| | |
|---|---|
| **Name of Entity** | Auswide Bank Ltd |
| **ABN** | 40 087 652 060 |
| **Half Year Ended** | 31 December 2017 |
| **Previous Corresponding Reporting Period** | 6 months to 31 December 2016 |

# APPENDIX 4D HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2017

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### INCOME FROM OPERATIONS

**↑ 7.43%**

Income from operations up 7.43% to $35.353m

### PROFIT FROM ORDINARY ACTIVITIES

**↑ 10.13%**

Profit from ordinary activities after tax attributable to shareholders up 10.13% to $8.060m

### NET PROFIT

**↑ 10.13%**

Net profit for the period attributable to shareholders up 10.13% to $8.060m

| Dividends (Distributions) Ordinary Shares | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend (30 June 2017) - paid 22 September 2017 | 17.0c | 17.0c |
| Interim dividend (31 December 2017) - to be paid 26 March 2018 | 16.0c | 16.0c |
| The record date for determining entitlements to the dividends | | 2 March 2018 |

## Auswide Bank Ltd profit attributable to owners of the parent entity

The statutory consolidated net profit after tax for the half-year to 31 December 2017 was $8.060m. This represents a 10.13% increase from $7.319m in the prior corresponding period.

The profit from continuing operations for the half-year to 31 December 2017 increased to $8.445m compared to $7.319m in the prior corresponding period, an increase of 15.38%. The discontinued operations in the company's accounts are its equity investment in peer-to-peer lender MoneyPlace Holdings Pty Ltd (MoneyPlace). On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace. The transaction was completed on 22 January 2018.

Auswide Bank Ltd's total operating income from continuing and discontinued operations for the half-year to 31 December 2017 increased to $35.353m compared to $32.909m for the corresponding period, an increase of 7.43%.

The company's NIM for the half-year ended 31 December 2017 was 1.96% compared to the previous six months to 30 June 2017 of 1.90%.

Net interest from continuing operations for the half year increased by 8.57% compared to the corresponding half-year to 31 December 2016, from $28.264m to $30.688m.

## Financial Position

The loan book recorded growth on an annualised basis of 2.19% across the half-year, increasing from $2.773 billion at 30 June 2017 to $2.804 billion at 31 December 2017. During the second quarter of the financial year, loan book growth was 3.68% on an annualised basis.

Loans approved during the half-year amounted to $253.933m, which is a 5.62% decrease over the prior corresponding period. Loans approved in the first half were conservatively managed to ensure compliance with investor lending restrictions imposed by the Australian Prudential Regulation Authority (APRA).

The second half of the 2018 financial year provides Auswide Bank with improved loan growth opportunity. This is particularly the case for investor lending capacity which significantly increases based on the organisation's regulatory cap profile.

Arrears continued to trend downwards,with total arrears past due 30 days decreasing from $20.149m at 30 June 2017 to $19.107m at 31 December 2017. Arrears past due 30 days represented 0.68% of total loans and advances at 31 December 2017 compared to 0.73% at 30 June 2017.

Retail deposits continue to be Auswide's largest source of funding and saw a minimal reduction of 0.80% in the six month period, resulting in a decrease to $2.041 billion. This was a direct result of a strategic decision to lower broker originated term deposits, which formed one of the more expensive funding lines.

## Capital Management

The group is in a strong capital position with the consolidated capital ratio at the end of December 2017 standing at 14.93%, with Tier 1 capital accounting for 12.60%. The consolidated capital ratio has increased from 14.42% at 30 June 2017. The strength of the capital will facilitate loan book growth in the second half of the financial year.

## Outlook and Strategy

Auswide Bank maintains a strategic focus on significantly growing its consumer lending book by targeting a portfolio of $45m by 30 June 2018. Growth in consumer lending will be achieved through organic growth on the balance sheet and through partnerships developed to achieve the growth aspirations.

Auswide Bank's development of on-balance sheet credit card products is progressing with successful testing of cards and origination processes. The project has been principally developed in-house and will allow personal banking customers to apply for Auswide Bank credit cards prior to the end of the current financial year. The bank will maintain its partnership with Citibank Card Services in respect of its existing card portfolio and providing Platinum rewards credit cards to customers.

Auswide Bank will continue to grow the business banking segment through increased capacity in South-east and Central Queensland.

Loan book growth is expected to increase in the second half of the financial year as the bank continues to develop broker relationships and investor lending capacity significantly increases based on the regulatory cap profile. The strength of the net interest margin will ensure that growth in the loan portfolio translates into net interest revenue and profitability across the half year.

New digital and online customer services are continuing to emerge and play a significant role in Auswide Bank's product marketing decisions. Auswide Bank is committed to innovation and improving customer service which will require ongoing investment to improve operational and technological efficiency.

## Subsequent Events

On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace. The transaction was completed on 22 January 2018. Auswide Bank expects the sale, which has occurred in the bank's second half, will have a one-off positive impact on full financial year results with an expected net profit after tax (NPAT) contribution of approximately $1.127m. The sale will also have a positive impact on Auswide Bank's very strong capital position providing further strength.

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

AUSWIDE BANK

# APPENDIX 4D
## HALF YEAR RESULTS
PERIOD ENDING 31 DECEMBER 2017

## Dividends

| Amount per security | Amount per security | Franked amount per security | Amount per security of foreign source dividend |
|---|---|---|---|
| **Interim dividend** | | | |
| Current year | 16.0c | 16.0c | Nil |
| Previous year | 14.0c | 14.0c | Nil |

| Interim dividends on all securities | Current period $A'000 | Previous corresponding period $A'000 |
|---|---|---|
| **Ordinary securities** | | |
| Interim dividend payable 26 March 2018 – previous period paid 30 March 2017 | 6,741 | 5,696 |
| Total | 6,741 | 5,696 |

## DIVIDEND REINVESTMENT PLAN

The Board of Directors resolved to suspend the dividend reinvestment plan for the interim dividend for the half year ended 31 December 2017.

| Net tangible assets per security | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary share | $4.34 | $4.21 |

## Details of associates and joint venture entities

| | | % Holding | | Contribution to consolidated operating profit after income tax | |
|---|---|---|---|---|---|
| Controlled entities | Country of incorporation | Current period | Previous corresponding period | Current period $A'000 | Previous corresponding period $A'000 |
| Mortgage Risk Management Pty Ltd | Australia | 100 | 100 | – | – |
| Widcap Securities Pty Ltd | Australia | 100 | 100 | – | – |
| Mackay Permanent Building Society Ltd | Australia | 100 | 100 | – | – |
| MPBS Insurance Pty Ltd | Australia | – | 100 | – | – |
| MPBS Holdings Pty Ltd | Australia | – | 100 | – | – |
| Auswide Performance Rights Pty Ltd | Australia | 100 | 100 | – | – |
| MoneyPlace Holdings Pty Ltd | Australia | 62.4 | 19.3 | (385) | – |

AUSWIDE BANK

# INTERIM REPORT

## FOR THE HALF-YEAR 31 DECEMBER 2017

# INTERIM REPORT

## FOR THE HALF-YEAR 31 DECEMBER 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Directors' statutory report

The Directors present this report on the company's consolidated accounts for the six month period ended 31 December 2017, in accordance with the provisions of the Corporations Act 2001.

**DIRECTORS**

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

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

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

**REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

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

Funding for loans is raised through a combination of retail and wholesale deposits as well as through securitisation markets. In June 2017 Auswide Bank settled $300m in new residential mortgage backed securities via ABA Trust 2017-1. The residential mortgage loans were originated by Auswide Bank's branch network and brokers with all underwriting completed by Auswide Bank loans consultants.

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

***Profitability***
The statutory consolidated net profit after tax for the half-year to 31 December 2017 was $8.060m. This represents a 10.13% increase from $7.319m in the prior corresponding period.

The profit from continuing operations for the half-year to 31 December 2017 increased to $8.445m compared to $7.319m in the prior corresponding period, an increase of 15.38%. The discontinued operations in the company's accounts are its equity investment in peer-to-peer lender MoneyPlace Holdings Pty Ltd (MoneyPlace). On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace. The transaction was completed on 22 January 2018.

Auswide Bank Ltd's total operating income from continuing and discontinued operations for the half-year to 31 December 2017 increased to $35.353m compared to $32.909m for the corresponding period, an increase of 7.43%.

The company's NIM for the half-year ended 31 December 2017 was 1.96% compared to the previous six months to 30 June 2017 of 1.90%.

Net interest from continuing operations for the half year increased by 8.57% compared to the corresponding half-year to 31 December 2016, from $28.264m to $30.688m.

***Financial position***
The loan book recorded growth on an annualised basis of 2.19% across the half-year, increasing from $2.773 billion at 30 June 2017 to $2.804 billion at 31 December 2017. During the second quarter of the financial year, loan book growth was 3.68% on an annualised basis.

**REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)**

***Financial position (continued)***
Loans approved during the half-year amounted to $253.933m, which is a 5.62% decrease over the prior corresponding period. Loans approved in the first half were conservatively managed to ensure compliance with investor lending restrictions imposed by the Australian Prudential Regulation Authority (APRA). The second half of the 2018 financial year provides Auswide Bank with improved loan growth opportunity. This is particularly the case for investor lending capacity which significantly increases based on the organisation's regulatory cap profile.

Arrears continued to trend downwards, with total arrears past due 30 days decreasing from $20.149m at 30 June 2017 to$19.107m at 31 December 2017. Arrears past due 30 days represented 0.68% of total loans and advances at 31 December 2017 compared to 0.73% at 30 June 2017.

Retail deposits continue to be Auswide Bank's largest source of funding and saw a minimal reduction of 0.80% in the six month period, resulting in a decrease to $2.041 billion. This was a direct result of a strategic decision to lower broker originated term deposits, which formed one of the more expensive funding lines.

***Capital management***
The group is in a strong capital position with the consolidated capital ratio at the end of December 2017 standing at 14.93%, with Tier 1 capital accounting for 12.60%. The consolidated capital ratio has increased from 14.42% at 30 June 2017. The strength of the capital will facilitate loan book growth in the second half of the financial year.

***Outlook and strategy***
Auswide Bank maintains a strategic focus on significantly growing its consumer lending book by targeting a portfolio of $45m by 30 June 2018. Growth in consumer lending will be achieved through organic growth on the balance sheet and through partnerships developed to achieve the growth aspirations.

Auswide Bank's development of on-balance sheet credit card products is progressing with successful testing of cards and origination processes. The project has been principally developed in-house and will allow personal banking customers to apply for Auswide Bank credit cards prior to the end of the current financial year. The bank will maintain its partnership with Citibank Card Services in respect of its existing card portfolio and providing Platinum rewards credit cards to customers.

Auswide Bank will continue to grow the business banking segment through increased capacity in South-east and Central Queensland.

Loan book growth is expected to increase in the second half of the financial year as the bank continues to develop broker relationships and investor lending capacity significantly increases based on the regulatory cap profile. The strength of the net interest margin will ensure that growth in the loan portfolio translates into net interest revenue and profitability across the half year.

New digital and online customer services are continuing to emerge and play a significant role in Auswide Bank's product marketing decisions. Auswide Bank is committed to innovation and improving customer service which will require ongoing investment to improve operational and technological efficiency.

***Subsequent events***

On 10 January 2018, the Group announced that it had entered into an agreement to divest its equity stake in MoneyPlace. The transaction was completed on 22 January 2018. Auswide Bank expects the sale, which has occurred in the bank's second half, will have a one-off positive impact on full financial year results with an expected net profit after tax (NPAT) contribution of approximately $1.127m. The sale will also have a positive impact on Auswide Bank's very strong capital position providing further strength.

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

The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. Further details are disclosed in Note 12.

**Dividend**
A final dividend in respect of the year ended 30 June 2017 of 17.0 cents per ordinary share (fully franked) was paid on 22 September 2017.

On 19 February 2018 the Directors of Auswide Bank Ltd declared an interim dividend of 16.0 cents per ordinary share (fully franked) in respect of the December 2017 half-year, payable on 26 March 2018. The amount estimated to be appropriated in relation to this dividend is $6.741m. The dividend has not been provided for in the 31 December 2017 half-year financial statements.

**REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)**

***Subsequent events (continued)***

The Board has resolved to suspend the Dividend Reinvestment Plan for the interim dividend payable on 26 March 2018.

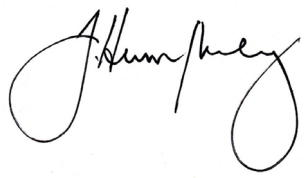
There have been no other events subsequent to balance date of a nature which require reporting.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration for the half year ended 31 December 2017 has been received and been included in this financial report.

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

On behalf of the Directors



**John Humphrey**
Director

Brisbane
19 February 2018

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

19 February 2018

Dear Board Members

**Auswide Bank Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Auswide Bank Ltd.

As lead audit partner for the review of the financial statements of Auswide Bank Ltd for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

**David Rodgers**
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

**Auswide Bank Ltd**
**Condensed consolidated statement of profit or loss and other comprehensive income**
**For the half-year 31 December 2017**

| | Notes | Consolidated 6 months to 31 Dec 17 $'000 | 6 months to 31 Dec 16 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Interest revenue | 2 | **64,861** | 63,282 |
| Interest expense | 2 | **(34,173)** | (35,018) |
| **Net interest revenue** | | **30,688** | 28,264 |
| Other non interest income | | **4,385** | 4,645 |
| **Total operating income** | | **35,073** | 32,909 |
| Bad and doubtful debts expense | 4 | **(744)** | (372) |
| Other expenses | | **(22,236)** | (21,929) |
| **Profit before income tax** | | **12,093** | 10,608 |
| Income tax expense | | **(3,648)** | (3,289) |
| **Profit from continuing operations** | | **8,445** | 7,319 |
| **Discontinued operation** | | | |
| Loss from discontinued operations | 12 | **(616)** | - |
| **Profit for the period** | | **7,829** | 7,319 |
| **Other comprehensive income, net of income tax** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Revaluation of reserves to fair value | | **(179)** | 696 |
| Income tax relating to these items | | **53** | (208) |
| **Other comprehensive income for the period, net of income tax** | | **(126)** | 488 |
| **Total comprehensive income for the period** | | **7,703** | 7,807 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **8,060** | 7,319 |
| Non-controlling interests | | **(231)** | - |
| | | **7,829** | 7,319 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **7,934** | 7,807 |
| Non-controlling interests | | **(231)** | - |
| | | **7,703** | 7,807 |
| **Earnings per share** | | | |
| **From continuing and discontinued operations** | | | |
| Basic (cents per share) | | **19.44** | 18.10 |
| Diluted (cents per share) | | **19.44** | 18.10 |
| **From continuing operations** | | | |
| Basic (cents per share) | | **20.37** | 18.10 |
| Diluted (cents per share) | | **20.37** | 18.10 |

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

**Auswide Bank Ltd**
**Condensed consolidated statement of financial position**
**As at 31 December 2017**

| | Notes | Consolidated as at 31 Dec 17 $'000 | as at 30 Jun 17 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | **126,805** | 120,065 |
| Due from other financial institutions | | **11,223** | 11,763 |
| Accrued receivables | | **6,914** | 6,735 |
| Financial assets | | **210,824** | 291,948 |
| Loans and advances | | **2,803,609** | 2,773,220 |
| Other investments | | **1,099** | 1,069 |
| Assets classified as held for sale | | **7,010** | - |
| Property, plant and equipment | | **14,930** | 14,606 |
| Other intangible assets | | **2,274** | 7,935 |
| Deferred tax assets | | **5,066** | 5,256 |
| Other assets | | **8,601** | 8,406 |
| Goodwill | | **46,363** | 48,975 |
| **Total assets** | | **3,244,718** | 3,289,978 |
| **LIABILITIES** | | | |
| Deposits and short term borrowings | | **2,332,629** | 2,304,604 |
| Payables and other liabilities | | **17,651** | 18,637 |
| Loans under management | | **627,348** | 708,020 |
| Current tax liabilities | | **1,033** | 1,222 |
| Liabilities directly associated with assets classified as held for sale | | **2,105** | - |
| Deferred income tax liabilities | | **1,515** | 2,947 |
| Provisions | | **2,860** | 2,840 |
| Subordinated capital notes | | **28,000** | 28,000 |
| **Total liabilities** | | **3,013,141** | 3,066,270 |
| **Net assets** | | **231,577** | 223,708 |
| **EQUITY** | | | |
| Contributed equity | 5 | **191,746** | 184,752 |
| Reserves | | **13,907** | 13,978 |
| Retained profits | | **24,839** | 23,687 |
| **Equity attributable to owners of the Company** | | **230,492** | 222,417 |
| **Non-controlling interests** | | | |
| Contributed equity | | **1,456** | 1,431 |
| Retained profits | | **(371)** | (140) |
| **Total non-controlling interests** | | **1,085** | 1,291 |
| **Total equity** | | **231,577** | 223,708 |

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

**Auswide Bank Ltd**
**Condensed consolidated statement of changes in equity**
**For the half-year 31 December 2017**

| | Attributable to owners of Auswide Bank Ltd | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated entity** | **Share capital ordinary $'000** | **Retained profits $'000** | **Asset revaluation reserve $'000** | **General reserve $'000** | **Statutory reserve $'000** | **Doubtful debts reserve $'000** | **Available for sale reserve $'000** | **Cash flow hedging reserve $'000** | **Share-based payments $'000** | **Total equity $'000** |
| **Balance at 1 July 2016** | 182,629 | 20,668 | 3,345 | 5,834 | 2,676 | 2,388 | 113 | (784) | (214) | 216,655 |
| **Total comprehensive income for the year:** | | | | | | | | | | |
| Profit attributable to members of parent company | - | 7,319 | - | - | - | - | - | - | - | 7,319 |
| Issue of shares to employees | - | - | - | - | - | - | - | - | 25 | 25 |
| Increase (decrease) due to revaluation of RMBS investments to fair value | - | - | - | - | - | - | 4 | - | - | 4 |
| Deferred tax liability adjustment on revaluation of RMBS investments | - | - | - | - | - | - | (1) | - | - | (1) |
| Increase (decrease) due to revaluation of cash flow hedge to fair value | - | - | - | - | - | - | - | 692 | - | 692 |
| Deferred tax liability adjustment on revaluation of cash flow hedge | - | - | - | - | - | - | - | (207) | - | (207) |
| **Subtotal** | **-** | **7,319** | **-** | **-** | **-** | **-** | **3** | **485** | **25** | **7,832** |
| Issue of share capital for staff share plan | 349 | - | - | - | - | - | - | - | - | 349 |
| Issue of share capital for dividend reinvestment plan | 1,774 | - | - | - | - | - | - | - | - | 1,774 |
| Dividends provided for or paid - ordinary shares | - | (6,427) | - | - | - | - | - | - | - | (6,427) |
| **Subtotal** | 2,123 | (6,427) | - | - | - | - | - | - | - | (4,304) |
| **Balance at 31 December 2016** | **184,752** | **21,560** | **3,345** | **5,834** | **2,676** | **2,388** | **116** | **(299)** | **(189)** | **220,183** |

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

**Auswide Bank Ltd**
**Condensed consolidated statement of changes in equity**
**For the half-year 31 December 2017**
(continued)

| | | Attributable to owners of Auswide Bank Ltd | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated entity** | Notes | **Share capital ordinary $'000** | **Retained profits $'000** | **Asset revaluation reserve $'000** | **General reserve $'000** | **Statutory reserve $'000** | **Doubtful debts reserve $'000** | **Available for sale reserve $'000** | **Cash flow hedging reserve $'000** | **Share-based payments $'000** | **Non-controlling interests $'000** | **Total equity $'000** |
| **Balance at 1 July 2017** | | 184,752 | 23,687 | 3,345 | 5,834 | 2,676 | 2,388 | 105 | (181) | (189) | 1,291 | 223,708 |
| **Total comprehensive income for the year:** | | | | | | | | | | | | |
| Profit attributable to members of parent company | | - | 8,060 | - | - | - | - | - | - | - | (231) | 7,829 |
| Issue of shares to employees | | - | - | - | - | - | - | - | - | 55 | - | 55 |
| Increase (decrease) due to revaluation of RMBS investments to fair value | | - | - | - | - | - | - | (1) | - | - | - | (1) |
| Increase (decrease) due to revaluation of cash flow hedge to fair value | | - | - | - | - | - | - | - | (178) | - | - | (178) |
| Deferred tax liability adjustment on revaluation of cash flow hedge | | - | - | - | - | - | - | - | 53 | - | - | 53 |
| **Subtotal** | | **-** | **8,060** | **-** | **-** | **-** | **-** | **(1)** | **(125)** | **55** | **(231)** | **7,758** |
| Issue of share capital for staff share plan | | 291 | - | - | - | - | - | - | - | - | 25 | 316 |
| Issue of share capital for dividend reinvestment plan | | 6,914 | - | - | - | - | - | - | - | - | - | 6,914 |
| Dividends provided for or paid | 8 | - | (6,908) | - | - | - | - | - | - | - | - | (6,908) |
| Share issue costs | | (211) | - | - | - | - | - | - | - | - | - | (211) |
| **Subtotal** | | 6,994 | (6,908) | - | - | - | - | - | - | - | 25 | 111 |
| **Balance at 31 December 2017** | | **191,746** | **24,839** | **3,345** | **5,834** | **2,676** | **2,388** | **104** | **(306)** | **(134)** | **1,085** | **231,577** |

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

**Auswide Bank Ltd**
**Condensed consolidated statement of cash flows**
**For the half-year 31 December 2017**

| | Consolidated | |
|---|---|---|
| | **6 months to 31 Dec 17 $'000** | 6 months to 31 Dec 16 $'000 |
| **Cash flows from operating activities** | | |
| Interest received | **64,341** | 63,448 |
| Other non interest income and receivables | **4,360** | 9,744 |
| Interest paid | **(33,717)** | (38,629) |
| Cash paid to suppliers and employees (inclusive of goods and services tax) | **(27,188)** | (24,868) |
| Income tax paid | **(5,026)** | (2,627) |
| **Net cash provided by / (used in) operating activities** | **2,770** | 7,068 |
| **Cash flows from investing activities** | | |
| Net movement in investment securities | **80,999** | (1,668) |
| Net movement in amounts due from other financial institutions | **540** | 11,574 |
| Net movement in loans and advances | **(25,982)** | (3,391) |
| Net movement in other investments | **(30)** | (437) |
| Payments for non current assets | **(1,422)** | (681) |
| **Net cash provided by / (used in) investing activities** | **54,105** | 5,397 |
| **Cash flows from financing activities** | | |
| Net movement in deposits and short-term borrowings | **30,029** | 31,632 |
| Net movement in amounts due to other financial institutions and other liabilities | **(80,249)** | (2,158) |
| Proceeds from share issue | **291** | 349 |
| Dividends paid | **5** | (4,653) |
| Share issue transaction costs | **(211)** | - |
| **Net cash provided by / (used in) financing activities** | **(50,135)** | 25,170 |
| **Net movement in cash and cash equivalents** | **6,740** | 37,635 |
| Cash and cash equivalents at the beginning of the financial year | **120,065** | 67,792 |
| **Cash and cash equivalents at the end of the period** | **126,805** | 105,427 |

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

## 1 Significant accounting policies

### (a) Basis of preparation

These condensed consolidated financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars.

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

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

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

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

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

### (c) New and revised accounting standards issued but not yet effective

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

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

*Classification and measurement*

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

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

*Impairment*

The IFRS 9 impairment requirements are based on an expected credit loss model (ECL) that replaces the incurred loss model under the current accounting standard. The Group will be generally required to recognise either a 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to debt instruments accounted for at amortised cost or at FVOCI. IFRS 9 will change the Group's current methodology for calculating the provision for doubtful debts, in particular for collective provisioning.

## 1 Significant accounting policies (continued)

### (c) New and revised accounting standards issued but not yet effective (continued)

Any adjustments that arise as a result of the transition process will be recognised in either retained earnings or an appropriate equity reserve at the date of transition.

*Hedge accounting*

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of groups of items as the hedged items are possible.

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

*AASB 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)*

The standard contains a single model that applies to contracts with customers and two approaches to recognition revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management's current assessment of this standard indicates that no material financial implications are expected.

*AASB 16 Leases (effective for annual periods beginning on or after 1 January 2019)*

The standard introduces a model for the identification of lease arrangements and accounting treatments for both lessors and lessees. This standard will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Operating and finance lease distinctions are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Management have identified operating leases that will be required to be recognised on balance sheet. However, the Group has not quantified the financial impact, as this standard does not mandatorily apply before 1 January 2019.

### (d) Comparative figures

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

## 2 Interest revenue and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate from continuing operations. Month end averages are used as they are representative of the entity's operations during the period.

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

| Consolidated entity | | | |
|---|---|---|---|
| **Interest revenue December 2016** | | | |
| Deposits with other financial institutions | 62,315 | 436 | 1.40 |
| Investment securities | 200,209 | 2,528 | 2.53 |
| Loans and advances | 2,646,321 | 59,972 | 4.53 |
| Other | 30,863 | 346 | 2.24 |
| | 2,939,708 | 63,282 | 4.31 |
| **Interest expense December 2016** | | | |
| Deposits from other financial institutions | 604,654 | 10,009 | 3.31 |
| Customer deposits | 1,907,910 | 20,532 | 2.15 |
| Negotiable certificates of deposit (NCDs) | 207,432 | 2,571 | 2.48 |
| Floating rate notes (FRNs) | 75,333 | 1,011 | 2.68 |
| Subordinated notes | 28,000 | 895 | 6.39 |
| | 2,823,329 | 35,018 | 2.48 |
| **Net interest revenue December 2016** | | 28,264 | 1.83 |

The following tables show the net interest margin, and are derived by dividing the difference between interest revenue and interest expenditure by the average balance of interest earning assets.

| | | | |
|---|---|---|---|
| **Interest margin & interest spread December 2017** | | | |
| Interest revenue | **3,134,954** | **64,861** | **4.14** |
| Interest expense | **2,946,554** | **34,173** | **2.32** |
| Net interest spread | | | **1.82** |
| Benefit of net interest-free assets, liabilities and equity | | | **0.14** |
| Net interest margin - on average interest earning assets | **3,134,954** | **30,688** | **1.96** |
| **Interest margin & interest spread December 2016** | | | |
| Interest revenue | 2,939,708 | 63,282 | 4.31 |
| Interest expense | 2,823,329 | 35,018 | 2.48 |
| Net interest spread | | | 1.83 |
| Benefit of net interest-free assets, liabilities and equity | | | 0.09 |
| Net interest margin - on average interest earning assets | 2,939,708 | 28,264 | 1.92 |

## 3 Capital adequacy

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

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

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 |
| Total risk weighted assets | **1,308,609** | 1,289,918 | **1,302,247** | 1,283,508 |
| Capital base | **195,335** | 186,007 | **193,352** | 184,532 |
| Risk-based capital ratio | **14.93%** | 14.42% | **14.85%** | 14.38% |

## 4 Credit risk

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

| | Consolidated | |
|---|---|---|
| | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 |
| 30 days and less than 60 days | **6,494** | 6,418 |
| 60 days and less than 90 days | **1,120** | 2,867 |
| 90 days and less than 182 days | **2,411** | 4,676 |
| 182 days and less than 273 days | **3,986** | 2,234 |
| 273 days and less than 365 days | **2,464** | 278 |
| 365 days and over | **2,632** | 3,676 |
| | **19,107** | 20,149 |
| **Specific provision:** | | |
| Opening balance | **(4,314)** | (5,047) |
| Bad and doubtful debts unwound / (provided for) during the year | **830** | 733 |
| Total provision for impairment | **(3,484)** | (4,314) |
| **Charge to profit or loss for bad and doubtful debts comprises:** | | |
| Specific provision | **830** | 733 |
| Bad debts recognised directly | **(1,574)** | (1,712) |
| | **(744)** | (979) |

## 5 Issued capital

| | 31 Dec 17 No. of shares | 31 Dec 17 $'000 | 31 Dec 16 No. of shares | 31 Dec 16 $'000 |
|---|---|---|---|---|
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of year - 1 July | **40,686,033** | **184,752** | 40,251,196 | 182,629 |
| Dividend reinvestment plan | **1,383,041** | **6,914** | 357,742 | 1,774 |
| Staff share plan | **59,666** | **291** | 77,095 | 349 |
| Share issue costs | **-** | **(211)** | - | - |
| Balance at the end of the period - 31 December | **42,128,740** | **191,746** | 40,686,033 | 184,752 |

Auswide Bank Ltd entered into an agreement to underwrite the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2016/17 financial year, payable on 22 September 2017. The capital raised through the underwritten DRP will strengthen the Bank's Tier 1 Capital position and the proceeds will be used for the general business purposes of the Bank.

The Board of Directors resolved to suspend the Dividend Reinvestment Plan (DRP) for the interim dividend for the 2017/18 financial year.

## 6 Goodwill

**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).

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and as set out in the annual report, and recognises the acquisition date as 19 May 2016.

There have been no changes to purchase price allocation which would impact goodwill.

**Impairment testing**

The cash-generating unit selected for impairment testing of goodwill was the Auswide Bank Ltd parent entity, as it is impractical to identify a separate MPBS cash generating unit, or YCU cash generating unit, within the Company and Consolidated entities.

A separate cash generating unit has been identified as a result of the acquisition of MoneyPlace. Upon the acquisition, an independent valuation was procured and goodwill was assessed as part of this process.

Current market indicators suggest the aggregate carrying amount does not exceed the aggregate recoverable amount of the cash generating unit. Further explanation can be found in Note12 .

The goodwill disclosed in the Statement of Financial Position at 31 December 2017 was supported by the impairment testing and no impairment adjustment was required.

Impairment testing of goodwill was carried out by comparing the net present value of cash flows from the cash-generating unit to the carrying value of the cash generating unit. The cash flows were based on projections of future earnings before taxation, depreciation and amortisation, minus forecast capital expenditure.

The cash flows have been projected over a period of three years. The terminal value of the business beyond year three has been determined using a constant growth perpetuity.

The key assumptions used in carrying out the impairment testing were as follows:

| | |
|---|---|
| * Budgeted trading result for the financial years ending 30 June 2019/20 | Represents the cash generating potential of the parent entity based on the forecast approved by the Board of Directors. |
| * Estimated growth rate | 5.0% (Jun 2017: 5.0%) represents growth in cash generating unit cash flows over years one to three (beyond 31 Dec 2017).<br>(Such growth is considered to be reasonable by management and the Board of Directors given historical loan book growth and strategic long-term growth targets). |
| * Terminal growth rate | 5.0% (Jun 2017: 5.0%) represents the terminal growth rate (beyond three years). |
| * Pre-tax discount rate | 12.2% (Jun 2017: 12.2%) is the pre-tax discount rate used in impairment testing representing the cost to equity to the consolidated group at 31 December 2017. |

The trigger points at which the carrying value of cash generating unit would exceed its recoverable amount, while holding all other variables constant, are as follows:

- terminal growth rate - 3.7% (Jun 2017: 4.0%); and
- discount rate - 13.3% (Jun 2017: 13.1%).

## 7 Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

### (a) Aggregate net fair value & carrying amount of financial assets and financial liabilities

| | | Total carrying amount | | Aggregate net fair value | |
|---|---|---|---|---|---|
| | | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 |
| | **Methods & assumptions used to determine net fair values** | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | Carrying amount approximates fair value due to short term to maturity. | **126,805** | 120,065 | **126,805** | 120,065 |
| Due from other financial institutions | Estimated using discounted cash flow analysis based on current lending rates for similar types of investments. | **11,223** | 11,763 | **11,223** | 11,763 |
| Accrued receivables | Fair value approximates carrying value due to short term nature. | **6,851** | 6,676 | **6,851** | 6,676 |
| Financial assets | Fair value is quoted market price (if available) adjusted for any realisation costs. | **210,824** | 291,948 | **211,797** | 293,261 |
| Loans and advances | Estimated using discounted cash flow analysis based on current lending rates for similar types of loans. | **2,807,093** | 2,777,534 | **2,819,966** | 2,788,979 |
| Other investments | Carrying amount considered to be a reasonable estimate of net fair value. | **1,099** | 1,069 | **1,099** | 1,069 |
| ***Total financial assets*** | | **3,163,895** | 3,209,055 | **3,177,741** | 3,221,813 |
| **Financial liabilities** | | | | | |
| Deposits and short term borrowings | Estimated using discounted cash flow analysis based on current lending rates for similar types of deposits. | **2,332,629** | 2,304,604 | **2,326,257** | 2,298,306 |
| Payables and other liabilities | For short term liabilities, carrying value approximates fair value. For the liabilities which are long term the fair value is estimated using discounted cash flow analysis, based on current rates for similar types of liabilities. | **17,651** | 18,637 | **17,651** | 18,637 |
| Loans under management | Estimated using discounted cash flow analysis based on current lending rates for similar types of loans. | **627,348** | 708,020 | **630,225** | 710,937 |
| Provisions | Carrying amount approximates fair value. | **2,860** | 2,840 | **2,860** | 2,841 |
| Subordinated capital notes | Carrying amount approximates fair value. | **28,000** | 28,000 | **28,000** | 28,000 |
| ***Total financial liabilities*** | | **3,008,488** | 3,062,101 | **3,004,993** | 3,058,721 |

## 7 Fair value of financial instruments (continued)

### (b) Fair value of the Group's financial assets & liabilities including those measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular the valuation technique(s) and inputs used).

| Consolidated entity | Fair value | | FV hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | **31 Dec 2017 $'000** | 30 Jun 2017 $'000 | | |
| **Financial assets** | | | | |
| ***Financial assets held to maturity:*** | | | | |
| Certificates of deposit | **174,747** | 253,440 | Level 1 | Quoted price |
| ***Financial assets held at amortised cost:*** | | | | |
| Notes - securitisation program | **17,596** | 22,996 | Level 2 | Held at amortised cost |
| Loans and advances | **2,819,966** | 2,788,979 | Level 3 | Held at amortised cost |
| ***Financial assets at fair value through profit or loss:*** | | | | |
| Shares in unlisted companies | **1,099** | 1,069 | Level 3 | Market approach using recent observable market data including cost value and net present value of future cash flows |
| ***Financial assets available for sale:*** | | | | |
| External RMBS investments | **1,305** | 1,470 | Level 2 | Mark-to-market value based on consideration, maturity and interest rates |
| Shares in unlisted companies | - | - | Level 3 | Market approach using recent observable market data including cost value and net present value of future cash flows |
| Investments in Managed Investment Scheme (MIS) | **17,176** | 14,042 | Level 3 | Market approach using recent observable market data including cost value and net present value of future cash flows |
| **Total** | **3,031,889** | 3,081,996 | | |
| **Financial liabilities** | | | | |
| ***Financial liabilities held at amortised cost:*** | | | | |
| Deposits and short term borrowings | **2,326,257** | 2,298,306 | Level 3 | Held at amortised cost |
| Loans under management | **630,225** | 710,937 | Level 2 | Held at amortised cost |
| **Total** | **2,956,482** | 3,009,243 | | |

### (c) Reconciliation of Level 3 fair value measurements:

| Consolidated entity | Shares in unlisted companies | | Investments in MIS | |
|---|---|---|---|---|
| | **31 Dec 2017 $'000** | 30 Jun 2017 $'000 | **31 Dec 2017 $'000** | 30 Jun 2017 $'000 |
| Opening balance | **1,069** | 512 | **14,042** | 3,413 |
| Purchases | **30** | 557 | **3,134** | 12,629 |
| Disposals | **-** | - | **-** | (2,000) |
| Closing balance | **1,099** | 1,069 | **17,176** | 14,042 |

## 8 Dividends

A final fully franked dividend in respect of the year ended 30 June 2017 of 17.0 cents per ordinary share ($6.917m) was paid on 22 September 2017.

The Board declared a fully franked dividend of 16.0 cents per ordinary share ($6.741m), for the six months to 31 December 2017, payable on 26 March 2018. In accordance with Accounting Standards, dividends are only provided for as declared or paid, therefore this dividend has not been provided for in the interim financial statements.

## 9 Segment information

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

The company commenced funding personal loans in May 2013. The personal loans portfolio was immaterial at balance date and has not been reported as a segment.

Funding of business loans commenced in April 2014. The business loans portfolio was immaterial at balance date and has not been reported as a segment.

The company operates principally within the states of Queensland, New South Wales and Victoria.

## 10 Contingent liabilities

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

## 11 Events subsequent to balance date

**Divestment of MoneyPlace equity stake**

In January 2018 the Group announced that it had entered into an agreement to divest its equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018. The divestment will have a one-off positive impact on full financial year results with an expected net profit after tax (NPAT) contribution of approximately $1.127m, subject to any post-completion adjustments, performance for the remainder of the full-year and audit of the full-year financial year results.

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

| | Consolidated | |
|---|---|---|
| | **as at 31 Dec 17 $'000** | as at 30 Jun 17 $'000 |
| ***Assets and liabilities over which control is lost as a result of this divestment*** | | |
| Cash | **(1,653)** | - |
| Other assets | **175** | - |
| Software development | **5,668** | - |
| Other intangibles | **208** | - |
| Goodwill | **2,612** | - |
| Deferred income tax liabilities | **(1,297)** | - |
| Loans | **(85)** | - |
| Payables and other liabilities | **(723)** | - |
| **Net assets over which control is lost** | **4,905** | - |

The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. Further details are disclosed in Note 12.

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

## 12 Discontinued operation

In December 2015 the Group entered into a strategic relationship and equity investment with MoneyPlace Holdings. Auswide Bank Ltd acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. In February 2017 Auswide Bank made a follow-on investment and acquired an additional 43.7% equity stake in MoneyPlace, via a subscription agreement. This brought the total investment to 63.3%, and resulted in the Group obtaining a controlling interest in MoneyPlace Holdings.

In January 2018, the Group announced that it had entered into an agreement to divest its equity stake in P2P lender MoneyPlace. This transaction was completed on 22 January 2018. The proceeds of the sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The divestment will have a one-off positive impact on full financial year results with an expected net profit after tax (NPAT) contribution of approximately $1.127m, subject to any post-completion adjustments, performance for the remainder of the full-year and audit of the full-year financial year results.

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

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

| | Consolidated | |
|---|---|---|
| | **6 months to 31 Dec 17** | 6 months to 31 Dec 16 |
| ***Profit for the half year from discontinued operations*** | **$'000** | $'000 |
| Revenue | **280** | - |
| Expenses | **(966)** | - |
| Profit/(loss) before income tax | **(686)** | - |
| Income tax expense | **70** | - |
| **Profit/(loss) for the half year from discontinued operations** | **(616)** | **-** |
| ***Cash flows from discontinued operations*** | | |
| Net cash inflows/(outflows) from operating activities | **(505)** | - |
| Net cash inflows/(outflows) from investing activities | **(356)** | - |
| Net cash inflows/(outflows) from financing activities | **285** | - |
| **Net cash inflows/ (outflows)** | **(576)** | - |

| | Consolidated | |
|---|---|---|
| | **as at 31 Dec 17** | as at 30 Jun 17 |
| | **$'000** | $'000 |
| ***Major classes of assets and liabilities classified as held for sale*** | | |
| Current assets | **(1,478)** | - |
| Software development | **5,668** | - |
| Other intangible assets | **208** | - |
| Goodwill | **2,612** | - |
| Deferred income tax liabilities | **(1,297)** | - |
| Loans | **(85)** | - |
| Payables and other liabilities | **(723)** | - |
| **Net carrying amount of discontinued operations** | **4,905** | - |

**Auswide Bank Ltd**
**Directors' declaration**
**31 December 2017**

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

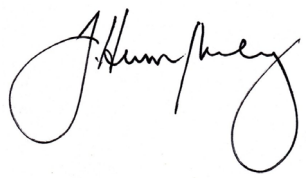
(a) the interim financial statements comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001*, and:

  (i) give a true and fair view of the financial position of the company and consolidated entity as at 31 December 2017 and of the performance for the half-year on that date; and
  (ii) comply with Australian Accounting Standards (including the Australia Accounting Interpretations) and the *Corporations Regulations 2001*;

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

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

The declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*, and is signed for and on behalf of the Directors by:



**John Humphrey**
**Director**

Brisbane
19 February 2018

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Auswide Bank Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 20.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Auswide Bank Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation

Member of Deloitte Touche Tohmatsu Limited

*Auditor's Independence Declaration*

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

*Conclusion*

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

**David Rodgers**
Partner
Chartered Accountants
Brisbane, 19 February 2018