After Tax (NPAT) has been impacted as we have prudently provisioned for possible impacts to our loan book. Nonetheless, business momentum has been strong, funding costs materially improving and the bank has improved profitability for a further year.

Strategically the environment has led us to re-consider our Business Banking growth strategy. Subsequently we have withdrawn from new customer acquisition and have reduced our resources in the area. Future focus will be on servicing our existing customers. This will allow greater attention to areas identified as future growth opportunities for the organisation.

Results

Our financial results are strong.

NPAT (adjusted for the increase in expected credit loss assumptions adopted due to the effects of COVID-19) for the consolidated entity for financial year 2019/20 was $20.114m. Specific forward looking macroeconomic environment adjustments of $2.3m to expected credit losses have been excluded and no other adjustments have been made to statutory profit. This corresponding figure in the prior year was $17.201m. This represents an increase of 16.9%.

The statutory consolidated NPAT for the 2019/20 financial year was $18.504m compared to the result of $17.201m for the 2018/19 year. This represents an increase of 7.6%.

The loan book of Auswide Bank Ltd (grossed up for Investments in Managed Investment Schemes reported in Other financial assets in the Statement of Financial Position) increased from $3.131b at 30 June 2019 to $3.266b at 30 June 2020, an increase of $135m. This represents growth of 4.3% for the 2019/20 financial year. The loan book growth compares favourably with the Reserve Bank of Australia (RBA) Financial Aggregates data which discloses credit provided to the private sector increased by 2.9% over the 12 months to June 2020.

Home loan settlements across the financial year totalled $677.180m, an increase of 9.93% on the $616.036m 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 2019/20 financial year our NIM improved. Uncertainty around the impact of COVID-19 has also added to margin pressure. In order to achieve stable or improving NIM, the bank closely monitors the competitive pricing of products and continues to proactively manage assets and liabilities.

The net interest margin for the 2019/20 year was 1.97% compared to 1.87% in the 2018/19 financial year.

Consumer lending

The consumer lending portfolio increased from $62.312m at 30 June 2019 to $80.508m at 30 June 2020, an increase of $18.196m. The growth in consumer lending has contributed significantly to the operating results of the Company, with $6.459m in interest income derived from the portfolio in the financial year.

Deposits and funding

Customer deposits have increased significantly during the year from $2.373b at 30 June 2019 to $2.620b, an increase of $247m. This has increased the level of customer deposits as a percentage of total funding base from 71.45% at 30 June 2019 to 74.51% at 30 June 2020.

Auswide Bank has utilised the RBA term funding facility (TFF) by drawing $49.793m in two tranches by 30 June 2020. There are plans to further utilise this funding source by drawing a further $40m by September 2020, which will take the total funding utilised by Auswide Bank to its limit of $90m. The funding under this facility is locked in at a rate of 0.25% for a period of three years.

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

Customers

The review of the Broker home lending business has continued to improve the customer experience and end to end processes and operations. There have been significant improvements in the volume of applications processed and the average days to decision on loan files throughout the financial year.

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

Technology

The upgrade of the core banking system is on schedule for completion in Q1 of FY21. This will enable the Open Banking processes and services which commence in October 2020 as well as providing the platform for the bank to advance the payments and on-line services provided to customers.

Digital branch and automation

The Auswide Bank branch network delivers a customised service within the Queensland footprint. The strategic goal is to create an end-to-end digital banking experience and the bank has initiated projects to deliver online application capabilities to provide services to customers Australia wide.

Key components of the digital banking strategy are:

- the Apply program which allows existing and new customers to apply for Auswide Bank products online;
- the Interact program to provide solutions that satisfy the "digital savvy" customer interaction expectations;
- the Transact program which provides customers with a new digital experience for their day-to-day transacting activities; and
- the Personalise program which provides a method to have a deeper understanding of customers' wants and needs and delivers at exactly the right moment.

Capital

The capital adequacy ratio for the Auswide Bank Group at 30 June 2020 was 12.95% (2019: 13.79%). The tier 1 capital ratio at 30 June 2020 was 11.09% (2019: 11.76%). The capital remains materially above the Board's capital targets and meets APRA's unquestionably strong minimums.

The final dividend for FY20 will be accompanied by a Dividend Reinvestment Plan and the bank will be completing a tier 2 Subordinated Debt placement in Q1 of FY21 which will further strengthen the group's capital position.

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 growth in the loan book across FY20 is expected to be strong across the first half of FY21. This growth will be assisted by Auswide Bank's participation in the First Home Loan Deposit Scheme. This scheme allows eligible borrowers to be able to apply for loan funding with higher than usual loan to valuation ratios without the requirement to pay the lender's mortgage insurance (LMI) because up to 15% of the value of the property being purchased that is financed can be covered via federal government guarantee.

Branch network

The Company has a diversified branch network consisting of 18 branches and agencies across Queensland, and a business centre in Brisbane. The Company also employs Business Development Managers in Sydney and Melbourne to conduct interstate business. All regional loan staff and panel valuers are locally based ensuring an in-depth knowledge of the local economy and developments in the real estate market.

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

Arrears and collections

Total arrears greater than 30 days past due (excluding the effects of hardship accounts) decreased from $14.302m to $12.559m. Arrears have decreased as a percentage of the Group's total loan book from 0.46% at 30 June 2019 to 0.39% at 30 June 2020.

Support for customers during COVID-19

The bank maintained a focus on supporting customers and staff during the period of the COVID-19 pandemic. All branches remained open and office staff worked remotely where possible until restrictions were eased across Queensland.

Customers were assisted with repayment deferrals and interest only conditions to assist during this period of uncertainty and financial stress.

Support was provided to 1,014 account holders representing a total loan value of $288m or 9% of the total loan book. There were 926 residential loan accounts valued at $275m (9%), 40 Business Banking accounts totalling $12m (16%) and 48 personal loan accounts amounting to $1m (4%) which were in receipt of supportive measures.

Of the loans receiving assistance, Queensland represented 74% or 787 loans ($212m). New South Wales accounted for 14% or 102 loans ($41m) and Victoria represented 8% of the total, or 87 loans ($23m) which were in receipt of support. The remainder was allocated to loans across other states.

In preparation for the end of the deferral period, Auswide staff are personally contacting customers to discuss the current status of the loans and assistance offered. Early trends indicate that more than 85%of customers have already commenced repayments or will resume regular loan repayments at the end of the deferral period.

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

Risk

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

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.

Dividends

A fully franked interim dividend of 17.0 cents per ordinary share was declared and paid on 16 March 2020 (25 March 2019: 16.0 cents).

A fully franked final dividend of 10.75 cents per ordinary share has been declared by the Board and will be paid on 18 September 2020 (20 September 2019: 18.5 cents).

The Board has adopted a conservative approach to the final dividend recognising current uncertainties and stresses in the market. Guidance from APRA that ADIs seek to retain at least half of their earnings when making decisions on capital distributions has also been taken into consideration in declaring the final dividend.

Going concern

The Board of Directors of Auswide Bank have assessed that the going concern basis of accounting remains appropriate, with no material uncertainty.

The strength of the financial results for H1 of FY20 continued across H2 reflecting robust operations during Q4. Despite the impacts of COVID-19 in the 4 months for June 2020, the FY20 NPAT was $18.504m, up 7.6% on the $17.201m reported for FY19. The underlying NPAT (excluding the COVID-19 related provisions) was $20.114m, up 16.9% on the $17.201m for FY19. There are also indicators to support confidence in operations for FY21, including forecast performance and cash flows, as well as actual loan flows, NIM maintenance and expense management in July 2020.

Liquidity also remains strong, with various facilities available to be utilised if required. COVID-19 has not had a material impact on Auswide's ability to perform its banking activities, with branches remaining open and lending business continuing with no significant issues experienced.

Any loan contract changes relating to COVID-19 have not resulted in any material impact to ongoing operations or performance.

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 which may arise as a result 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:

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-EDI Limited (until November 2016) and a Non-Executive Director of Horizon Oil Limited (until November 2018). Mr Humphrey is a member of the Audit Committee and is an independent Director.

Mr Barry Dangerfield

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield is the Chairman of the Group Board Remuneration Committee, a member of the Audit Committee, a member of the Risk Committee and is an independent Director. Mr Dangerfield served as a Director of Money Place Holdings Pty Ltd until January 2018. Mr Dangerfield is currently a Director of the Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg and he is Chairman of the Institutes Audit and Risk Committee and Chairman of the Institutes Remuneration Committee.

Mr Gregory N Kenny GAICD, GradDipFin

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

Mr Martin J Barrett BA(ECON), MBA

Mr Barrett commenced as Chief Executive Officer of Wide Bay Australia Ltd (now Auswide Bank Ltd) on 4 February 2013, and was subsequently appointed Managing Director on 19 September 2013. Mr Barrett has extensive experience in the banking sector, having previously held the positions of Managing Director (Queensland, Western Australia and National Motor Finance Business) and General Manager NSW/ACT Corporate & Business Bank at St George Bank Ltd. Prior to working at St George Bank, Mr Barrett held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Mr Barrett is currently a Non-Executive Director of Impact Community Services, and served as a Director of MoneyPlace Holdings Pty Ltd until January 2018. Mr Barrett is an Executive Director.

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

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

Company secretary

Mr William R Schafer BCom, CA

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

Directors' meetings

During the financial year, 20 meetings of the Directors, 6 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*
JS Humphrey	20	19	6	5	n/a	n/a	n/a	n/a
B Dangerfield	20	20	6	6	4	4	5	5
GN Kenny	20	20	6	6	4	3	5	5
MJ Barrett	20	20	6	6*	4	1*	5	5*
SC Birkensleigh	20	20	6	6	4	4	5	5

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

Directors' shareholdings

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

	Ordinary Shares
JS Humphrey	31,551
MJ Barrett	187,589
B Dangerfield	43,291
GN Kenny	15,000

Related party disclosure

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

Remuneration report

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

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

- appropriately balanced measures of performance weighted 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 2019/20 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:

- 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 2019/20 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.

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.

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.

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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.

Short Term Incentive payments relating to the financial year ended 30 June 2019

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 2019. Cash payments were paid on the 03 October 2019, and allocated to Senior Executives as follows;

- Mr MJ Barrett (Managing Director): $60,000;
- Mr WR Schafer (Chief Financial Officer): $18,563;
- Mr SM Caville (Chief Information Officer) (cease date 17/04/2020): $12,052;
- Mr D Hearne (Chief Customer Officer): $15,308;
- Mrs GM Job (Chief People and Property Officer): $12,086;
- Mr CA Lonergan (Chief Risk Officer): $12,270; and
- Mr MS Rasmussen (Chief Operating Officer): $12,692.

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:

- 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 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 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

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 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.

The 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 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2015 offer	5,608	1/7/2019	5,608	-	-
2016 offer	4,762	1/7/2019	4,762	-	-
	4,762	1/7/2020	-	-	4,762
2017 offer	2,446	1/7/2019	2,446	-	-
	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

WR SCHAFER	No. shares	Vesting date	Vested in 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2016 offer	998	1/7/2019	998	-	-
	998	1/7/2020	-	-	998
2017 offer	1,044	1/7/2019	1,044	-	-
	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

SM CAVILLE	No. shares	Vesting date	Vested in 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2016 offer	865	1/7/2019	865	-	-
	865	1/7/2020	-	865	-
2017 offer	1,044	1/7/2019	1,044	-	-
	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	-

GM JOB	No. shares	Vesting date	Vested in 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2016 offer	815	1/7/2019	815	-	-
	815	1/7/2020	-	-	815
2017 offer	1,044	1/7/2019	1,044	-	-
	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

CA LONERGAN	No. shares	Vesting date	Vested in 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2016 offer	971	1/7/2019	971	-	-
	971	1/7/2020	-	-	971
2017 offer	1,044	1/7/2019	1,044	-	-
	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

MS RASMUSSEN	No. shares	Vesting date	Vested in 19/20 year	Lapsed/ forfeited in 19/20 year	Not yet assessed for vesting
2016 offer	998	1/7/2019	998	-	-
	998	1/7/2020	-	-	998
2017 offer	1,044	1/7/2019	1,044	-	-
	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

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	1/7/2019	1,247	-	-
	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	-	-	1,312
2019 offer	7,040	1/7/2022	-	-	7,040

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:

Short-term employee benefits

	Cash salary and fees $		Cash bonus $ Performance based		Superannuation $		Other long term benefits $		Share based payments $ Performance based		Total remuneration $	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
SPECIFIED DIRECTORS												
Humphrey, JS Chairman (non-exec)	**158,539**	149,224	**-**	-	**15,061**	14,176	**-**	-	**-**	-	**173,600**	163,400
Birkensleigh, S Director (non-exec)	**99,087**	93,265	**-**	-	**9,413**	8,860	**-**	-	**-**	-	**108,500**	102,125
Dangerfield, B Director (non-exec)	**99,087**	93,265	**-**	-	**9,413**	8,860	**-**	-	**-**	-	**108,500**	102,125
Kenny, GN Director (non-exec)	**99,087**	93,265	**-**	-	**9,413**	8,860	**-**	-	**-**	-	**108,500**	102,125
Barrett, MJ Managing Director	**583,595**	571,027	**60,000**	93,000	**21,003**	20,531	**13,847**	12,919	**71,385**	86,598	**749,830**	784,075
Total remuneration - Specified Directors	**1,039,395**	**1,000,046**	**60,000**	**93,000**	**64,303**	**61,287**	**13,847**	**12,919**	**71,385**	**86,598**	**1,248,930**	**1,253,850**
OTHER KEY MANAGEMENT PERSONNEL												
Schafer, WR Chief Financial Officer	**335,465**	328,137	**18,563**	38,089	**21,003**	20,531	**8,451**	8,945	**11,374**	5,838	**394,856**	401,540
Caville, SM Chief Information Officer (ceased 09/04/2020)	**236,441**	191,762	**12,052**	19,314	**15,288**	19,112	**-**	1,960	**10,633**	5,060	**274,414**	237,208
Hearne, D Chief Customer Officer	**293,517**	299,771	**15,308**	37,637	**21,003**	20,531	**5,471**	5,355	**6,946**	-	**342,245**	363,294
Job, GM Chief People and Property Officer	**200,667**	191,845	**12,086**	20,199	**19,060**	19,152	**16,242**	7,930	**10,355**	4,768	**258,410**	243,894
Lonergan, CA Chief Risk Officer	**211,167**	199,022	**12,270**	20,225	**19,509**	19,365	**7,784**	4,351	**11,224**	5,680	**261,954**	248,643
Rasmussen, MS Chief Operating Officer	**229,739**	224,367	**12,692**	22,802	**21,003**	20,531	**4,752**	4,727	**11,374**	5,838	**279,560**	278,265
Total remuneration - Specified Executives	**1,506,996**	**1,434,904**	**82,971**	**158,266**	**116,866**	**119,222**	**42,700**	**33,268**	**61,906**	**27,184**	**1,811,439**	**1,772,844**

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	REDUNDANCY PROVISIONS	SHORT TERM INCENTIVES*	LONG TERM INCENTIVES**
Martin Barrett	Managing Director	4/02/2013	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	6/12/2016	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
Craig Lonergan	Chief Risk Officer	10/02/2014	1/07/2014 09/12/2016	No fixed term	Three months	Six months notice plus six months redundancy pay	15%	$30,000
Steve Caville ceased (17/04/2020)	Chief Information Officer	1/11/2010	8/12/2016	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
Mark Rasmussen	Chief Operations Officer	3/02/2014	29/01/2015 12/12/2016	No fixed term	Three months	Six months notice plus six months redundancy pay	15%	$30,000
Gayle Job	Chief People & Property Officer	06/06/2007	12/12/2016	No fixed term	Three 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	N/A	No fixed term	Four months	Six months notice plus six months redundancy pay	25%	15%

* 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.

** 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.

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.

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

Loans for the year ended 30 June 2019	Balance 30 June 2018 $	Interest charged $	Write-off $	Balance 30 June 2019 $	Number in Group 30 June 2019
Directors	(1,846,339)	68,040	-	(1,762,889)	1
Executives	(172,494)	30,207	-	(1,913,024)	6
Total: Key management personnel	(2,018,833)	98,247	-	(3,675,913)	7

Individuals with loans above $100,000 in reporting period	Balance 30 June 2019 $	Interest charged $	Write-off $	Balance 30 June 2020 $	Highest in period $
Directors					
MJ Barrett	(1,762,889)	55,409	-	(1,655,187)	(1,732,044)
Executives					
WR Schafer	(388,483)	8,581	-	(341,582)	(388,483)
DR Hearne	(1,411,469)	44,059	-	(1,386,820)	(1,411,469)
CA Lonergan	-	1,206	-	(530,635)	(534,099)

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

Does not include SM Caville, GM Job or MS Rasmussen as their loans were less than $100,000.

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 2019	Received as remuneration	Options exercised	Net change other	Balance 30 June 2020
Directors					
JS Humphrey	31,551	-	-	-	31,551
B Dangerfield	43,291	-	-	-	43,291
GN Kenny	15,000	-	-	-	15,000
MJ Barrett	173,773	12,816	-	1,000	187,589
Executives					
WR Schafer	34,998	2,042	-	(998)	36,042
SM Caville (ceased 09/04/2020)	45,105	1,909	-	-	47,014
GM Job	118,383	1,859	-	944	121,186
CA Lonergan	14,000	2,015	-	(2,015)	14,000
MS Rasmussen	4,498	2,042	-	(2,640)	3,900
DR Hearne	-	1,247	-	(1,247)	-
Total	480,599	23,930	-	(4,956)	499,573

* 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 2020:

	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Net profit before tax	26,498	24,638	25,158	21,870	17,606
Net profit after tax	18,504	17,201	17,886	15,149	11,699

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Share price at start of year	$5.13	$5.63	$5.14	$5.08	$5.05
Share price at end of year	$4.84	$5.13	$5.63	$5.14	$5.08
Interim dividend	17.00 cps	16.00 cps	16.00 cps	14.00 cps	14.00 cps
Final dividend	10.75 cps	18.50 cps	18.00 cps	17.00 cps	16.00 cps
Basic earnings per share	43.80 cps	40.81 cps	42.83 cps	37.35 cps	31.20 cps
Diluted earnings per share	43.80 cps	40.81 cps	42.83 cps	37.35 cps	31.20 cps

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

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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 2020, 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:

	2020 $	2019 $
Services provided in connection with:		
Tax advisory services	**65,612**	64,449
Consulting services	**89,002**	112,344
	154,614	176,793

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

JS Humphrey

Director

SC Birkensleigh

Director

Brisbane

26 August 2020

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AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
Auswide Bank Ltd
PO Box 1063
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26 August 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated		Company	
	Notes	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest revenue	2.1	**126,252**	136,352	**126,252**	136,352
Interest expense	2.1	**(55,736)**	(73,167)	**(55,736)**	(73,167)
Net interest revenue		**70,516**	63,185	**70,516**	63,185
Other non-interest income		**9,959**	9,464	**9,959**	9,464
Total operating income		**80,475**	72,649	**80,475**	72,649
Employee benefits expense		**21,584**	20,564	**21,584**	20,564
Depreciation expense		**3,324**	1,920	**3,324**	1,920
Amortisation expense		**710**	685	**710**	685
Occupancy expense		**1,533**	3,307	**1,533**	3,307
Fees and commissions		**11,524**	10,045	**11,524**	10,045
General and administration expenses		**10,406**	9,759	**10,406**	9,759
Other expenses		**1,051**	588	**1,051**	588
Operating expenses less loan impairment expense		**50,132**	46,868	**50,132**	46,868
Loan impairment expense	4.5.5	**3,845**	1,143	**3,845**	1,143
Total operating expenses		**53,977**	48,011	**53,977**	48,011
Profit before income tax expense		**26,498**	24,638	**26,498**	24,638
Income tax expense	2.3	**7,994**	7,437	**7,985**	7,437
Net profit after tax		**18,504**	17,201	**18,513**	17,201
Profit for the year attributable to:					
Owners of the Company		**18,504**	17,201	**18,513**	17,201
Earnings per share					
From continuing operations					
Basic (cents per share)	2.4	**43.80**	40.81		
Diluted (cents per share)	2.4	**43.80**	40.81		

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
Profit for the year		**18,504**	17,201	**18,513**	17,201
Other comprehensive income, net of income tax					
Items that may be reclassified to profit or loss					
Revaluation of cash flow hedge to fair value	3.5.4	**(1,174)**	(221)	**(1,174)**	(221)
Revaluation of FVTOCI investments to fair value		**-**	(2)	**-**	(2)
Income tax relating to these items	2.3.3	**352**	67	**352**	67
Other comprehensive income/(loss) for the year, net of income tax		**(822)**	(156)	**(822)**	(156)
Total comprehensive income for the year		**17,682**	17,045	**17,691**	17,045
Total comprehensive income attributable to:					
Owners of the Company		**17,682**	17,045	**17,691**	17,045

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 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Cash and cash equivalents	4.1.1	**106,478**	104,389	**106,478**	104,389
Due from other financial institutions	4.1.2	**16,293**	20,994	**16,293**	20,994
Other financial assets	4.1.3	**378,266**	317,059	**396,258**	349,445
Current income tax assets		**3,344**	1,575	**3,345**	1,575
Loans and advances	4.1.4	**3,205,775**	3,086,158	**3,206,167**	3,086,324
Other investments	4.1.5	**1,379**	1,321	**1,379**	1,321
Property, plant and equipment	3.1	**21,394**	14,363	**21,394**	14,363
Other intangible assets	3.2	**1,198**	1,763	**1,198**	1,763
Deferred tax assets	2.3.5	**5,726**	4,952	**5,726**	4,952
Other assets	6.5	**3,250**	4,465	**3,247**	4,466
Goodwill	3.3	**46,363**	46,363	**46,363**	46,363
Total assets		**3,789,466**	3,603,402	**3,807,848**	3,635,955
LIABILITIES					
Deposits and short term borrowings	4.1.6	**3,018,508**	2,802,605	**3,018,518**	2,802,608
Other borrowings	4.1.7	**49,793**	-	**49,793**	-
Payables and other liabilities	4.1.8	**25,645**	39,093	**25,643**	39,090
Loans under management	4.1.4	**420,731**	490,412	**438,723**	522,798
Deferred tax liabilities	2.3.5	**1,404**	1,786	**1,404**	1,786
Provisions	6.4	**3,347**	3,009	**3,347**	3,009
Subordinated capital notes	4.1.9	**28,000**	28,000	**28,000**	28,000
Total liabilities		**3,547,428**	3,364,905	**3,565,428**	3,397,291
Net assets		**242,038**	238,497	**242,420**	238,664
EQUITY					
Contributed equity	3.4	**193,261**	191,936	**193,433**	192,021
Reserves	3.5	**14,431**	15,143	**14,667**	15,251
Retained profits		**34,346**	31,418	**34,320**	31,392
Total equity		**242,038**	238,497	**242,420**	238,664

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 2020

Consolidated entity	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Investment revaluation reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
	Attributable to owners of Auswide Bank Ltd										
Balance at 1 July 2018	191,612	29,898	4,357	5,834	2,676	2,388	102	-	(366)	241	236,742
Adjustment on adoption of AASB 9 (net of tax)	-	(896)	-	-	-	-	(102)	102	-	-	(896)
Restated total equity at the beginning of the financial year	**191,612**	**29,002**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**102**	**(366)**	**241**	**235,846**
Total comprehensive income for the year:											
Profit attributable to owners of parent company	-	17,201	-	-	-	-	-	-	-	-	17,201
Transfer to /from retained profits on consolidation	-	(461)	-	-	-	-	-	-	-	-	(461)
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	-	175	175
Share-based payments vested during the year	-	-	-	-	-	-	-	-	-	(108)	(108)
Increase (decrease) due to revaluation of external RMBS investments to fair value	-	-	-	-	-	-	-	(2)	-	-	(2)
Deferred tax liability adjustment on revaluation of external RMBS investments	-	-	-	-	-	-	-	1	-	-	1
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	-	(221)	-	(221)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	-	66	-	66
Sub-total	**191,612**	**45,742**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**308**	**252,497**
Issue of share capital for staff share plan	275	-	-	-	-	-	-	-	-	-	275
Dividends provided for or paid	-	(14,324)	-	-	-	-	-	-	-	-	(14,324)
Movement in treasury shares	78	-	-	-	-	-	-	-	-	-	78
Gain/ (loss) in share capital due to employee incentive scheme	(29)	-	-	-	-	-	-	-	-	-	(29)
Balance at 30 June 2019	**191,936**	**31,418**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**308**	**238,497**

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

Consolidated entity	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
	Attributable to owners of Auswide Bank Ltd									
Balance at 1 July 2019	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)
Restated total equity at the beginning of the financial year	**191,936**	**30,808**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(521)**	**308**	**237,887**
Total comprehensive income for the year:										
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
Sub-total	**191,936**	**49,312**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(1,343)**	**418**	**255,679**
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)
Balance at 30 June 2020	**193,261**	**34,346**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(1,343)**	**418**	**242,038**

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

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Company	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Available for sale reserve $'000	Investment revaluation reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
	Attributable to owners of Auswide Bank Ltd										
Balance at 1 July 2018	191,746	29,419	4,357	5,834	2,676	2,388	102	-	(366)	241	236,397
Adjustment on adoption of AASB 9 (net of tax)	-	(896)	-	-	-	-	(102)	102	-	-	(896)
Restated total equity at the beginning of the financial year	**191,746**	**28,523**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**102**	**(366)**	**241**	**235,501**
Total comprehensive income for the year:											
Profit attributable to owners of parent company	-	17,201	-	-	-	-	-	-	-	-	17,201
Share-based payments expensed during the year	-	-	-	-	-	-	-	-	-	175	175
Increase (decrease) due to revaluation of external RMBS investments to fair value	-	-	-	-	-	-	-	(2)	-	-	(2)
Deferred tax liability adjustment on revaluation of external RMBS investments	-	-	-	-	-	-	-	1	-	-	1
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	-	(221)	-	(221)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	-	66	-	66
Sub-total	**191,746**	**45,724**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**416**	**252,721**
Issue of share capital for staff share plan	275	-	-	-	-	-	-	-	-	-	275
Dividends provided for or paid	-	(14,332)	-	-	-	-	-	-	-	-	(14,332)
Balance at 30 June 2019	**192,021**	**31,392**	**4,357**	**5,834**	**2,676**	**2,388**	**-**	**101**	**(521)**	**416**	**238,664**

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

Company	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
	Attributable to owners of Auswide Bank Ltd									
Balance at 1 July 2019	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)
Restated total equity at the beginning of the financial year	**192,021**	**30,782**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(521)**	**416**	**238,054**
Total comprehensive income for the year:										
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
Sub-total	**192,021**	**49,295**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(1,343)**	**654**	**255,983**
Issue of share capital for dividend reinvestment plan	1,412	-	-	-	-	-	-	-	-	1,412
Dividends provided for or paid	-	(14,975)	-	-	-	-	-	-	-	(14,975)
Balance at 30 June 2020	**193,433**	**34,320**	**4,357**	**5,834**	**2,676**	**2,388**	**101**	**(1,343)**	**654**	**242,420**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
Cash flows from operating activities					
Interest received		**127,029**	136,446	**127,029**	136,446
Other non-interest income received		**10,670**	14,605	**10,670**	14,605
Interest paid		**(60,529)**	(70,785)	**(60,529)**	(70,785)
Income tax paid		**(10,313)**	(10,227)	**(10,304)**	(10,227)
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(59,689)**	(34,394)	**(59,689)**	(34,388)
Net cash provided by / (used in) operating activities	6.1	**7,168**	35,645	**7,177**	35,651
Cash flows from investing activities					
Net movement in investment securities		**(61,207)**	(61,483)	**(46,813)**	(61,483)
Net movement in amounts due from other financial institutions		**4,701**	(5,605)	**4,701**	(5,605)
Net movement in loans and advances		**(124,549)**	(168,924)	**(124,774)**	(168,948)
Net movement in other investments		**(57)**	(177)	**(57)**	(177)
Proceeds from sale of property, plant and equipment		**-**	4	**-**	4
Payments for non current assets		**(2,847)**	(1,219)	**(2,847)**	(1,219)
Net cash provided by / (used in) investing activities		**(183,959)**	(237,404)	**(169,790)**	(237,428)
Cash flows from financing activities					
Net movement in deposits and short term borrowings		**265,695**	351,670	**265,705**	351,638
Net movement in amounts due to other financial institutions and other liabilities		**(71,022)**	(117,883)	**(85,288)**	(117,776)
Principal payment of lease liabilities		**(2,152)**	-	**(2,152)**	-
Proceeds from share issue		**-**	275	**-**	275
Dividends paid		**(13,554)**	(14,324)	**(13,563)**	(14,332)
Movement in share capital due to employee incentive scheme		**(87)**	49	**-**	-
Net cash provided by / (used in) financing activities		**178,880**	219,787	**164,702**	219,805
Net movement in cash and cash equivalents		**2,089**	18,028	**2,089**	18,028
Cash and cash equivalents at the beginning of the financial year		**104,389**	86,361	**104,389**	86,361
Cash and cash equivalents at end of the financial year	4.1.1	**106,478**	104,389	**106,478**	104,389

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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NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020

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 2020 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 2019, 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.

1.6 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 16 Leases (AASB 16)

AASB 16 Leases

The Group applied AASB 16 with a date of initial application of 1 July 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

Definition of lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under AASB 117. Under AASB 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Summary of key changes to the accounting policy

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases, as a result, these leases are now recognised on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of less than twelve months. For leases of other assets, which were classified as operating under AASB 117, the Group recognised right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; or
- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group has applied this approach to all leases.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117;

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term; and
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Impact on the financial statements

On transition to AASB 16, the Group recognised an additional $4.043m of right-of-use assets and $4.907m of lease liabilities. The difference of $0.864m has been recognised against opening retained earnings, net of its related deferred tax impact of $0.254m resulting in a net decrease in retained earnings of $0.610m on 1 July 2019.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied to properties and vehicles on transition was 5.50% and 6.42% respectively.

	1 July 2019 $'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	5,585
Discounted using the incremental borrowing rate at 1 July 2019	5,235
Recognition exemptions for:	
- Impact of GST and other outgoings	(1,000)
- Impact of increasing lease rentals	210
- Impact of options expected to be exercised	423
- Impact of rent discount in agreement	(136)
- Impact of leases not recognised as a commitment in prior year	175
Lease liabilities recognised on 1 July 2019	4,907

1.8 Comparative figures

The adoption of AASB 16 Leases from 1 July 2019 resulted in changes to accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 16, comparative figures have not been restated. A one off adjustment of $0.864m has been recognised against opening retained earnings, net of the related tax impact of $0.254m, resulting in a net decrease to retained earnings of $0.610m on 1 July 2019.

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

1.9 Reclassification of comparative figures

Certain accounts in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019, which are included in the 2020 financial statements for comparative purposes, have been reclassified to conform to the nature of accounts. The significant reclassifications are as follows:

Statement of Profit or Loss and Other Comprehensive Income	Before reclassification	Reclassification	After reclassification
	$'000	$'000	$'000
Employee benefits expense	20,327	237	20,564
Occupancy expense	2,361	946	3,307
Fees and commissions	9,884	161	10,045
General and administration expense	10,905	(1,146)	9,759
Other expenses	786	(198)	588

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

1.10 Going concern

The financial statements are prepared on a going concern basis. The group has net assets of $242m, 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 %
Interest revenue 2020			
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**
	3,585,198	**126,252**	**3.52**
Interest expense 2020			
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**
RBA term funding facility	**7,674**	**16**	**0.21**
Subordinated capital notes	**28,000**	**1,372**	**4.90**
Lease liabilities	**4,137**	**235**	**5.69**
	3,397,983	**55,736**	**1.64**
Net interest revenue 2020		**70,516**	
Consolidated entity			
Interest revenue 2019			
Deposits with other financial institutions	56,502	897	1.59
Investment securities	223,722	5,430	2.43
Loans and advances	3,017,419	126,533	4.19
Other	76,103	3,492	4.59
	3,373,746	136,352	4.04
Interest expense 2019			
Deposits from other financial institutions	550,996	17,798	3.23
Customer deposits	2,203,601	43,478	1.97
Negotiable certificates of deposit (NCDs)	297,275	7,039	2.37
Floating rate notes (FRNs)	105,154	3,054	2.90
Subordinated capital notes	28,000	1,798	6.42
	3,185,026	73,167	2.30
Net interest revenue 2019		63,185	

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 2020			
Interest revenue	**3,585,198**	**126,252**	**3.52**
Interest expense	**3,397,983**	**55,736**	**1.64**
Net interest spread			**1.88**
Benefit of net interest-free assets, liabilities and equity			**0.09**
Net interest margin - on average interest earning assets	**3,585,198**	**70,516**	**1.97**
Interest margin and interest spread 2019			
Interest revenue	3,373,746	136,352	4.04
Interest expense	3,185,026	73,167	2.30
Net interest spread			1.74
Benefit of net interest-free assets, liabilities and equity			0.13
Net interest margin - on average interest earning assets	3,373,746	63,185	1.87

Accounting policies

Interest income and interest expense

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

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

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

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

2.2 Other non-interest income

	Consolidated		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Other non-interest income				
Fees and commissions	**9,206**	8,959	**9,206**	8,959
Other income	**753**	505	**753**	505
	9,959	9,464	**9,959**	9,464

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*

	Consolidated		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Current income tax	**8,540**	7,465	**8,531**	7,465
Deferred income tax	**(546)**	(28)	**(546)**	(28)
Income tax expense reported in profit or loss	**7,994**	7,437	**7,985**	7,437

Accounting policies

Taxation

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

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

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

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

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

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

Tax consolidation legislation

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

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

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tax on profit before income tax at 30% (2019: 30%)	**7,949**	7,392	**7,949**	7,392
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	**58**	58	**58**	58
Less:				
Tax offset for franked dividends	**1**	1	**2**	1
Other items - net	**(14)**	(14)	**(24)**	(14)
Income tax expense	**7,994**	7,437	**7,985**	7,437

2.3.3 Income tax recognised in other comprehensive income

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current income tax				
Other	**-**	-	**-**	-
	-	-	**-**	-
Deferred income tax				
Arising on items that may be reclassified to profit or loss:				
Fair value remeasurement of FVTOCI financial assets	**-**	(1)	**-**	(1)
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**(352)**	(66)	**(352)**	(66)
	(352)	(67)	**(352)**	(67)
Arising on items that will not be reclassified to profit or loss:				
	-	-	**-**	-
Total income tax recognised directly in other comprehensive income	**(352)**	(67)	**(352)**	(67)

2.3.4 Current tax assets and liabilities

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current tax assets/ (liabilities)				
Current income tax assets/ (liabilities)	**3,344**	1,575	**3,345**	1,575
	3,344	1,575	**3,345**	1,575

2.3.5 Deferred tax balances

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax assets	**5,726**	4,952	**5,726**	4,952
Deferred tax liabilities	**(1,404)**	(1,786)	**(1,404)**	(1,786)
	4,322	3,166	**4,322**	3,166

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax assets				
Employee leave provisions	**993**	891	**993**	891
Expected credit losses	**2,032**	1,396	**2,032**	1,396
Property, plant and equipment	**681**	858	**681**	858
Capital losses available	**1,466**	1,466	**1,466**	1,466
Project acquisition costs	**3**	91	**3**	91
Premium on loans purchased	**115**	122	**115**	122
Subordinated capital notes prepaid expenses	**44**	39	**44**	39
Net lease liabilities	**205**	-	**205**	-
Performance rights prepaid expenses	**72**	-	**72**	-
Other items	**115**	89	**115**	89
	5,726	4,952	**5,726**	4,952

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax liabilities				
Asset revaluation reserve	**1,867**	1,867	**1,867**	1,867
Prepayments	**70**	99	**70**	99
Investment revaluation reserve (AASB139: available-for-sale reserve)	**43**	43	**43**	43
Cash flow hedging reserve	**(576)**	(223)	**(576)**	(223)
	1,404	1,786	**1,404**	1,786

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	
Movement in deferred tax balances	*Notes*	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at beginning of year		**3,166**	2,682	**3,166**	2,682
Deferred income tax income/ (expense) recognised directly in profit or loss		**546**	28	**546**	28
Deferred tax recognised in other comprehensive income		**352**	67	**352**	67
Deferred tax arising on:					
First time adoption of AASB 16	1.7	**254**	-	**254**	-
First time adoption of AASB 9		**-**	384	**-**	384
Prior period adjustments		**4**	5	**4**	5
Balance at end of year		**4,322**	3,166	**4,322**	3,166

2.4 Earnings per share

	2020 Cents per share	2019 Cents per share
Basic and diluted earnings per share		
From continuing operations	**43.80**	40.81
Total basic and diluted earnings per share	**43.80**	40.81

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

	2020 $'000	2019 $'000
Profit for the year attributable to owners of the Company	**18,504**	17,201
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**18,504**	17,201

	2020 Shares No.	2019 Shares No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**42,248,700**	42,154,629

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Property and equipment owned	**15,135**	14,363	**15,135**	14,363
Right-of-use assets	**6,259**	-	**6,259**	-
	21,394	14,363	**21,394**	14,363

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Carrying amounts of:				
Freehold land and buildings	**9,277**	9,477	**9,277**	9,477
Plant and equipment	**5,858**	4,886	**5,858**	4,886
	15,135	14,363	**15,135**	14,363

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Freehold land and buildings				
At independent valuation - June 2018	**9,690**	9,690	**9,690**	9,690
Provision for depreciation	**(413)**	(213)	**(413)**	(213)
	9,277	9,477	**9,277**	9,477
Movement in carrying amount				
Opening net book amount	**9,477**	9,676	**9,477**	9,676
Depreciation charge	**(200)**	(199)	**(200)**	(199)
Carrying amount at end of year	**9,277**	9,477	**9,277**	9,477

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Plant and equipment				
At cost	**22,790**	27,990	**22,790**	27,990
Provision for depreciation	**(16,932)**	(23,104)	**(16,932)**	(23,104)
	5,858	4,886	**5,858**	4,886
Movement in carrying amount				
Opening net book amount	**4,886**	5,900	**4,886**	5,900
Additions	**2,702**	726	**2,702**	726
Disposals	**(125)**	(20)	**(125)**	(20)
Depreciation charge	**(1,605)**	(1,720)	**(1,605)**	(1,720)
Carrying amount at end of year	**5,858**	4,886	**5,858**	4,886

All land and buildings were revalued as at 4 June 2018 by certified practicing valuers Henry Brown of Taylor Byrne Pty Ltd. The valuations were assessed to fair market values based on comparable sales in regional Queensland and by capitalisation of assessed net income. The Company's policy is to engage external experts to comprehensively revalue freehold land and buildings every three years with an assessment performed by the Board of Directors in intervening years.

The Board of Directors have assessed the market and the effects COVID-19 has had on regional Queensland and have concluded that the valuations remain appropriate.

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.

3.1.1 Right-of-use assets

Consolidated entity	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
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
Balance as at 30 June 2020	7,504	274	7,778
Accumulated depreciation			
Depreciation charge for the year	(1,416)	(103)	(1,519)
Right-of-use assets as at 30 June 2020	6,088	171	6,259

Company	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
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
Balance as at 30 June 2020	7,504	274	7,778
Accumulated depreciation			
Depreciation charge for the year	(1,416)	(103)	(1,519)
Right-of-use assets as at 30 June 2020	6,088	171	6,259

3.1.2 Lease liabilities

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

	Consolidated 2020 $'000	Company 2020 $'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,898	1,898
One to five years	5,289	5,289
More than five years	568	568
Total undiscounted lease liabilities	7,755	7,755
Lease liabilities included in statement of financial position		
Current	1,844	1,844
Non-current	5,100	5,100
	6,944	6,944
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	235	235
	235	235
Amounts recognised in statement of cash flows		
Total cash outflow for leases	2,387	2,387
	2,387	2,387

3.2 Other intangible assets

	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
Carrying amounts of:				
Software	1,198	1,763	1,198	1,763
	1,198	1,763	1,198	1,763

	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
Software				
At cost	7,152	9,630	7,152	9,630
Provision for amortisation	(5,954)	(7,867)	(5,954)	(7,867)
	1,198	1,763	1,198	1,763
Movement in carrying amount				
Balance at beginning of year	1,763	1,956	1,763	1,956
Additions	145	492	145	492
Disposals	-	-	-	-
Amortisation	(710)	(685)	(710)	(685)
Balance at end of year	1,198	1,763	1,198	1,763

Accounting policies

Intangible assets

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

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

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

No internally generated intangible assets are recognised by the Group.

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

3.3 Goodwill

	Consolidated		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Goodwill	**46,363**	46,363	**46,363**	46,363
	46,363	46,363	**46,363**	46,363
Representing goodwill arising on the acquisition of:				
Queensland Professional Credit Union Ltd (YCU)	**4,306**	4,306	**4,306**	4,306
Mackay Permanent Building Society Ltd (MPBS)	**42,057**	42,057	**42,057**	42,057
	46,363	46,363	**46,363**	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.

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 11.3-17.9x. 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%.

Sensitivity to changes in assumptions

Under above value of the assumption, the estimated recoverable amount of the CGU exceeds its carrying amount by $19m. A reasonably possible change in any one of these assumptions can result in the carrying amount to exceed the recoverable amount:

- if all other assumptions remain the same, should the multiples estimate decrease to 11.1x the carrying value will exceed the recoverable amount by $0.5m; and
- if all other assumptions remain the same, should the control premium estimate decrease to 11% the carrying value will exceed the recoverable amount by $0.5m.

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	**2020 Shares No.**	**2020 Shares $'000**	**2019 Shares No.**	**2019 Shares $'000**
Fully paid ordinary shares					
Balance at beginning of year		**42,172,922**	**191,936**	42,108,972	191,612
Issued during the year					
Staff share plan	3.4.1	**-**	**-**	53,745	275
Dividend reinvestment plan	3.4.2	**252,231**	**1,412**	-	-
Gain/ (loss) in share capital on disposal of treasury shares		**-**	**(12)**	-	(29)
Treasury shares					
Movement in treasury shares	3.4.3	**(15,315)**	**(75)**	10,205	78
Balance at end of year		**42,409,838**	**193,261**	42,172,922	191,936

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

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

3.4.1 Staff Share Plan

On 19 October 2018, 53,745 ordinary shares were issued pursuant to the Company's staff share plan. Shares were issued at a price of 90% of the weighted average price of the Company's shares traded on the Australian Securities Exchange for the 10 days prior to the issue of the invitation to subscribe for the shares.

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

	Consolidated		Company	
	2020 Shares No.	2019 Shares No.	2020 Shares No.	2019 Shares No.
The total number of shares issued to employees since the inception of the staff share plan	**2,974,418**	2,974,418	**2,974,418**	2,974,418
The total number of shares issued to employees during the financial year	**-**	53,745	**-**	53,745
	$'000	$'000	$'000	$'000
The total market value at date of issue (19 October 2018)	**-**	299	**-**	299
The total amount paid or payable for the shares at that date	**-**	275	**-**	275

3.4.2 Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to suspend the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2018/19 financial year, payable on 20 September 2019. The Board resolved to reintroduce the DRP for the interim dividend payable on 16 March 2020 for the 2019/20 financial year.

16 March 2020 - 252,231 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 16 March 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 24,878 shares, $131,051 (Jun 19: 9,563 shares, $55,942) for the purpose of facilitating the Executive LTI scheme.

3.5 Reserves

	Notes	Consolidated		Company	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
Available-for-sale reserve	3.5.1	**-**	-	**-**	-
Investment revaluation reserve	3.5.2	**101**	101	**101**	101
Asset revaluation reserve	3.5.3	**4,357**	4,357	**4,357**	4,357
Cash flow hedge reserve	3.5.4	**(1,343)**	(521)	**(1,343)**	(521)
Share based payment reserve	3.5.5	**418**	308	**654**	416
Statutory reserve	3.5.6	**2,676**	2,676	**2,676**	2,676
General reserve	3.5.7	**5,834**	5,834	**5,834**	5,834
Doubtful debts reserve	3.5.8	**2,388**	2,388	**2,388**	2,388
		14,431	15,143	**14,667**	15,251

3.5.1 Available-for-sale reserve

Available-for-sale reserve				
Balance at beginning of year	**-**	102	**-**	102
Adjustment on adoption of AASB 9 (net of tax)	**-**	(102)	**-**	(102)
Balance at end of year	**-**	-	**-**	-

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

3.5.2 Investment revaluation reserve

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Investment revaluation reserve				
Balance at beginning of year	**101**	-	**101**	-
Adjustment on adoption of AASB 9 (net of tax)	**-**	102	**-**	102
Increase/(decrease) due to mark-to-market of external RMBS investments	**-**	(2)	**-**	(2)
Deferred tax liability adjustment on revaluation of external RMBS investments	**-**	1	**-**	1
Balance at end of year	**101**	101	**101**	101

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

3.5.3 Asset revaluation reserve

Asset revaluation reserve				
Balance at beginning of year	**4,357**	4,357	**4,357**	4,357
Balance at end of year	**4,357**	4,357	**4,357**	4,357

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

3.5.4 Cash flow hedge reserve

Cash flow hedge reserve				
Balance at beginning of year	**(521)**	(366)	**(521)**	(366)
Gain/(loss) arising on changes in fair value of interest rate swaps entered into for cash flow hedges				
Interest rate swaps	**(1,174)**	(221)	**(1,174)**	(221)
Income tax related to gains/losses recognised in other comprehensive income	**352**	66	**352**	66
Balance at end of year	**(1,343)**	(521)	**(1,343)**	(521)

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

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

3.5.5 Share based payments reserve

Share based payments reserve				
Balance at beginning of year	**308**	241	**416**	241
Expensed during the year	**238**	175	**238**	175
Vested during the year	**(128)**	(108)	**-**	-
Balance at end of year	**418**	308	**654**	416

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

3.5.6 Statutory reserve

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

3.5.7 General reserve

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

3.5.8 Doubtful debts reserve

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

3.6 Dividends paid

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Dividends paid during the year				
Interim for current year	**7,171**	6,749	**7,171**	6,749
Final for previous year	**7,804**	7,583	**7,804**	7,583
	14,975	14,332	**14,975**	14,332

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 10.75 cents per ordinary share ($4.562m), for the six months to 30 June 2020, payable on 18 September 2020.

The final dividend for the six months to 30 June 2019 ($7.804m) was paid on 20 September 2019, and was disclosed in the 2018/19 financial accounts.

The tax rate at which the dividends have been franked is 30% (2019: 30%).

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

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance as at the end of the financial year	**33,931**	30,025	**33,931**	30,025
Credits/(debits) that will arise from the payment of income tax payable per the financial statements	**(3,244)**	(1,575)	**(3,244)**	(1,575)
Debits that will arise from the payment of the proposed dividend	**(1,955)**	(3,344)	**(1,955)**	(3,344)
	28,732	25,106	**28,732**	25,106
Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**10.75**	18.50	**10.75**	18.50
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**17.00**	16.00	**17.00**	16.00
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**18.50**	18.00	**18.50**	18.00

4 FINANCIAL ASSETS, LIABILITIES AND RELATED FINANCIAL RISK MANAGEMENT

4.1 Categories of financial instruments

	Notes	Classification	Consolidated 2020 $'000	Consolidated 2019 $'000	Company 2020 $'000	Company 2019 $'000
Financial assets						
Cash and cash equivalents	4.1.1	*Amortised cost*	**106,478**	104,389	**106,478**	104,389
Due from other financial institutions	4.1.2	*Amortised cost*	**16,293**	20,994	**16,293**	20,994
Other financial assets;	4.1.3					
- Certificates of deposit		*Amortised cost*	**293,172**	256,156	**293,172**	256,156
- External RMBS investments		*FVTOCI*	**-**	533	**-**	533
- Investments in Managed Investment Schemes		*FVTPL*	**60,613**	44,569	**60,613**	44,569
- Notes – securitisation program and other		*Amortised cost*	**24,074**	14,624	**42,066**	47,010
- Derivative assets		*FVTPL*	**141**	589	**141**	589
- Interest receivable		*Amortised cost*	**266**	588	**266**	588
Loans and advances	4.1.4	*Amortised cost*	**3,205,775**	3,086,158	**3,206,167**	3,086,324
Other investments;						
- Unlisted shares	4.1.5	*FVTOCI*	**918**	918	**918**	918
Total financial assets			**3,707,730**	3,529,518	**3,726,114**	3,562,070
Financial liabilities						
Deposits and other short term borrowings	4.1.6	*Amortised cost*	**3,018,508**	2,802,605	**3,018,518**	2,802,608
Other borrowings	4.1.7	*Amortised cost*	**49,793**	-	**49,793**	-
Payables and other liabilities	4.1.8					
- Payables and creditors		*Amortised cost*	**23,586**	37,761	**23,584**	37,758
- Derivative liabilities		*FVTPL*	**2,059**	1,332	**2,059**	1,332
Loans under management	4.1.4	*Amortised cost*	**420,731**	490,412	**438,723**	522,798
Subordinated capital notes	4.1.9	*Amortised cost*	**28,000**	28,000	**28,000**	28,000
Total financial liabilities			**3,542,677**	3,360,110	**3,560,677**	3,392,496

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.

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.

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

Equity investments

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

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Reclassifications

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

Financial liabilities

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

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

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

Equity instruments

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

4.1.1 Cash and cash equivalents

For the purposes of the consolidated Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated Statement of Financial Position as follows:

	Consolidated		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Cash at bank and in hand	**61,878**	39,689	**61,878**	39,689
Deposits on call	**44,600**	64,700	**44,600**	64,700
	106,478	104,389	**106,478**	104,389

4.1.2 *Due from other financial institutions*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deposits with Special Service Providers (SSPs)	**16,293**	20,994	**16,293**	20,994
	16,293	20,994	**16,293**	20,994

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

4.1.3 *Other financial assets*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Certificates of deposit	**293,172**	256,156	**293,172**	256,156
External RMBS investments	**-**	533	**-**	533
Investments in Managed Investment Schemes (MIS)	**60,613**	44,569	**60,613**	44,569
Notes - securitisation program and other	**24,074**	14,624	**42,066**	47,010
Derivative assets	**141**	589	**141**	589
Interest receivable	**266**	588	**266**	588
	378,266	317,059	**396,258**	349,445

Cash held within securitised trusts at 30 June 2020 of $24.074m (2019: $14.624m) is restricted for use only by the trusts.

4.1.4 *Loans and advances*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Term loans	**3,100,117**	2,963,721	**3,100,115**	2,963,722
Continuing credit loans	**102,778**	117,371	**102,778**	117,371
Interest receivable	**4,218**	4,603	**4,218**	4,603
Deferred mortgage broker commissions	**5,451**	4,954	**5,451**	4,954
Loans to controlled entities	**-**	-	**394**	165
	3,212,564	3,090,649	**3,212,956**	3,090,815
Expected credit loss	**(6,789)**	(4,491)	**(6,789)**	(4,491)
Total loans and advances	**3,205,775**	3,086,158	**3,206,167**	3,086,324

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

Loans and advances include an amount of $108.8m of which have been issued under the federal government's First Home Loan Deposit Scheme by National Housing Finance and Investment Corporation (NHFIC) since 1 January 2020. The scheme provides a guarantee for any loan monies above 80% LVR. Auswide Bank has applied to participate in the scheme and is limited to issuing loans under the scheme by the number of places that have been allocated by NHFIC, the eligibility criteria that has been established and ongoing reporting requirements.

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 $420.731m (2019: $490.412m). Class B notes of $17.992m (2019: $32.386m) which are owned by the Company and which represent the Group's exposure on the securitised mortgages have been eliminated from the consolidated figures.

4.1.5 *Other investments*

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

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unlisted shares	**918**	918	**918**	918
Equity accounted investment	**461**	403	**461**	403
	1,379	1,321	**1,379**	1,321

4.1.6 *Deposits and short term borrowings*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Call deposits	**1,118,565**	880,811	**1,118,575**	880,814
Term deposits	**1,501,841**	1,492,106	**1,501,841**	1,492,106
Negotiable certificates of deposit (NCDs)	**267,102**	311,188	**267,102**	311,188
Floating rate notes (FRNs)	**131,000**	118,500	**131,000**	118,500
	3,018,508	2,802,605	**3,018,518**	2,802,608

4.1.7 *Other borrowings*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
RBA Term Funding Facility (TFF)	**49,793**	-	**49,793**	-
	49,793	-	**49,793**	-

The RBA term funding facility (TFF) funds, subject to the pledging of eligible collateral, for a period of three years at a rate of 0.25%. Interest is payable to the RBA at the end of the funding period.

4.1.8 *Payables and other liabilities*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade creditors	**2,881**	7,272	**2,879**	7,269
Derivative liabilities	**2,059**	1,332	**2,059**	1,332
Accrued interest payable	**10,357**	15,140	**10,357**	15,140
Other creditors	**3,404**	15,349	**3,404**	15,349
Lease liabilities	**6,944**	-	**6,944**	-
	25,645	39,093	**25,643**	39,090

4.1.9 *Subordinated capital notes*

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Inscribed debenture stock	**28,000**	28,000	**28,000**	28,000
	28,000	28,000	**28,000**	28,000

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

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 2019 and 2020.

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 2020 and 2019 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 2020 and 30 June 2019 have been prepared in accordance with the revised prudential standards incorporating the Basel III principles.

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

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

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

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

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Total risk weighted assets	**1,631,807**	1,498,370	**1,632,124**	1,498,133
Capital base	**211,382**	206,639	**211,766**	206,801
Risk-based capital ratio	**12.95%**	13.79%	**12.97%**	13.80%

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

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

4.3 Market risk management

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

4.3.1 Interest rate risk

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

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

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

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

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

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

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

(vi) oversee lending and depositing activities, including the provision of discretion pursuant to Board policies;

(vii) receive and review reports from management regarding significant asset and liability exposure;

(viii) oversee securitisation activities for the organisation, including recommendations for future securitisation transactions;

(ix) review and maintain liquidity and capital management plans, including contingency measures; and

(x) make recommendations to the Board on changes to the following policies;

- Lending;
- Term Deposits; and
- Finance related policies (including capital and liquidity).

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

Financial instruments	Fixed interest rate maturing in:											
	Variable interest rate		1 Year or less		From 1 to 5 years		Non-interest bearing		Total carrying amount per balance sheet		Weighted average effective interest rate	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets												
Cash and cash equivalents	**105,568**	103,989	**-**	-	**-**	-	**910**	400	**106,478**	104,389	**0.50**	1.36
Due from other financial institutions	**16,198**	20,899	**-**	-	**-**	-	**95**	95	**16,293**	20,994	**0.44**	1.14
Other financial assets	**24,074**	14,624	**293,438**	257,277	**60,613**	44,569	**-**	-	**378,125**	316,470	**2.39**	3.00
Loans and advances	**2,184,650**	2,139,438	**288,556**	341,462	**729,689**	600,192	**2,880**	5,066	**3,205,775**	3,086,158	**3.61**	4.06
Total financial assets	**2,330,490**	2,278,950	**581,994**	598,739	**790,302**	644,761	**3,885**	5,561	**3,706,671**	3,528,011		
Financial liabilities												
Deposits and short term borrowings	**1,118,565**	880,811	**1,704,771**	1,863,202	**195,172**	58,592	**-**	-	**3,018,508**	2,802,605	**1.13**	1.50
Other borrowings	**-**	-	**-**	-	**49,793**	-	**-**	-	**49,793**	-	**0.20**	-
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**23,586**	37,762	**23,586**	37,762	**-**	-
Loans under management	**287,095**	340,754	**37,870**	54,269	**95,766**	95,389	**-**	-	**420,731**	490,412	**2.16**	3.25
Subordinated capital notes	**-**	-	**28,000**	28,000	**-**	-	**-**	-	**28,000**	28,000	**4.86**	6.42
Total financial liabilities	**1,405,660**	1,221,565	**1,770,641**	1,945,471	**340,731**	153,981	**23,586**	37,762	**3,540,618**	3,358,779		

At the reporting date, if interest rates had been 2.0% higher or 1.0% lower and all other variables were held constant, the Group's net profit before tax would increase by $2.763m or decrease by $4.370m (2019: 2.0% higher an increase of $11.559m or 2.0% lower a decrease of $14.178m). This is mainly due to the Company's exposures to variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from GTreasury which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities. In the current year the parameters applied were interest rates being 1% lower, which differs from the parameters applied in the prior year which was calculated on the basis of interest rates being 2% lower. The RBA cash rate is significantly below 1%, the decrease in interest rate scenario was reduced to 1% to reflect a more realistic measure.

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:

	2020 $'000	2019 $'000
Wide Bay Trust No. 5	**(546)**	(145)
WB Trust 2008-1	**10,442**	1,548
WB Trust 2009-1	**-**	54
WB Trust 2014-1	**117**	73
WB Trust 2010-1	**85**	34
ABA Trust 2017-1	**(36)**	(61)

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 $0.141m and $2.059m respectively (2019: $0.589m and $1.332m).

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.

4.4 Liquidity risk management

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

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

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

An additional reserve equivalent to a maximum of 25% of the Company's liability base assessed on a quarterly basis is set aside and isolated as additional liquidity available in a crisis situation via the RBA repurchase facility (Repo).

The undrawn limits on the securitisation warehouses were as follows:

Securitisation trust	2020 $'000	2019 $'000
Wide Bay Trust No. 5	**84,235**	38,058
ABA Trust No. 7	**23,503**	31,237
Total	**107,738**	69,295

Concentration risk

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

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

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
Financial assets							
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
Total	106,478	177,552	21,612	146,483	3,238,394	16,293	3,706,812
Financial liabilities							
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
Total	1,118,565	979,442	1,012,827	422,186	2,708	-	3,535,728

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

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

Company 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
Financial assets							
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	102,679	-	396,258
Loans and advances	-	7,914	6,521	37,633	3,154,099	-	3,206,167
Total	106,478	177,552	21,612	146,483	3,256,778	16,293	3,725,196
Financial liabilities							
Deposits and short term borrowings	1,118,575	927,945	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	-	55,511	189,732	193,480	-	-	438,723
Subordinated capital notes	-	-	-	28,000	-	-	28,000
Total	1,118,575	983,456	1,026,805	422,186	2,708	-	3,553,730

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

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

4.5 Credit risk management

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

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

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

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

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

The company has a diversified branch network consisting of 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.

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

The Group's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as recognised on the balance sheet. In relation to off balance sheet loan commitments, the maximum exposure to credit risk is the maximum committed amount as per terms of the agreement. The maximum credit risk exposure does not take into account the value of any security held or the value of any mortgage or other insurance to mitigate the risk exposure.

The Group minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers principally within the states of Queensland, New South Wales and Victoria. Diversification of the mortgage portfolio assists in minimising credit risk by reducing security concentrations in particular geographic locations.

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

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

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

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

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

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.

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	Notes	Financial statement line	Maximum exposure to credit risk 2020 $'000	Expected credit loss 2020 $'000	Maximum exposure to credit risk 2019 $'000	Expected credit loss 2019 $'000
Class of financial instrument						
Cash and cash equivalents	4.1.1	Cash and cash equivalents	**106,478**	**-**	104,389	-
Due from other financial institutions	4.1.2	Due from other financial institutions	**16,293**	**-**	20,994	-
Certificates of deposit	4.1.3	Other financial assets	**293,172**	**-**	256,156	-
External RMBS investments	4.1.3	Other financial assets	**-**	**-**	533	-
Notes – securitisation program and other	4.1.3	Other financial assets	**24,074**	**-**	14,624	-
Interest receivable	4.1.3	Other financial assets	**266**	**-**	588	-
Loans and advances	4.1.4	Loans and advances	**3,457,232**	**6,592**	3,315,110	4,437
Total			**3,897,515**	**6,592**	3,712,394	4,437
Off-balance sheet exposures						
Loans approved not advanced (LANA)	6.3		**114,807**	**197**	66,874	54
Bank guarantees	6.3		**591**	**-**	1,405	-
Total			**115,398**	**197**	**68,279**	**54**

Accounting policies

Impairment of financial assets

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

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

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

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

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

Definition of default

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

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

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.

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.

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 2020, 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, additional funding opportunities with the RBA and the governments commitment to supporting jobs, incomes and businesses as Australia responds to COVID-19.

Scenario	ECL	Macroeconomic forecast
	Jun 20 $m	
Reported ECL	6,789	
100% base case	6,490	Includes a reasonable level of portfolio stress. Unemployment is expected to rise to above 8% in mid-2020 with modest recovery occurring but broadly to remain above pre-COVID-19 levels over the next few years. Australian GDP expected to fall considerably by 6.3% in the June 2020 quarter the biggest economic contraction since the 1930's resulting in the 2020 GDP contracting 4.0% with GDP forecast to recover with growth of 3.0% in the 2021 calendar year.
100% downside	7,140	Assumes a moderate but reasonable level of portfolio stress.
100% severe downside	8,000	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.

Judgement/ Assumption	Description	Changes and considerations during the year ended 30 June 2020
Determining when a significant increase in credit risk (SICR) has occurred	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 in this half year recognising the potential detrimental impact of COVID-19. Such offers, if accepted, are not automatically considered to indicate SICR.
Measuring both 12-month and lifetime credit losses	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 2020. There were no changes to behavioural lifetime estimates during the half year ended 30 June 2020.
Base case economic forecast	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 2020, the base case assumptions have been updated to reflect the rapidly evolving 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.
Probability weighting of each scenario (base case, downside and severe downside scenarios)	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
Management overlays	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.

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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.

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.

	Maximum exposure to credit risk				Expected credit loss			
Consolidated entity Balance at 30 June 2020	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Class of financial instrument								
Cash and cash equivalents	106,478	-	-	106,478	-	-	-	-
Due from other financial institutions	16,293	-	-	16,293	-	-	-	-
Certificate of deposit	293,172	-	-	293,172	-	-	-	-
Notes – securitisation program and other	24,074	-	-	24,074	-	-	-	-
Total	440,017	-	-	440,017	-	-	-	-
Loans and advances*								
- Mortgage lending	3,332,873	7,356	11,638	3,351,867	2,503	241	2,439	5,183
- Personal lending	24,306	-	35	24,341	219	-	90	309
- Commercial lending	79,070	180	1,774	81,024	263	22	815	1,100
Total	3,436,249	7,536	13,447	3,457,232	2,985	263	3,344	6,592
Off-balance sheet exposures								
Loans approved not advanced (LANA)	114,807	-	-	114,807	197	-	-	197
Bank guarantees	591	-	-	591	-	-	-	-
Total	115,398	-	-	115,398	197	-	-	197

* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2020 is $3,202.895m.

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

* Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2019 is $3,081.092m.

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 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost*				
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)**
Net carrying amount as at 30 June 2020	**3,181,902**	**7,520**	**13,473**	**3,202,895**

* Excludes interest receivable and deferred mortgage brokers commissions.

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

* Excludes interest receivable and deferred mortgage brokers commissions.

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

4.5.4 Movement in expected credit losses

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

Consolidated entity	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost*				
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**
Loss allowance as at 30 June 2020	**3,062**	**263**	**3,267**	**6,592**

* Excludes interest receivable and deferred mortgage brokers commissions.

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

* Excludes interest receivable and deferred mortgage brokers commissions.

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

4.5.5 Summary of movements in expected credit loss by financial instrument

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

Consolidated entity	Loans and advances $'000	LANA $'000	Total $'000
Expected credit loss			
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)**
Loss allowance as at 30 June 2020	**6,592**	**197**	**6,789**

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

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 2020 $'000	2019 $'000
Loans and advances at amortised cost*		
Concentration by sector		
Mortgage lending	**3,112,850**	2,996,371
Personal lending	**21,926**	17,536
Commercial lending	**68,119**	67,185
Total	**3,202,895**	3,081,092

* Excludes interest receivable and deferred mortgage brokers commissions

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Consolidated entity	Consolidated 2020 $'000	2019 $'000
Loans and advances at amortised cost*		
Concentration by region		
Queensland	**2,371,985**	2,342,240
New South Wales	**360,263**	317,552
Australian Capital Territory	**38,542**	33,618
Victoria	**281,021**	245,124
South Australia	**29,272**	29,342
Western Australia	**82,506**	77,708
Tasmania	**12,779**	9,603
Northern Territory	**26,527**	25,905
Total	**3,202,895**	3,081,092

* Excludes interest receivable and deferred mortgage brokers commissions.

LANA of $114.807m (2019: $66.874m) 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 $3.577m (2019: $2.012m) determined in accordance with the aforementioned prudential standard.

4.5.8 Financial instruments classified at FVTPL

The maximum exposure to credit risk of the notes held in MISs designated at FVTPL is their carrying invested amount, which was $60.613m at 30 June 2020 (2019: $44.569m). The change in fair value due to credit risk for the MISs designated at FVTPL is $1.051m for the year (2019: $0.558m). The Group uses the performance of the portfolio to determine the change in fair value attributable to changes in credit risk of its MISs designated at FVTPL.

4.5.9 Equity instruments classified at FVTOCI

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

4.5.10 Analysis of financial instrument by days past due status

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

Consolidated entity	Consolidated 2020 $'000	2019 $'000	Company 2020 $'000	2019 $'000
30 days and less than 60 days	**1,609**	4,638	**1,609**	4,638
60 days and less than 90 days	**903**	3,229	**903**	3,229
90 days and less than 182 days	**3,333**	2,175	**3,333**	2,175
182 days and less than 273 days	**1,265**	1,941	**1,265**	1,941
273 days and less than 365 days	**549**	718	**549**	718
365 days and over	**4,900**	1,601	**4,900**	1,601
	12,559	14,302	**12,559**	14,302

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.

Consolidated entity	Gross carrying amount 2020 $'000	2019 $'000	Expected credit loss 2020 $'000	2019 $'000
Mortgage lending LVR ratio				
Less than 50%	**417,192**	401,837	**496**	795
51-70%	**920,521**	861,832	**1,047**	820
71-90%	**1,414,594**	1,472,048	**1,802**	969
91-100%	**329,318**	227,859	**166**	78
More than 100%	**31,243**	32,795	**1,657**	1,448
Total	**3,112,868**	2,996,371	**5,168**	4,110

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 2020 $'000	2019 $'000	Expected credit loss 2020 $'000	2019 $'000
Commercial lending LVR ratio				
Less than 50%	**20,604**	17,366	**92**	43
51-70%	**24,078**	24,108	**94**	91
71-90%	**13,278**	12,910	**68**	46
91-100%	**3,380**	4,003	**473**	90
More than 100%	**6,779**	8,798	**374**	17
Total	**68,119**	67,185	**1,101**	287

Other financial assets

The Group holds other financial assets at amortised cost with a carrying amount of $440.284m (2019: $369.751m) and at FVTOCI with a carrying amount of $0.918m (2019: $1.451m). These are high quality investments and as per policy the Group only invests in certain types of financial assets which are investment grade and of lower credit risk.

4.6 Fair value measurements

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

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

4.6.1 *Financial instruments measured at fair value on recurring basis*

Consolidated entity 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	-	-	60,613	60,613
Derivative assets	-	141	-	141
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	141	61,531	61,672
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	2,059	-	2,059
Total liabilities	-	2,059	-	2,059

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

Company 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed Investment Schemes	-	-	60,613	60,613
Derivative assets	-	141	-	141
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	141	61,531	61,672
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	2,059	-	2,059
Total liabilities	-	2,059	-	2,059

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

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).

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*

	FVTOCI		FVTPL	
	Unlisted shares		Managed investment schemes	
Consolidated entity	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at beginning of year	918	793	44,569	25,886
Total gains or losses:				
- in profit or loss	-	-	3,851	2,320
- in other comprehensive income	-	-	-	-
Purchases	-	125	26,400	27,150
Disposals	-	-	(14,207)	(10,787)
Balance at end of year	918	918	60,613	44,569

Company	FVTOCI Unlisted shares		FVTPL Managed investment schemes	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at beginning of year	**918**	793	**44,569**	25,886
Total gains or losses:				
- in profit or loss	**-**	-	**3,851**	2,320
- in other comprehensive income	**-**	-	**-**	-
Purchases	**-**	125	**26,400**	27,150
Disposals	**-**	-	**(14,207)**	(10,787)
Balance at end of year	**918**	918	**60,613**	44,569

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 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000	Total carrying amount $'000
Financial assets					
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**
Total financial assets	**450,739**	**-**	**3,217,658**	**3,668,397**	**3,646,058**
Financial liabilities					
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**
Total financial liabilities	**-**	**3,507,983**	**23,586**	**3,531,569**	**3,540,618**

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

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.

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.

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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	
		2020 %	2019 %	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Controlled entities							
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 public external RMBS and Warehouse Securitisation programs.

Auswide Performance Rights Pty Ltd

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

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
- 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	
			2020	2019
Finance Advice Matters Group Pty Ltd (FAMG)	Financial Planning	Australia	**25.0%**	25.0%

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

Accounting policies

Investment in associates

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

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

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

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

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

Share of associate's balance sheet:	2020 $'000	2019 $'000
Current assets	**552**	471
Non-current assets	**537**	529
Current liabilities	**(204)**	(190)
Non-current liabilities	**(63)**	(54)
Net assets	**822**	756

Share of associate's revenue and profit:	2020 $'000	2019 $'000
Revenue	**1,194**	1,157
Profit / (loss) before income tax	**160**	136
Income tax	**(44)**	(39)
Profit / (loss) after income tax	**116**	97
Total comprehensive income for the year	**116**	97
Dividends received from associate during the year	**50**	38

The above figures were based on the unaudited accounts of FAMG as at 30 June 2020.

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

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

Executives

WR Schafer	Chief Financial Officer, Company Secretary
SM Caville (cease date 17/04/20)	Chief Information Officer
D Hearne	Chief Customer Officer
GM Job	Chief People and Property Officer
CA Lonergan	Chief Risk Officer
MS Rasmussen	Chief Operating Officer

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

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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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short-term benefits				
Cash salary and fees	**2,546**	2,435	**2,546**	2,435
Cash bonus	**143**	251	**143**	251
Post employment benefits				
Superannuation	**181**	181	**181**	181
Share based payments	**133**	114	**133**	114
Other long term benefits	**46**	46	**46**	46
	3,049	3,027	**3,049**	3,027

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 $177,935 (2019: $161,305) 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit after tax from continuing operations	**18,504**	17,201	**18,513**	17,201
Depreciation and amortisation	**4,033**	2,601	**4,033**	2,601
Bad debts expense	**3,845**	1,143	**3,845**	1,143
(Profit)/loss on disposal of non-current assets	**125**	16	**125**	16
Movement in assets				
Accrued interest on investments	**784**	102	**781**	102
Prepayments and other receivables	**706**	5,133	**709**	5,133
Deferred tax asset	**(521)**	5	**(521)**	5
Movement in liabilities				
Creditors and accruals	**(18,847)**	11,604	**(18,847)**	12,071
Deferred tax payable	**(382)**	356	**(382)**	(105)
Income tax payable	**(1,769)**	(2,757)	**(1,769)**	(2,757)
Employee benefit provisions	**339**	87	**339**	87
Other provisions	**(1)**	87	**(1)**	87
Reserves	**352**	67	**352**	67
Net cash generated from operating activities	**7,168**	35,645	**7,177**	35,651

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Capital expenditure commitments				
Capital expenditure contracted for within one year	**1,096**	563	**1,096**	563
	1,096	563	**1,096**	563

6.3 Contingent liabilities and credit commitments

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Approved but undrawn loans	**114,807**	66,874	**114,807**	66,874
Approved but undrawn credit limits	**87,808**	85,096	**87,808**	85,096
Bank guarantees	**591**	1,405	**591**	1,405
	203,206	153,375	**203,206**	153,375

6.4 Provisions

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee entitlements				
Balance at beginning of year	**2,969**	2,883	**2,969**	2,883
Provided for during the year	**628**	265	**628**	265
Used during the year	**(289)**	(179)	**(289)**	(179)
Balance at end of year	**3,308**	2,969	**3,308**	2,969
Maturity analysis				
Current provision	**2,873**	2,643	**2,873**	2,643
Non-current provision	**435**	326	**435**	326
	3,308	2,969	**3,308**	2,969
Other provisions	**39**	40	**39**	40
Total provisions	**3,347**	3,009	**3,347**	3,009

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Prepayments	**2,969**	3,787	**2,966**	3,788
Other	**281**	678	**281**	678
	3,250	4,465	**3,247**	4,466

6.6 Remuneration of auditors

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

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Audit or review of financial reports:				
Group	**286,194**	285,390	**286,194**	285,390
Subsidiaries and joint operations	**20,600**	20,000	**20,600**	20,000
	306,794	305,390	**306,794**	305,390
Statutory assurance services required by legislation to be provided by the auditors	**77,250**	75,000	**77,250**	75,000
	77,250	75,000	**77,250**	75,000
Other assurance and agreed upon procedures under other legislation or contractual arrangements	**13,690**	3,285	**13,690**	3,285
	13,690	3,285	**13,690**	3,285
Other services:				
Tax compliance services	**65,612**	64,449	**65,612**	64,449
Consulting services	**89,002**	112,344	**89,002**	112,344
	154,614	176,793	**154,614**	176,793
Total auditors' remuneration	**552,348**	560,468	**552,348**	560,468

6.7 Events subsequent to balance date

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

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2020

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 2020 and of the performance for the year ended on that date; and

   (ii) comply with Australian Accounting Standards (including the Australia Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report complies with International Financial Reporting Standards (IFRS) as disclosed in Section 1.2 - Statement of compliance; and

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2020.

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

JS Humphrey

Director

SC Birkensleigh

Director

Brisbane

26 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSWIDE BANK LTD

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Auswide Bank Ltd (the "Bank") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 and of their financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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
Impairment of loans and advances As at 30 June 2020, the Group has recognised provisions amounting to $6.8m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) approach required under AASB 9 *Financial Instruments* as disclosed in Note 4.5 to the financial statements. Loans and advances subject to provisioning using the ECL model include the residential lending portfolio, personal loan portfolio and loans approved but not yet advanced. Significant management judgement was necessary in determining expected credit losses, including: - The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current economic environment following COVID-19; - The identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime ECL should be recognised; and - Assumptions used in the ECL model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 4.5.	Our audit procedures in conjunction with our specialists included, but were not limited to: **Control design, observation and operation:** We tested the design and operation of manual and automated controls over the impairment provision including: - The accuracy of data input into the system used for determining past due status and the approval of credit facilities; and - The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on timely basis to appropriate default stages including generation of days past due reports. **Assessing model adequacy:** We assessed adequacy of management's internally developed model in determining the impairment loss provision. Our procedures included: - Assessing whether the model adequately addresses the requirements of the relevant accounting standard; - Evaluating management's assessment of the impact of COVID-19 on the loan portfolio and hence the estimate of ECL; - Testing, on a sample basis, individual exposures to determine if they are classified into appropriate default stages and aging buckets for the purpose of determining impairment loss provision; - Assessing reasonableness of assumptions driving Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and - Assessing reasonableness of management overlays to the modelled collective provision by recalculating the coverage provided by the collective impairment provision (including overlays) to loan book, taking into account recent history, performance and de-risking of the relevant portfolios. We also assessed appropriateness of the disclosures in Note 4 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of non-current assets As at 30 June 2020, the Group's non-current assets include goodwill amounting to $46.4m as disclosed in Note 3.3. In accordance with AASB 136 *Impairment of Non-Current Assets*, 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. Significant management judgement is required in determining recoverable amount of the CGU including, but not limited to the: - Identification of appropriate Cash Generating Units (CGU) to which goodwill is allocated for the purpose of impairment testing; - Selection of appropriate valuation methodology; and - Determination of assumptions and estimates in the valuation methodology, in particular those affected by current economic conditions following COVID-19 such as control premium and price-earnings multiples.	In conjunction with our valuation specialists, our procedures included, but were not limited to: - Evaluating the appropriateness of management's identification of the Group's CGUs and testing of key controls over the impairment assessment process, including the identification of indicators of impairment such as the carrying value exceeding the market capitalisation; - Assessing appropriateness of the valuation methodology applied in determining the recoverable amount of the CGU; - 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; and - Testing the mathematical accuracy of the impairment model. We also assessed the appropriateness of the disclosures in Note 3.3 to the financial statements.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, QLD
26 August 2020

CORPORATE GOVERNANCE SUMMARY

Auswide Bank Ltd maintains corporate governance policies and practices which follow the recommendations outlined by the Australian Securities Exchange (ASX) and which comply with the Corporations Act 2001, the ASX Listing Rules and APRA Prudential Standards CPS 510 Governance.

The Board of Directors of Auswide Bank Ltd has adopted a Corporate Governance Statement which sets out the Company's compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations. The Corporate Governance Statement is available under the Governance section of the Company's website located at www.auswidebankltd.com.au.

The Governance section also details other relevant corporate governance information, including the Board and Committee Charters, policies and codes of conduct. The following is a summary of Auswide Bank's compliance with the principles outlined in ASX's Corporate Governance Principles and Recommendations (3rd edition):

Principle 1: Lay solid foundations for management and oversight

The Board Charter, together with the Corporate Governance Statement set out the roles and responsibilities of the Board and separate functions of management and delegated responsibilities. The Corporate Governance Statement also details checks undertaken and provision of material information to shareholders prior to recommendation and appointment of Directors.

In accordance with the regulatory standards, the Board has established a Group Board Remuneration Committee which carries out a performance evaluation of the Managing Director and review of the performance evaluations of other senior executives, which is provided to the Board following a report of discussions between the Chairman of the Committee and the Managing Director. A performance evaluation of the Board, the Board Committees and each individual Director's contribution to the Board is performed annually as outlined in the Corporate Governance Statement.

Auswide Bank recognises that a gender balanced diverse and inclusive workforce with a wide array of perceptions resulting from such diversity, promotes innovation and a positive and successful business environment. Auswide Bank's Diversity Policy is available in the Corporate Governance section of its website at www.auswidebankltd.com.au. The measurable objectives and Auswide Bank's progress in achieving them, are outlined in the Corporate Governance Statement.

Auswide Bank is in compliance with Principle 1 and full details are available in the Corporate Governance Statement, Board Charter, Remuneration Committee Charter, together with other policies and codes located in the Governance section at www.auswidebankltd.com.au.

Principle 2: Structure the board to add value

Auswide Bank's Board Charter outlines the structure of the board and its composition, together with the Board Renewal policy. Details of Directors' skills, knowledge, experience, independence and diversity are discussed in the Corporate Governance Statement and in the Directors' Statutory Report of this Annual Report.

The Board does not have a separate formal Nomination Committee, with the full Board addressing such issues that would be otherwise considered by the Nomination Committee. These matters include Board succession issues and ensuring that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Auswide Bank is in compliance with Principle 2 and full details are available in the Corporate Governance Statement and Board Charter, together with other charters, policies and codes located in the Governance section at www.auswidebankltd.com.au. The Directors' Statutory Report of this Annual Report also provides details relevant to this principle.

Principle 3: Act ethically and responsibly

Auswide Bank promotes and supports a culture of honest and ethical behaviour. The standards of behaviour expected of all Directors, management and employees are detailed in the bank's Codes of Conduct.

Auswide Bank is in compliance with Principle 3 and full details are available in the following Codes of Conduct - 'Corporate Code of Conduct' and 'Code of Conduct for Directors and Key Executives' located in the Governance section at www.auswidebankltd.com.au.

Principle 4: Safeguard integrity in corporate reporting

The Audit Committee has a documented Charter, approved by the Board. The Audit Committee's focus is on the issues relevant to verifying and safeguarding the integrity of Auswide Bank's financial operations and reporting structure. The names and qualifications of the members of the Audit Committee, the number of meetings held and the number of meetings attended are set out in the Directors' Statutory Report.

Declarations have been signed by the Managing Director and Chief Financial Officer before approval by the Board of Auswide Bank's financial statements for the financial period as detailed in the Corporate Governance Statement.

Auswide Bank is in compliance with Principle 4 and full details are outlined in the Board Audit Committee Charter, Corporate Governance Statement and 'Appointment of External Auditors and Rotation of External Partners' statement located in the Governance section at www.auswidebankltd.com.au. The Directors' Statutory Report also provides details relevant to this principle.

Principle 5: Make timely and balanced disclosure

Auswide Bank is committed to the promotion of investor confidence by providing equal, timely, balanced and meaningful disclosure to the market. The Company's Continuous Disclosure Policy outlines its processes for complying with its continuous disclosure obligations under the Listing Rules.

Auswide Bank is in compliance with Principle 5 and full details are outlined in the Continuous Disclosure Policy and Corporate Governance Statement located in the Governance section at www.auswidebankltd.com.au.

Principle 6: Respect the rights of security holders

Auswide Bank believes it is important for its shareholders to make informed decisions about their investment in the company and aims to provide shareholders with access to quality information and encourage two-way communication.

Auswide Bank is in compliance with Principle 6 and full details are outlined in the Governance section at www.auswidebankltd.com.au, including the Corporate Governance Statement.

Principle 7: Recognise and manage risk

The Risk Committee has a documented Charter, approved by the Board. The Risk Committee has the responsibility to set and oversee the risk profile and the risk management framework of the Company, and to ensure management have appropriate risk systems and practices to effectively operate within the Board approved risk profile. The Risk Committee reviews the Group's Risk Management Framework at least annually to satisfy itself that the framework continues to be sound.

The names and qualifications of the members of the Risk Committee, the number of meetings held and the number of meetings attended are set out in the Directors' Statutory Report.

Auswide Bank is in compliance with Principle 7 and full details are outlined in the Board Risk Committee Charter and Corporate Governance Statement located in the Governance section at www.auswidebankltd.com.au, together with the Charter for Corporate Social Responsibility located in the Social Responsibility section at www.auswidebankltd.com.au. The Directors' Statutory Report of this Annual Report also provides details relevant to this principle.

Principle 8: Remunerate fairly and responsibly

The Remuneration Committee has a documented Charter, approved by the Board. The Remuneration Committee's primary function is to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to remuneration, by ensuring that Auswide Bank has clear remuneration policies and practices that fairly and responsibly reward individuals having regard to performance, the Group's Risk Management Framework, the law and the highest standards of governance.

The names and qualifications of the members of the Remuneration Committee, the number of meetings held and the number of meetings attended are set out in the Directors' Statutory Report. Further information in relation to the Company's policies and practices regarding the remuneration of Non-Executive Directors, Executive Directors, and other Senior Executives can be found in the Remuneration Report section of the Directors' Statutory Report, together with employment contract details of the Managing Director and Key Management Personnel.

Auswide Bank is in compliance with Principle 8 and full details are outlined in the Board Remuneration Committee Charter and Corporate Governance Statement located in the Governance section at www.auswidebankltd.com.au. The Directors' Statutory Report of this Annual Report also provides details relevant to this principle.

SHAREHOLDER INFORMATION

A. Registered office

The registered office and principal place of business of Auswide Bank Ltd is:

Level 3 Auswide Bank Head Office

16-20 Barolin Street

Bundaberg QLD 4670

Australia

Ph 07 4150 4000

Fax 07 4152 3566

Email auswide@auswidebank.com.au

Website **www.auswidebank.com.au**

B. Secretary

The Secretary is:

William (Bill) Ray Schafer BCom CA

C. Auditor

The principal auditors are:

Deloitte Touche Tohmatsu

Level 25 Riverside Centre

123 Eagle Street

Brisbane QLD 4000

Ph 07 3308 7000

Fax 07 3308 7001

Website **www.deloitte.com.au**

D. 2020 Annual General Meeting

On 5 May 2020, the Federal Treasurer announced a Determination which allows companies to hold their Annual General Meetings using online technologies to facilitate Shareholder engagement and participation in meetings, regardless of location. Given the coronavirus (COVID-19) pandemic and restrictions placed on travel, public gatherings and the importance of social distancing, Auswide Bank will be holding its 2020 Annual General Meeting as a virtual meeting. The Annual General Meeting is scheduled to take place on Tuesday 17 November 2020 at 11:00am (Queensland time).

Voting rights of shareholders

A shareholder is entitled to exercise one vote in respect of each fully paid ordinary permanent share held in accordance with the provisions of the Constitution.

Key dates

Annual General Meeting	**17 November 2020**
Full year results and final dividend announcement	**27 August 2020**
Ex dividend date	03 September 2020
Record date	04 September 2020
Participation in DRP (final date for receipt of application)	07 September 2020
Dividend payment	18 September 2020
Half year results and interim dividend announcement	**19 February 2020**
Ex dividend date	27 February 2020
Record date	28 February 2020
Participation in DRP (final date for receipt of application)	02 March 2020
Dividend payment	16 March 2020

E. Securities information

Share Register

The register of holders of Permanent Ordinary shares is kept at the office of:

Computershare Investor Services Pty Limited

Level 1

200 Mary Street

Brisbane QLD 4100

Ph 1300 552 270

Fax 07 3237 2152

Online Contact **www-au.computershare.co/Investor/Contact**

Website **www.computershare.com.au**

Issued shares

The Company's securities listed on the Australian Stock Exchange (ASX) as at 18 September 2020 are:

Class of security	ASX Code	Number
Permanent ordinary shares	ABA	42,572,088

Distribution of shareholdings

Permanent ordinary shares
18 September 2020

Range	No. of shareholders
1 - 1,000	3,790
1,001 - 5,000	2,125
5,001 - 10,000	670
10,001 - 100,000	569
100,001 and over	52
Total	**7,206**
Less than marketable parcel of $500	**312**

Top 20 shareholders
Permanent ordinary shares
18 September 2020

	Name	No. of shares	% of total
1	National Nominees Limited	3,191,948	7.50
2	Citicorp Nominees Pty Limited	1,366,356	3.21
3	Ronald Ernest Hancock & Lorraine Pearl Hancock	890,750	2.09
4	Ronald Ernest Hancock	706,816	1.66
5	Craig Thomas Kennedy	509,045	1.20
6	JP Morgan Nominees Australia Pty Limited	492,851	1.16
7	GDC & DMC Super Pty Ltd ATF Graham Cockerill S/F A/c	440,065	1.03
8	Kathleen Sawyer	432,719	1.02
9	HSBC Custody Nominees (Australia) Limited	396,886	0.93
10	Ron Hancock Super Pty Ltd ATF The Hancock Superfund A/c	365,932	0.86
11	Cloud 7 Nominees Pty Ltd ATF Peter Sawyer Famacct No2 A/c	328,486	0.77
12	Ronald Ernest Hancock & Lorraine Pearl Hancock ATF The Hancock Family A/c	320,000	0.75
13	Hestearn Pty Ltd	308,543	0.72
14	Sawfam Pty Ltd ATF Sawyer Super Fund No2 A/c	296,362	0.70
15	Delma Cran	264,074	0.62
16	Lohse Holdings Pty Ltd ATF Peter Lohse Super Fund A/c	260,000	0.61
17	Horrie Pty Ltd ATF Horrie Superannuation A/c	258,068	0.61
18	Noela Olsen	257,520	0.60
19	Warambul Super Co Pty Ltd ATF Warambul Super Fund A/c>	226,873	0.53
20	Graham & Suzanne Messer Superannuation Fund Pty Ltd ATF G Messer Super Fund A/C	226,066	0.53
	Top 20 holders of fully paid ordinary shares	**11,539,360**	**27.10**

Substantial shareholders

The following organisations have disclosed a substantial shareholding notice to the ASX

Name	No. of shares	% of total
National Nominees Ltd ACF Australian Ethical Investments Limited(1)	2,906,102	6.91
RE Hancock (associated entities + associates)(2)	2,182,863	5.42

(1) Substantial shareholder notice dated 06/10/2017.

(2) Substantial shareholder notice dated 19/05/2016.

On-market buyback

There is no on-market buy back.

Dividend reinvestment plan

The Board of Directors resolved to maintain the Dividend Reinvestment Plan (DRP). The DRP allows shareholders to reinvest all or part of their dividends in additional Auswide Bank Limited shares. The Terms and Conditions of the Plan and past DRP discounts and share issue processes are available online at **www.auswidebank.com.au** under Shareholder Information.

Shareholder online investor centre

We encourage shareholders to take advantage of the Computershare Investor Centre website available at **www.computershare.com.au** where you can register and:

- View your shareholding, dividend and transaction history online
- Update your registered address, TFN and dividend instructions
- Elect to receive eCommunications about your shareholding
- Retrieve copies of dividend payment statements.

Alternatively, please contact Computershare Investor Services Pty Limited directly on 1300 552 270.

Annual report mailing

The Company's Annual Report is available online at **www.auswidebank.com.au** under Shareholder Information. The default option for receiving Annual Reports is via this website. You have the choice of receiving an email when the Annual Report becomes available online or electing to receive a printed Annual Report by mail. To change your Annual Report elections online visit **www.computershare.com.au/easyupdate/aba**

If you do not have internet access call 1300 308 185 and follow the voice instructions.

FINANCIAL GLOSSARY

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

ADI	An Authorised Deposit-taking Institution is a corporation authorised under the Banking Act 1959 and includes banks, building societies and credit unions regulated by APRA.
AGM	Annual General Meeting.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
Asset	A resource which has economic value and can be converted to cash. Assets for an ADI include its loans because income is derived from the loan fees and interest payments generated.
ASX	Australian Securities Exchange Limited (ABN 98 008 624 691).
Bad Debt	The amount that is written off as a loss and classified as an expense, usually as a result of a poor-performing loan.
Basel	The Basel Accords are the recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision, which has the purpose of improving the consistency of capital regulations internationally.
Basis Point	One hundredth of one percent or 0.01 percent. The term is used in money and securities markets to define differences in interest rates or yields.
Capital Adequacy Ratio	A ratio of an ADI's capital to its risk, obtained by dividing total capital by risk-weighted assets. This ratio shows an ADI's capacity to meet the payment terms of liabilities and other risks.
Cost-to-income Ratio	Obtained by dividing operating cost by operating income, this ratio shows a company's costs in relation to its income. A lower ratio can be an indication that a company is better at controlling its costs.
Credit Rating	An analysis of a company's ability to repay debt or other obligations.
Dividend	A portion of a company's profits that may be paid regularly by the company to its shareholders.
Dividend Payout Ratio	The amount of dividends paid to shareholders relative to the amount of total net income of a company, represented as a percentage.
Dividend Yield	Computed by dividing the annual dividend by the share price.
DRP	A Dividend Reinvestment Plan allows shareholders to reinvest some or all of their dividends into additional shares.
Earnings per Share	The amount of company earnings per each outstanding share of issued ordinary shares.
Ex-Dividend Date	The date used to determine a shareholder's entitlement to a dividend.
Liability	A company's debts or obligations that arise during the course of business operations. Liabilities for ADIs include interest-bearing deposits.
Liquidity	For an ADI, liquidity is a measure of the ability of the ADI to fund growth and repay debts when they fall due, including the paying of depositors.
Market Capitalisation	The total value of a company's shares calculated by multiplying the shares outstanding by the price per share.
NCD	A Negotiable Certificate of Deposit is a short term security typically issued by an ADI to a larger institutional investor in order to raise funds.
Net Interest Income	The difference between the revenue that is generated from an ADI's assets, and the expenses associated with paying out its liabilities.
Net Interest Margin (NIM)	The difference between the interest income generated by an ADI and the amount of interest the ADI pays out to their depositors, divided by the amount of their interest-earning assets.
Net Profit After Tax (NPAT)	Total revenue minus total expenses, with tax that will need to be paid factored in.
Net Tangible Asset Backing per Share	An indication of the company's net worth, calculated by dividing the underlying value of the company (total assets minus total liabilities) by the number of shares on issue.
Non Interest Income	Income derived primarily from fees and commissions, rather than income from interest-earning assets.
Price-to-Earnings Ratio (P/E Ratio)	A measure of the price paid for a share relative to the annual income or profit earned by the company per share.
Record Date	The date used to identify shares traded and registered up until Ex-Dividend Date.
Return on Average Ordinary Equity	A measurement of how well a company uses the funds provided by its shareholders, represented by a ratio of the company's profit to shareholder's equity.
Return on Net Tangible Assets (RONTA)	Computed by dividing Net Profit After Tax by average Net Tangible Assets. Net Tangible Assets equals net assets less goodwill. RONTA is equivalent to Return on Tangible Equity.
RMBS	Residential mortgage-backed securities are a type of bond backed by residential mortgages on residential, rather than commercial, real estate.
Securitisation	Refers to setting aside a group of income-generating assets, such as loans, into a pool against which securities are issued. Securitisation is performed by an ADI in order to raise new funds.
SSP	Special Service Provider such as an authorised settlement clearing house.
Subordinated Capital Notes	Subordinated notes or subordinated debentures, are a type of capital represented by debt instruments. Subordinated notes have a claim against the borrowing institution that legally follows the claims of depositors. Subordinated notes or debentures come ahead of stockholders.
Tier 1 Capital	Describes the capital adequacy of an ADI. Tier 1 Capital is core capital and includes equity capital and disclosed reserves.
Tier 2 Capital	Describes the capital adequacy of an ADI. Tier 2 Capital is secondary capital that includes items such as undisclosed reserves, general loss reserves, subordinated term debt and more.
Underlying NPAT	The actual reflection of a company's profit. One-off items may be removed from the statutory profit for the company to arrive at this profit figure.

AUSWIDE BANK LTD
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Australian Credit Licence 239686

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