AUSWIDE
BANK

A SOLID PLATFORM FOR FUTURE GROWTH

2015 ANNUAL REPORT

Small things.
Big difference.


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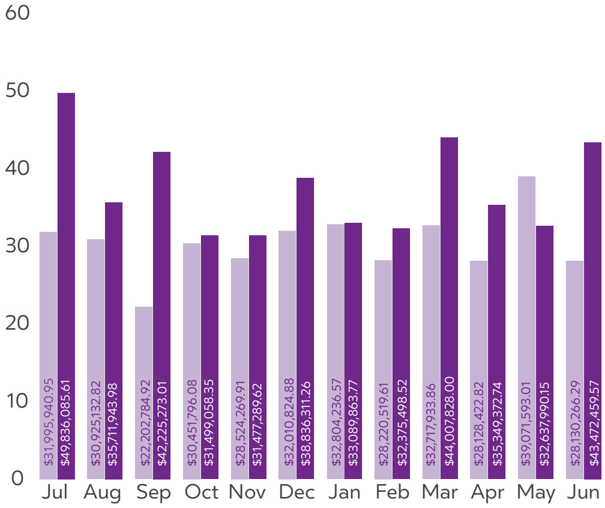
Making a Big difference in our community

PERFORMANCE HIGHLIGHTS

Auswide Bank's **improving financial performance** in 2014/15 was supported by **significant progress** in **strengthening** and **repositioning** the business.

LENDING

HOME LOAN SETTLEMENTS

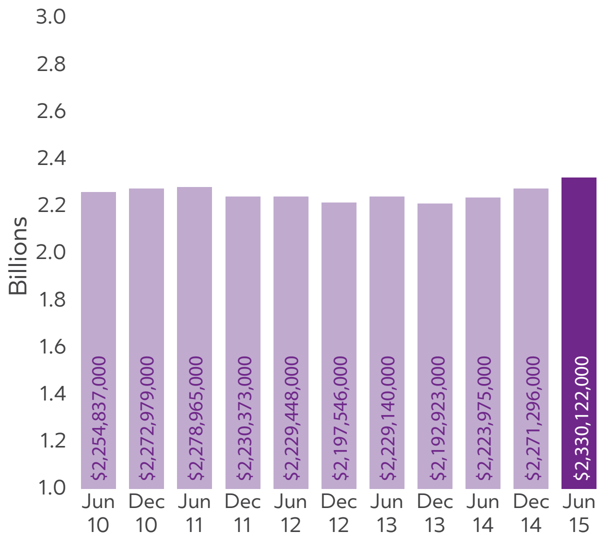


2013/2014: **$365,183,721.72**

2014/2015: **$450,518,974.58**

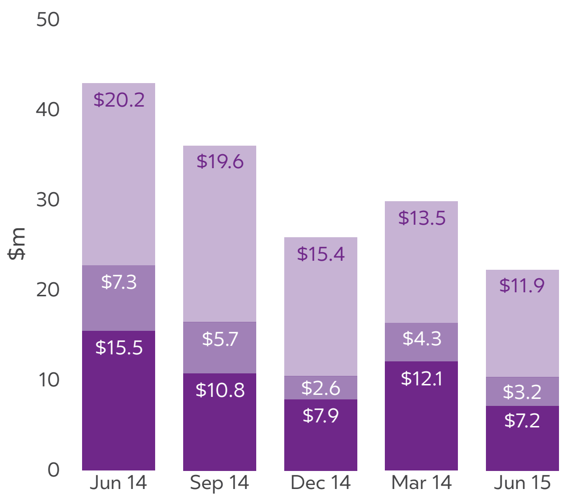
Home loan settlements **increased 23.4%** compared with 2013/14.

LOANS PORTFOLIO



Auswide Bank's loan book **grew by 4.8% to $2.33 billion**.

LOANS ARREARS



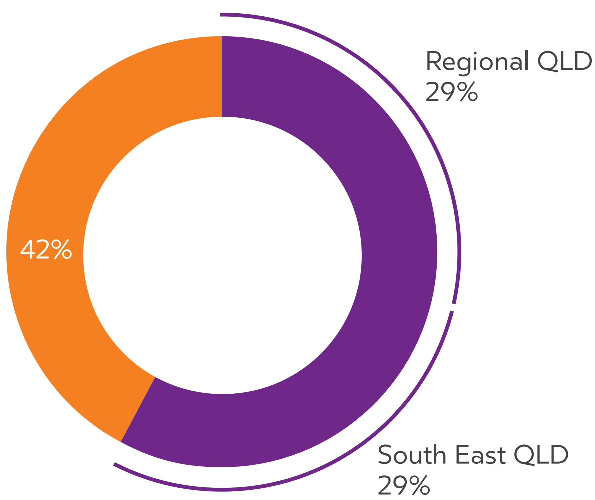
30–60 days past due

60–90 days past due

Past due over 90 days

Total loan arrears greater than 30 days past due have **fallen from $87.9m** in June 2013 to **$22.3m** in June 2015

HOME LOAN ORIGINATION



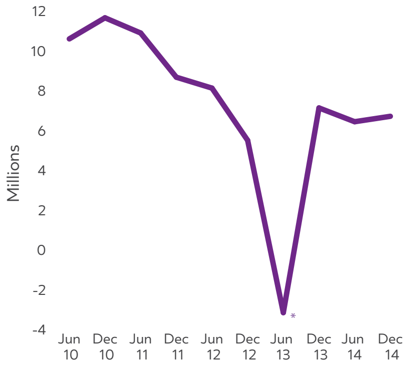
First Party Direct

Third Party Broker

Home loan origination was in line with Auswide Bank's target of **40% Third Party** and **60% direct**.

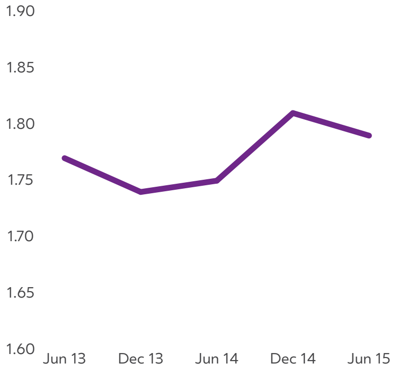
FINANCIAL PERFORMANCE

SIX-MONTH AFTER TAX PROFIT/LOSS



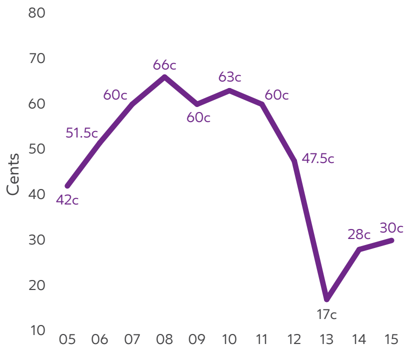
* after impairment of investment in financial planning business

NET INTEREST MARGIN



Calculated as the interest revenue or expense and average interest rate on the average monthly balance of interest earning assets and liabilities

DIVIDEND HISTORY

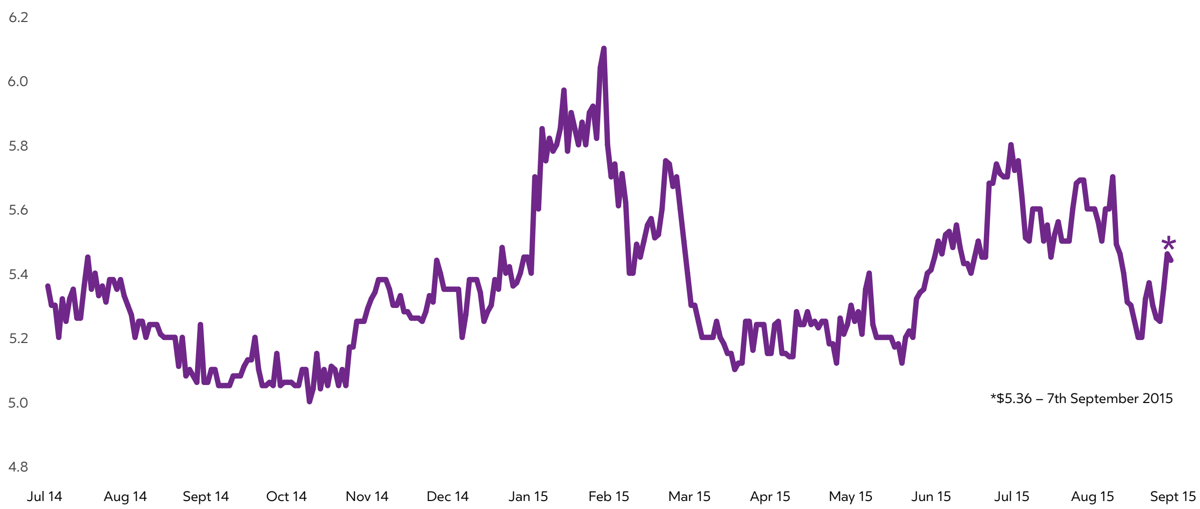


Underlying cash net profit after tax for the chief entity **rose by 7.4% to $13.104m**.

Net Interest Margin **increased to 179 basis points** in spite of a competitive lending market.

Total 2014/15 dividend was **30 cents per share, an increase of two cents**.

SHARE PRICE HISTORY



AUSTRALIA'S NEWEST BANK

On 1 April 2015, we celebrated a significant achievement by becoming Australia's newest bank. Auswide Bank is Australia's tenth and Queensland's third bank trading on the Australian Stock Exchange. The change followed shareholder approval on 20 January 2015 and Australian Prudential Regulation Authority (APRA) consent on 5 February 2015.

Our new name was supported by a new corporate identity and full rebranding, with roll out commencing on 1 April across the business including branches, online and digital channels, and products and services. The rebranding was well accepted by shareholders, employees and customers alike and has reinvigorated our business. Our new branding is building greater awareness and supporting our new customer proposition as a national bank.

The new brand is also helping to create shareholder value. The Auswide Bank name complements our strategy to support our core business in Queensland while expanding our presence and acceptance Australia-wide through third party relationships, online and digital channels, and our business banking network. The change has been a major step which will help Auswide Bank grow its markets and diversify its business model.


LOANS DESIGNED
FOR YOU!
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CHAIRMAN'S REPORT

Last year we continued to build solid foundations for the future. In many aspects, we continued to rebuild the Company and we are seeing improved business performance as a result.

I am pleased to report that Auswide Bank has delivered another improved financial performance in the 2014/15 financial year, with an underlying net profit after tax (NPAT) for the chief entity of $13.1 million. This result excludes one-off expense items of $516,000 in 2014/15 for the rebranding and the writedown of assets relating to the outsourcing of the bank's ATM fleet.

Statutory NPAT for the chief entity was $12.73 million, compared to the 2013/14 figure of $12.96 million which included a one-off dividend of $750,000 from Mortgage Risk Management.

This improvement and the Company's strong capital position have allowed the Board to declare a fully franked final dividend of 16 cents per share. This brings the total dividend for 2014/15 to 30 cents per share, fully franked – an increase of two cents over 2013/14.

This year marks the third year of our three-year Strategic Plan. The Board is pleased with what has been achieved since the announcement of the Plan in May 2013, although more work remains to be done. We are seeing the benefits of our hard work with the return to organic growth across many parts of the business for the first time in a number of years.

Auswide Bank is gaining momentum following a year of significant achievement which included the approval of our banking licence by the Australian Prudential Regulation Authority (APRA) – an exciting milestone which represents growth and opportunity. Supported by a full rebranding across every aspect of the Company, our banking licence and new name now fully align with our strategy to build brand recognition and grow our national customer base.

We have continued to invest substantially in technology improvements across the Company, this year completing an upgrade of our core operating system. Our people are the key to our ongoing success and we have focused on building the capability of our employees through training and other initiatives.

Following significant improvements made in 2013/14, we continue to remain focused on cost control and improving productivity. Delivery of the Transformation Project during the year enabled us to identify significant productivity improvement opportunities to operating practices across the business. We are currently implementing the recommendations made in January. This focus on transforming the business to be more productive and efficient has been well accepted by our staff and has also supported our shift to a better risk and compliance culture.

In line with our strategic priorities, our mortgage broker division continues to perform strongly and we are seeing improvements in our business banking division as we work to develop stronger ties to the local communities we operate within. Our ongoing investment in our retail banking division is paying off, with the segment seeing growth during the year across its home loan book and personal loan products.

The progress in implementing our business strategy has also been reflected in the revised outlook for Auswide Bank that was issued by Standard & Poors in June 2015. The credit rating agency cited a number of elements of the strategy including significant investment in information technology, re-balanced distribution channels and our rebranding, providing positive impacts for the Company's growth prospects.

Board renewal continued to progress during the year. Peter Sawyer, a long-standing Non-Executive Director and Chairman of Auswide Bank's Audit Committee retired in March. On behalf of the Board, I thank him most sincerely for his contribution to the Company and wish him well for the future. Sandra Birkensleigh was appointed Non-Executive Director on 2 February. Sandra brings to the role extensive experience in financial services, particularly risk management, compliance and corporate governance.

Our achievements this year would not have been possible without our strong management team and the efforts of all employees. Martin Barrett continues to lead a high performing team and during a year of such significant change, it is pleasing to see how staff have embraced the many changes and challenges we have experienced.

To my fellow Directors, thank you for your efforts and assistance during the year.

I would also like to take this opportunity to thank our shareholders, customers, and business partners for your continued support.

John Humphrey
Chairman

MANAGING DIRECTOR'S REPORT

It has been a year of substantial progress and momentum for Auswide Bank. I am pleased to report we have achieved organic growth across the Company for the first time in a number of years, consolidating the work we have undertaken since 2013 to reposition Auswide Bank and build capability across the organisation.

Our conversion to Australia's tenth listed bank in April was a significant milestone in our history. Our new name, Auswide Bank, links back to our previous name, Wide Bay Australia, which has helped ensure that the goodwill and recognition associated with our past is maintained. However, Auswide Bank better reflects our growing customer base across the country and aligns with our omni-channel strategy of expanding our presence and acceptance Australia-wide, via third party relationships such as mortgage brokers and through online and digital channels. While we remain committed to providing Australians with an alternative to the 'big banks', we believe becoming a bank has opened up opportunities for growth and recognition in a highly competitive market.

Our progress in implementing the Strategic Plan has supported an improvement in financial performance.

- Net Interest Revenue of $51.20 million, an increase of 3.1% over the previous year
- Chief Entity underlying NPAT of $13.10 million compared to $12.20 million in 2013/14
- Home loan approvals of $449 million, up 8.5% over 2013/14
- Total loan book up 4.8% to $2.33 billion at 30 June 2015
- Arrears (greater than 30 days past due) reduced to $22.3 million from $43.0 million in 2013/14
- Total dividend of 30 cents per share, an increase of 2 cents or 7%.

While we have experienced material improvements in arrears we are also better-positioned to identify credit risks, providing a strong foundation for the future.

Strong capital position

During the reporting period, we made material progress towards winding up our captive lenders mortgage insurer, Mortgage Risk Management Pty Ltd (MRM). After the financial year end, we announced that MRM will be wound up on 30 September 2015, which will make available up to $10 million of Tier 1 capital and considerably strengthen our regulatory capital position. The return of capital to Auswide Bank will allow the Board to consider a number of options including acquisition or merger opportunities, a special dividend for shareholders, as well as supporting ongoing lending growth in housing, consumer and business finance. Our capital position is the highest of the listed banks which allows us to avoid the cost of additional Tier 2 capital or the dilution created by on market equity raisings recently undertaken by some of our competitors. We believe this is beneficial to our shareholders.

Diversified funding

We continued to diversify our sources of funding during the year through a combination of securitisation and ongoing deposit growth, and as a listed company we also have access to the equity capital markets. This was demonstrated by the level of investor support for Auswide Bank's first Senior Unsecured Floating Rate Note which was issued after the reporting period on 19 August 2015. The issue was oversubscribed and raised $25 million in cost-effective funding for growth in loan portfolio.

Progressing our Strategic Plan

As we implement the final phases of our three-year Strategic Plan, we have made measured investments in building the capability of our people, creating efficiencies across internal systems and processes, and improving the range of services for our customers. The substantial progress we have made to date has established a basis for sustained growth and progress, and we are seeing these benefits flow through the Company, to our customers and shareholders.

Investment in technology is a key plank in the Strategic Plan, with a goal of delivering productivity and cost-to-income efficiencies in the short-term. In February, we upgraded Auswide Bank's core operating system to Ultracs 4 – one of the most advanced and complete retail banking systems in the financial services software marketplace. The new banking system has improved customer service by reducing unnecessary administrative tasks and improving account opening and transaction times.

Customer information is more readily available which enhances our ability to match the right products to meet our customers' needs. This is enabling us to expand our range of products and services. Additionally, delivery of the Transformation Project during 2014/15 is leading to significant productivity improvements across the business by streamlining and automating internal systems and processes to strengthen our quality assurance systems, and create cost and time efficiencies. This project has neared completion, with many recommendations now implemented. We will continue to invest in technology to deliver competitive and efficient products for our customers.

Digital capability is a key component of our future. We anticipate launching even more online and digital services in the near future including online account opening, seamless online home and personal loan applications and improved online transactional capability.

Our investment also extends to ensuring a seamless and consistent customer experience, and this remains an ongoing focus. We are committed to delivering flexible and convenient banking services, accessible across a range of traditional and online platforms. Our significant investment in technological improvements now ensures customers can do business with us however and whenever they choose – online, digitally, through a broker, on the phone or in-person at one of our branches – and at all times receive outstanding customer service and relevant information about our products and services.

In 2014/15, we tripled the training budget to deliver a number of new programs across the organisation. These included tailored programs to build the skills of our sales, collections and lending teams and e-learning platforms to ensure all employees can continue to access online training. We also invested in health and safety training for our people who we recognise are critical to our success as a leading financial institution. Our training investments complement our ongoing commitment to employ and retain the right people – those with a strong skills base and a natural fit with the friendly, customer-focused culture of our Company.

Enhanced customer experience

We have embarked on a number of important projects to support our omni-channel marketing strategy and improve the overall customer experience. We have upgraded our fleet of ATMs with the latest available technology, to offer faster and upgraded capabilities. These are performing on average at 99% availability. In early 2015, we released a new mobile banking application and upgraded our website. This included a retail website with enhanced features and a corporate website which provides shareholders with a dedicated portal. Customer feedback confirms these are more modern and user-friendly, and in 2016 we will introduce additional website functionality, enabling our customers to make loan applications and open new accounts online. This is an exciting time for Auswide Bank, giving us true national reach in the digital space and aligning with our new name and national brand.

MANAGING DIRECTOR'S REPORT
CONTINUED

To support our growing and changing customer base, we have significantly increased the capacity and functionality of our Bundaberg-based Contact Centre. While additional investment is planned for 2016, the Contact Centre now provides greater capability and enables Auswide Bank to engage regularly with more of our customers.

A central part of our rebranding to Auswide Bank is the roll-out of our branch refurbishment plan, creating a more modern look and customer-friendly experience across our branch locations. Six branches moved to the new model during 2014/15 and additional branches have been identified for 2015/16 including Maryborough, Gympie and Bundaberg. While we strive to deliver a positive and consistent customer experience at all times, we also seek to maximise shareholder investment across our branch network and as a result some branches have been closed, amalgamated or relocated to provide more opportunity. We will continue to review the existing branch footprint to ensure it delivers a strong performance for both shareholders and customers.

Community connections

Our connection to the community is important, and we are a significant contributor to the communities we operate in. In 2015 Auswide Bank launched its Community Grants Scheme to formalise our community sponsorship activities. The new scheme provides substantial financial assistance to valuable community initiatives while ensuring we leverage maximum value from these relationships.

Outlook

In 2015, we were committed to building the organic capabilities of the Company and I am pleased that we have made substantial progress. In the year ahead, we will continue to build on the momentum we have created.

The historic low interest rate environment and intense competition are contributing to margin pressure across the banking sector. General economic conditions also continue to be challenging for our retail and business customers in our traditional markets in Central and Northern Queensland. We are confident though that we can overcome these challenges. It is evident from this year's performance, that while we remain committed to serving regional Queensland, our strategies that support growth through third party relationships and an increased focus on the South East Queensland market are paying dividends. This includes a future intention to establish a central branch in Brisbane to support customers who live or do business in the city. Diversification and continued expansion into South East Queensland and southern capital cities is necessary to avoid over-exposure to regional markets.

I am excited by the momentum we have achieved in 2015 and the opportunities ahead, as we continue to strengthen the foundations of the business, maintain our focus of attracting new and younger customers, and develop our technology platform to deliver a better customer experience.

Balance sheet strength gives the Company the flexibility to consider appropriate consolidation opportunities. If a logical partner or prospective acquisition is identified, we will work to understand the benefits to shareholders and the Company and pursue those opportunities that align with our strategy

In 2015/16 we will continue to concentrate on being a positive disruptor in banking, offering products that are attractive and competitive to allow us to expand in traditional and new markets. As a smaller bank, we are nimble and quick to respond, providing true value for our customers, and we will continue to foster this. This is our difference. The changes we are making are benefiting Auswide Bank and our shareholders, but the DNA of our business remains.

I would like to thank our staff, the Board, our shareholders and our customers for their invaluable support during the year.

Martin Barrett
Managing Director

STRATEGIC DIRECTION

We have made significant progress of our three-year Strategic Plan, delivered in May 2013. Since this time, we have made substantial investments in our people, technology and our products and services, building a strong platform for future growth and success.

During the year, we demonstrated a clear commitment to deliver many of the key investments outlined in the Strategic Plan, including:

- Significantly improving our risk and compliance culture
- Growing our Third Party and Business Banking segments
- Ongoing development and refinement of our products and services to ensure competitiveness
- Enhancing technology and digital platforms to make it easier for our customers to do business with us
- Providing learning and development opportunities for our people
- Continuing to invest in the local communities we operate in
- Progressing the branch revitalisation program.

There is still work to be done, however we remain committed to continually improving our performance for the benefit of all shareholders. We will continue to leverage investments already made, and will outline the Bank's strategic focus in a new Strategic Plan.

WE REMAIN COMMITTED TO CONTINUALLY IMPROVING OUR PERFORMANCE FOR THE BENEFIT OF ALL OUR SHAREHOLDERS

SHAREHOLDER VALUE

We have maintained a strong focus on balancing lending growth with the needs and demands of customers in a very competitive market. This risk management approach ensures our priority remains on the delivery of returns to our shareholders.

During the year we investigated a number of revenue opportunities. As part of this, we undertook a fee review across our portfolio of products and services. We also continued to develop and enhance products and services throughout the year.

Central to maximising value for our shareholders, is our approach to driving cost management and efficiency outcomes across the business. Key to this was the delivery of the Transformation Project which, using the Six Sigma Process, identified a significant number of opportunities for process and productivity improvements in operating practices across the organisation. Project findings were delivered in December, with recommendations made in January, which we are continuing to implement as resources become available.

A key Project finding was confirmation that our branch network was under-utilised. Specifically, the Transformation Project allowed us to examine how we utilise our assets and personnel and enabled us to identify and align productivity opportunities and priorities to the Strategic Plan.

Following the review of our operating practices, we introduced an online work management tool to enable us to use existing systems more efficiently and increase automation of back office tasks, processes and workflows. This low-cost, high capability management tool has enabled us to identify opportunities to improve productivity, efficiency and compliance. These improvements have reduced the cost base of our back office functions while improving efficiency and productivity to enable us to support a better customer experience.

The Transformation Project has also helped improve the way we communicate internally and seek out information, while allowing us to centralise functions and re-design jobs, particularly in the back office, to create more meaningful roles for our people.

CENTRAL TO MAXIMISING VALUE FOR OUR SHAREHOLDERS IS OUR APPROACH TO DRIVING COST MANAGEMENT AND EFFICIENCY OUTCOMES ACROSS THE BUSINESS


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RETAIL BANKING

It has been a successful year for the retail banking segment, during which we have invested in resources to grow our sales volumes.

We remain committed to significantly improving the customer experience to grow our customer base. We will achieve this by strengthening relationships with existing customers, maximising cross-selling opportunities, and reviewing our customer retention and advocacy strategies. We are seeing considerable improvement in this area, however there is still work to be done.

During the year, our home loan book grew by more than $100 million. This growth was supported by a combination of new products and services, successful marketing campaigns, targeted customer engagement strategies, and a more proactive approach by our Lenders to engage with local business communities.

We have seen considerable uplift in the volume and value of our Personal Loan products, supported by key marketing campaigns and strategies to support our value proposition as a key provider of personal lending within our local communities and beyond. We expect this growth to continue as planned technology improvements in 2016 will enable customers to apply for personal loans online.

During the year we worked with our third party providers to ensure we had a comprehensive product suite and as a result, introduced a number of new product offerings to better support our customers. We also made enhancements to the credit card application process, resulting in a faster and more efficient processing system.

In November we launched our new customer website, separating the corporate and retail sites. The new customer website has a fresh feel, is easy to navigate, and is optimised for mobile and tablets. The user-friendly structure highlights the availability of online applications and incorporates social media elements as well as Live Chat and Newsfeeds. We also launched additional online application functionality for loans and accounts, upgrades to Internet Banking, and a new smartphone app. The new mobile banking app has been well accepted by customers, and we will continue to refine and improve the application, releasing a number of new features in the first half of 2016. We have received positive feedback about the new website from a number of our external partners, and it will remain a key platform for new customer acquisition, particularly as our technology investments come online.

The branch revitalisation program continues with a number of our branches upgraded and new technology enhancements rolled-out including electronic in-branch advertising, iPads for customer use, and internet kiosks to support online banking. New format branches opened in Pialba, Hervey Bay and Mt Pleasant in Mackay, and further openings are planned during 2016.

Our locally-based Contact Centre was enhanced during the year, enabling greater out-of-hours capability and more functionality to support our inbound and outbound customer engagement strategies. While we have made significant improvements, there is still work to be done, and this program will continue in 2016.

Investing in our people has been a key focus during the year with the successful introduction of the Salesmax program, designed to build sales and service capabilities of our frontline staff. We are already realising the benefits of this training as it enhances the capabilities of our frontline staff to convert opportunities. The program will continue in 2016, ensuring we continue to build capability and support all elements of the sales process.

We have also continued to build on our community involvement and support throughout the year, with community activities – led by our rebranding to Auswide Bank – enabling our branch staff to establish a greater presence and provide additional support to their local communities. The proactive approach adopted by our Lenders has also increased their presence within the community through networking and participation in local business groups.

BUSINESS BANKING

Our Business Bankers have been well accepted in their local communities throughout Queensland, and we have taken the opportunity to open up discussions with small-to-medium enterprises (SMEs) to explore ways Auswide Bank can add value to their business.

We are well networked within our local communities and have strong relationships with local accountants, solicitors and other professional services to ensure we understand the needs of emerging and mature local businesses. We continually seek to broaden our networks and in May 2015, sponsored the Bundaberg Business Expo, which enabled us to promote our offering directly to the market.

During the year, we grew our SME networks throughout North Queensland, Central Queensland and the Sunshine Coast. This included forming a strategic partnership with the Chamber of Commerce & Industry Queensland (CCIQ) to specifically target the Sunshine Coast and Central Queensland regions. The partnership is an opportunity to directly engage with CCIQ members on a range of business banking topics, raising brand awareness for Auswide Bank among members, customers and stakeholders. The partnership is a new avenue to promote Auswide Bank's participation in local business networks, and we will continue to work with CCIQ during 2015/16 to build on this year's success.

We will continue to grow our presence and networks in North and Central Queensland and the Sunshine Coast in 2016, while extending into South East Queensland and winning customers in this area.

Our Business Bankers have acquired customers from the larger banks on the basis of being local, highly accessible, experienced and stable. These new customers represent growth in Auswide Bank's balance sheet and lines of revenue across products including loans, equipment financing, transactional banking products and services such as merchant facilities. We expect growth to continue as we gain momentum in this emerging part of the business.

Auswide Bank's business banking approach differs to the traditional 'big bank' mentality, which is characterised by the need for small businesses to strictly conform to rules and regulations. We will continue to evaluate each opportunity to support small businesses based on the strength of their business models. Over the next 12 months, we will focus on converting our pipeline of opportunities into new business banking customers for whom we provide lending and transactional banking services.

AUSWIDE BANK'S BUSINESS BANKING APPROACH DIFFERS TO THE TRADITIONAL 'BIG BANK' MENTALITY, WHICH IS CHARACTERISED BY THE NEED FOR SMALL BUSINESSES TO STRICTLY CONFORM TO RULES AND REGULATIONS


MAIN EVENT

THIRD PARTY MORTGAGE BROKER ALLIANCES

The Third Party business has grown substantially during the year, with the model continuing to evolve and support Auswide Bank's value proposition as a genuine alternative to the major banks.

We introduced a number of initiatives to engage with mortgage brokers across each capital city and surrounding areas including sales specials, information sessions and product offers. As a result, we have experienced a significant increase in the number of brokers seeking accreditation with us, and this sector is now a major contributor to the lending program. This expansion positions Auswide Bank well for customer growth nationwide and we anticipate an increase in loan approvals in the near-term, particularly from Sydney, Melbourne and Brisbane.

Key to sustaining this growth is offering brokers a seamless lodgement experience. As part of the Lendfast loan origination project, we are building a better broker platform over the next 12 months that fully utilises the capability of NextGen – our broker submission portal – to enable easier and more comprehensive applications by brokers. This will enable brokers to receive faster and in some cases, immediate credit assessment outcomes. This functionality is expected to be fully operational during the first half of the 2016 financial year.

To support this growth area of the business, we have established a dedicated broker centre in Toowong, a broker office in Robina and a broker representative in Sydney.

OUR PEOPLE

At Auswide Bank, we recognise that our people are the strength of our business and essential to our ongoing success and growth. We have invested significantly in our employees and continue to focus on this area of the business as a key strategic priority.

During the year, we focused on maximising the potential of our employees and enhancing the customer service experience through the roll-out of the MAX programme and other learning and development initiatives, including:

- SalesMAX – the introduction of a sales coaching program across our branch network has increased sales performance throughout the business
- LeaderMAX – developing and coaching our leaders to support employees through the rapid changes experienced by the bank and within the fast-paced finance industry
- Key technology developments in Ultracs 4 and Lendfast, with delivery of further cost-saving and customer-centric enhancements planned for 2015/16
- Delivery of the e-learning platform in 2014/15, which has enabled the Bank to fully streamline our regulatory and compliance training obligations, and increased our internal capability to deliver other learning requirements
- Delivery of development opportunities for other business units.

These training opportunities – developed to meet recognised learning standards – are supported by full-time trainers employed to deliver and assess our programs.

As part of our continuous improvement processes, we have put in place various employee feedback mechanisms including performance appraisals and regular staff surveys to better understand how we can improve internal processes and services for our customers.

This ongoing focus in our people and their professional development will ensure Auswide Bank continues to meet the high expectations of its shareholders, customers and our key business partners.


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TECHNOLOGY INVESTMENT

In an increasingly competitive market, our ability to deliver exceptional customer service, products, capability and innovation is more important than ever.

Technology investment is central to achieving this, and we have continued to pursue our IT strategic objectives focusing on:

- Competing with our peers in technology
- Delivering a superior customer experience
- Providing secure and efficient systems
- Leveraging data to gain a better understanding of our customers.

In February, we successfully completed the upgrade of our core banking system, seamlessly integrating it into the business. We are continuing to leverage the full benefits of the system upgrade which has increased automation, integrated our Customer Relationship Management with improved data analysis and increased functionality for customers and our staff.

Our first dedicated smartphone mobile banking app was launched in May, making mobile banking easier for our customers. A second release is planned during the first half of the 2016 financial year, which will provide greater functionality for customers and enable services including BPAY payments and entity management.

A key focus for the 2016 financial year is the completion of the upgrade to our loan origination system. Once implemented, the system will support faster loan application processing and provide applicants with an immediate approval decision. By significantly improving our 'time to yes', these automatic loan processing functions will reduce processing costs and risk, while improving the customer experience. The personal loan application process will be the first introduced on the new system, planned for the last quarter of 2015/16.

An upgrade of our Internet Banking system is currently in planning and is targeted for completion during the 2016 financial year. Once implemented, the new system will provide the tools and functionality needed to keep customers on our site for longer, fostering deeper engagement with them and generating cross-selling opportunities.

While these projects have remained a key focus for the Company, we have made additional technology improvements across the business.

In November 2014, we moved data centres and consolidated our server footprint to increase capacity and simplify our technology systems. We have also improved our business intelligence service by building our data capability, enabling us to provide better insights for customers and develop more targeted products and services to enhance our service offering.

AN UPGRADE OF OUR INTERNET BANKING SYSTEM IS CURRENTLY IN PLANNING AND IS TARGETED FOR COMPLETION DURING THE 2016 FINANCIAL YEAR

COMMUNITY

We have always been actively involved in the local communities we operate in, and we are proud of the support we provide to many schools, groups and clubs throughout the year.

We seek to maintain and enhance our community relationships through:

- Sponsorship for local community events and initiatives
- Social media including Facebook, Twitter, LinkedIn and Instagram
- The Not-For-Profit Loan Referral Program – an incentives program designed to benefit Not-for-Profit organisations who provide referrals to Auswide Bank
- Staff volunteer programs – our program for staff to personally give back to their local community
- In-kind support for community events such as signage, marquee hire, merchandise and use of our company mascot, Ziggy the Super Saving Piggy.

Sponsorship is a key plank of our community engagement program, during the year we provided several hundred thousand dollars in financial sponsorship to local community events and initiatives.

In October 2014, to meet an increasing demand from Not-For-Profit groups for sponsorship support, we formalised our community sponsorship program through the introduction of 'Our Community' Grants Scheme. The Scheme provides a fair and equitable application and assessment process for eligible groups to access sponsorship and funding, together with a transparent reporting and evaluation process. We are confident this revised sponsorship approach will deliver positive outcomes for all parties by ensuring expectations are clearly articulated and managed throughout the sponsorship process.

As part of our ongoing commitment to the Bundaberg region, in January 2015 we contributed a $50,000 donation towards the purchase of an Armstrong Siddeley Tourer – the car used by pioneer aviator, Bert Hinkler during his processional motorcade and State welcome home parade in Brisbane on 6 March 1928. The donation allowed the purchase of two vehicles and a year-long rebuild project to commence. Upon completion, the vehicle will be housed at the Hinkler Hall of Aviation as part of the Hinkler Collection, helping to showcase Bundaberg's significant aviation history.

Our connection to the community is fundamental to who we are and we will continue to be a significant contributor to our local communities in the future.

SPONSORSHIP IS A KEY PLANK OF OUR COMMUNITY ENGAGEMENT PROGRAM, DURING THE YEAR WE PROVIDED SEVERAL HUNDRED THOUSAND DOLLARS IN FINANCIAL SPONSORSHIP TO LOCAL COMMUNITY EVENTS AND INITIATIVES


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RISK AND COMPLIANCE CULTURE

It is essential to have a fully functional risk and compliance management program to actively eliminate risk, where possible, and reduce those risks that cannot be eliminated.

Over the past 12 months, we have continued to make substantial improvements across the organisation to enhance the risk and compliance culture of the business.

Auswide Bank's Strategic Plan is underpinned by an effective and robust risk management framework. Each business unit continues to be responsible for managing the outcome of risk-related activities under a 'Three Lines of Defence' model:

Line 1 – Business Units.
Front line business units manage risk as part of 'day-to-day' operations.

Line 2 – Risk and Compliance Management.
This team provides support, oversight and risk and compliance expertise by developing and maintaining an integrated risk management framework which supports the Strategic Plan.
Risk and Compliance measure risk exposures to support the decisions of the business, provide reporting to the Board and Management, and make credit risk decisions under approved delegations and loan portfolio management.

Line 3 – Audit Management.
Independently assess the effectiveness and efficiency of internal controls, risk management processes, and governance systems created by business units, while supporting and providing assurance on these functions.

Our hard work and achievements in this area over the past two years contributed to Auswide Bank receiving approval to become a bank in April 2015, as well as the revised outlook issued by Standard & Poors from 'negative' to 'stable' and reaffirmed issuer credit ratings on Auswide Bank at 'BBB/A-2'.

Throughout the year, we continued to focus on:

- Ensuring sustainability – continuous improvement working towards reducing arrears levels. There has been a significant reduction in loan portfolio arrears, which is now in-line with our peers
- Our people – training to increase the capabilities of our loan collections, credit, risk and compliance teams
- Ongoing review and refinement of credit policies against credit risk oversight findings, portfolio trends and macroeconomic conditions to help meet business and customer expectations while ensuring sustainability of the business
- Regulatory change – monitoring of new and proposed regulations with particular emphasis on the new APRA Prudential Standard *CPS 220 Risk Management*, which came into effect 1 January 2015.

BOARD OF DIRECTORS

JOHN HUMPHREY LL.B

Chairman

Member of the Audit Committee

Board Member since: February 2008

Professor Humphrey was appointed Chairman of the Board following the 2009 Annual General Meeting. He was a senior partner in the Brisbane office of international law firm, King & Wood Mallesons until 1 January 2013, where he specialised in commercial law and corporate mergers and acquisitions. He is now Executive Dean of the Faculty of Law at Queensland University of Technology and is currently a Non-Executive Director of Horizon Oil Limited and Downer-EDI Limited.

MARTIN BARRETT BA(ECON) MBA

Managing Director

Director of Mortgage Risk Management Pty Ltd

Board Member since: 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.

BARRY DANGERFIELD

Non-Executive Director

Director of Mortgage Risk Management Pty Ltd
Chairman of the Group Board Remuneration Committee
Member of the Audit Committee
Member of the Risk Committee

Board Member since: November 2011

Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and Northern Territory as Regional Manager of Business Banking, Head of Commercial and Agribusiness, and Regional General Manager of Retail Banking. Mr Dangerfield is a Director of the Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg.

GREG KENNY GAICD, GradDipFin

Non-Executive Director

Director of Mortgage Risk Management Pty Ltd
Chairman of the Risk Committee
Member of the Audit Committee
Member of the Group Board Remuneration Committee

Board Member since: November 2013

Mr Kenny 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.

SANDRA BIRKENSLEIGH BCom, CA, GAICD, ICCP (Fellow)

Non-Executive Director

Chairperson of the Audit Committee
Member of the Risk Committee
Member of the Group Board Remuneration Committee

Board Member since: February 2015

Ms Birkensleigh was 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 five Wealth Management and Insurance subsidiaries of the National Australia Bank and a Board of Management member and Treasurer of Children's Therapy Centre.

LEADERSHIP TEAM

MARTIN BARRETT BA(ECON) MBA
Managing Director

Martin was appointed in February 2013 and is responsible for overseeing Auswide Bank's operations and business strategy. He has a 30 year career across diverse banking institutions, both nationally and internationally. This includes senior executive roles in retail, commercial, corporate, and specialist areas. Martin holds a Bachelor of Arts (Economics) from Murdoch University and an MBA from the University of Western Australia. He is also a member of the Australian Instructed Company Directors.

BILL SCHAFER BCom CA
Chief Financial Officer and Company Secretary

Bill was appointed in 2001 and has significant experience in the financial services industry. Bill's responsibilities include oversight of Auswide Bank's Accounting and Treasury business units, financial and management reporting for the Company, statutory, ASX and regulatory reporting, strategic focus for the Company's capital, funding and liquidity planning, budget preparation, and financial analysis for key stakeholders, the Board and management.

MARK RASMUSSEN MBA
Chief Operating Officer

Mark was appointed in early 2014 as the General Manager for Business Banking and Operations, and has more than 25 years' experience in the financial services sector. He has held senior roles in corporate and business banking, property, product development and strategy, product sales and people management, planning and operations, and compliance in both retail and commercial/corporate environments. Mark's responsibilities include management of Auswide Bank's lending services, banking services, property and procurement, business continuity planning, transformation and productivity, implementation and analytics reporting, teams, and functions.

STEPHEN CAVILLE AdvDipEEng
Chief Information Officer

Steve was appointed in 2000 as Senior System Administrator and was subsequently appointed to the position of Chief Information Officer in 2010. He has previously gained a broad spectrum of qualifications and experience in the Royal Australian Air Force. Steve's responsibilities include oversight of Auswide Bank's Information Technology business unit, where he has been instrumental in the development of the Company's Information Technology Strategic Plan and implementation of key technology projects.

DALE HANCOCK BBus SAFin
Group Treasurer

Dale was appointed in 1996 as the Structured Finance Manager and was subsequently appointed to the position of Group Treasurer in 2013. His previous experience included specialising in accounting, taxation, and audit within a Chartered Accountant firm. Dale's responsibilities include managing Auswide Bank's wholesale and retail funding, treasury and liquidity operations, and interest rate risk management.

CHARLTON NEVIS BA MBA
General Manager – Third Party and Business Banking

Charlton was appointed in 2013 and has extensive experience across the financial services sector. He established the Third Party Mortgage Broker division and has developed and implemented Auswide Bank's mortgage broker strategy. Charlton's responsibilities include the development of relationships across aggregators and brokers nationally, and driving Auswide Bank's proposition to Australian mortgage brokers across the country. This year, Charlton has also assumed control of building and growing Auswide Bank's Business Banking portfolio.

RAY LINDERBERG BBus (Comn)
General Manager – Marketing and Products

Ray was appointed in 1986 as Marketing Manager and was subsequently appointed to General Manager, Marketing and Products in 2013. Ray has extensive experience in marketing and the financial services industry, and has been instrumental in many company initiatives. Ray's responsibilities include oversight of Auswide Bank's Marketing and Products business unit and management of the Company's brand, marketing, communications and product strategy.

GAYLE JOB
General Manager – Human Resources

Gayle was appointed in 1977, gaining significant experience in financial services including branch operations, product development, documentation of policies and procedures, training, and compliance. Gayle's appointment in 2013 to General Manager, Human Resources has enabled her to focus on the improvement of people, engagement, and development. This includes Auswide Bank's payroll management and remuneration, recruitment, learning and development, performance management, employment law regulation and compliance, staff welfare, and occupational health and safety.

CRAIG LONERGAN MBA, F Fin
Chief Risk Officer

Craig was appointed in February 2014 as General Manager Internal Audit, bringing more than 25 years' experience within the financial services industry having held senior leadership roles in Australia, Papua New Guinea and the Solomon Islands. Craig was appointed to the role of Chief Risk Officer in early July 2014, and is responsible for creating and maintaining a culture of risk awareness and accountability. He achieves this by assisting the Board of Directors in developing the Company's risk appetite statement, promoting an enterprise-wide risk management philosophy, and establishing prudent guidelines to help the business manage and mitigate identified risks.

MICHAEL MCLENNAN BBus CPA
General Manager – Internal Audit

Michael was appointed as Chief Risk Officer in 2011 to establish the Risk function for the Company and was subsequently appointed General Manager, Internal Audit in 2014. He has more than 25 years' experience within Australia and the United Kingdom in financial and risk management of financial institutions. Michael's responsibilities incorporate the third line of defence in Auswide Bank's 'Three Lines of Defence' model, and include assessment of the effectiveness and efficiency of internal control, risk management and governance systems.

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after income tax for the 2014/15 financial year was $13.262m compared to the result of $14.063m for the 2013/14 year.

There were two one-off expense items in the 2014/15 financial year relating to the rebranding costs for the Auswide Bank name and the writedown of assets in the outsourcing of the ATM fleet. The total costs relating to these one-off items was $516,000.

The underlying cash NPAT in the chief entity for financial year 2014/15 was $13.104m compared to $12.196m (excluding the $750,000 dividend from Mortgage Risk Management Pty Ltd) for 2013/14. This represents an increase of 7.4% from 2013/14.

The statutory net profit for the chief entity for 2014/15 was $12.743m compared to $12.946 (including the MRM dividend) for 2013/14.

The loan book of Auswide Bank Ltd recorded growth of 4.8% across the year increasing from $2.224b at 30 June 2014 to $2.330b at 30 June 2015. The loan book totalled $2.271b at 31 December 2014.

Home loan approvals across the 2014/15 financial year totalled $449m, an increase of 8.5% on the $414m in home approvals for the 2013/14 financial period.

Personal loans

Funding of personal loans commenced in the last quarter of the 2012/13 financial year. The personal loan book continues to grow in line with budgeted approvals, and although not material to the total loan portfolio, reached $8.219m at the conclusion of the financial year. Personal loans have not been reported as a separate segment for the financial year.

Mortgage Risk Management Pty Ltd (MRM)

The Board announced on 13 August 2015 the effective date of 30 September 2015 to wind up the captive lenders' mortgage insurance subsidiary, MRM.

The credit risk and provisions will be transferred to the balance sheet of the chief entity.

The wind up will release up to $10m of tier 1 capital which is currently invested in MRM.

The claims expense in MRM was in line with budget expectations across the 2014/15 financial year. The total claims expense for the year was $2.6m and the total insurance liabilities, based on actuarial advice, were $4.9m at 30 June 2015.

These 'Provisions' have been calculated to cover all claims arising in the next three financial years, while maintaining significant risk buffers in place to account for claims which may be brought to account unexpectedly.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES

Substantial progress has been made with the implementation of the strategies contained in the three-year Strategic Plan adopted by the Board in May 2013.

Residential lending

The strategic plan focused on bringing growth to residential lending with the objective of growing the loan book through the branch network and mortgage broker introduced loans in the 2014/15 financial year.

As reported above, approvals in residential lending increased 8.5% compared to 2013/14 as a result of:

- Improving the skills, capability and accountability of the Sales and Distribution team (retail network) as a priority to lift both financial performance and customer experience;
- Building Auswide Bank's Third Party Broker platform by better defining, managing and growing home lending via the Broker and Mortgage Alliance introducers;
- Growth in demand from South East Queensland from the Gold Coast north to the Sunshine Coast; and
- An ongoing emphasis on resourcing the Third Party platform and first party network for growth into the 2015/16 financial year.

There is ongoing focus on increasing the quality of origination as the loan book grows.

Business Banking

Auswide Bank introduced Business Banking in April 2014 with a staged origination phase. The new channel is to provide both growth opportunity as well as revenue diversification. The model targets SME customers primarily in the Auswide Bank core catchment area.

Risk

The Board and management of Auswide Bank have committed to addressing the risk framework of the group, and strengthening the risk management 'culture' of the organisation. This has resulted in enhanced measurement, monitoring and reporting of risk related matters in the financial year. Of particular note is the establishment of a separate Board Risk Committee to provide a further strengthening of the oversight and improvement of the risk framework across the organisation. The Board remains focused on the improvement of credit quality as the loan book grows.

Arrears and collections

The Arrears Project developed in the 2013/14 financial year has continued to deliver improvements in the arrears and collections systems of the group.

The enhanced systems and procedures, retraining of staff and the addition of resources in the risk and collections departments, has resulted in an improvement in the arrears in the 2014/15 financial year. In accordance with data disclosed in the financial statements, total arrears greater than 30 days past due (excluding the effects of hardship accounts) have decreased from $43.0m to $22.3m in the year to 30 June 2015.

Branch network

The rebranding of Auswide Bank included the roll-out of the branch refurbishment plan, creating a more modern look and customer-friendly experience across our branch locations. Six branches moved to the new model during 2014/15 and additional branches have been identified for 2015/16 including Maryborough, Gympie and Bundaberg.

Some branches have been closed, amalgamated or relocated to locations which will provide more opportunity. There is an ongoing review of the existing branch footprint to ensure it delivers a strong performance for both shareholders and customers.

Technology

In February, Auswide Bank upgraded the core operating system to Ultracs 4, to improve customer service by reducing unnecessary administrative tasks and improving account opening and transaction times. Customer information is more readily available which enhances the ability to match the right products to meet customers' needs.

Digital capability is a key component of the Auswide Bank strategy. Future plans include online and digital services including online account opening, online home loans and personal loans and improved online transactional capability.

NAME CHANGE AND CHANGE OF STATUS

Auswide Bank Ltd was previously known as Wide Bay Australia Ltd. Effective 1 April 2015, the building society formerly known as Wide Bay Australia Ltd converted to a bank and changed its name to Auswide Bank Ltd. Appropriate approval was granted by the Australian Prudential Regulation Authority in relation to both the change of status (from a building society to a bank) and the utilisation of the term 'bank' in the name of Auswide Bank Ltd.

ACQUISITIONS

The Board will continue to monitor opportunities to acquire loan books or suitable institutions as they arise.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

CAPITAL

The capital adequacy ratio for the Auswide Bank group (excluding MRM) at 30 June 2015 was 15.15% (2014: 14.29%). The tier 1 capital ratio at 30 June 2015 was 12.59% (2014: 11.68%).

The total capital level remains strong and in excess of the Board target of 13.00%.

DIVIDENDS

A fully franked interim dividend of 14.0 cents per ordinary share was declared and paid on 27 March 2015 (28 March 2014 – 13.0 cents). A fully franked final dividend of 16.0 cents per ordinary share has been declared by the Board and will be paid on 2 October 2015 (3 October 2014 – 15.0 cents).

The Board has resolved to suspend the Dividend Reinvestment Plan for the final dividend payable on 2 October 2015.

DIRECTORS

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

Professor John S Humphrey LL.B

Professor Humphrey was appointed to the Board on 19 February 2008, and was appointed Chairman following the 2009 Annual General Meeting. He was a senior partner in the Brisbane office of international law firm, King & Wood Mallesons (until 1 January 2013), where he specialised in commercial law and corporate mergers and acquisitions. He is now Executive Dean of the Faculty of Law at Queensland University of Technology. He is currently a Non-Executive Director of Horizon Oil Limited and Downer-EDI Limited. Professor Humphrey is a member of the Audit Committee and is an independent Director.

Mr Peter J Sawyer FCA, FAICD, FIFS – Retired 17 March 2015

Mr Sawyer has been a Director since 1987. He retired as a Director of the company on 17 March 2015. Until August 2008, he was a partner of the firm Ulton, Chartered Accountants with offices in Bundaberg, Maryborough, Hervey Bay and Gladstone. Until his retirement Mr Sawyer was Chairman of the Audit Committee, a member of the Group Board Remuneration Committee, a member of the Risk Committee and was an independent Director. He also retired as a Director of Mortgage Risk Management Pty Ltd, a position he was appointed to in 2011.

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 was appointed to the Board of Mortgage Risk Management Pty Ltd on 19 November 2013. 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 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 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 was appointed to the Board of Mortgage Risk Management Pty Ltd on 19 November 2013. He 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.

DIRECTORS CONTINUED

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 and Western Australia) and General Manager NSW/ACT Corporate & Business Bank at St George Bank. Prior to working at St George Bank, Mr Barrett held senior roles at regional financial institutions in the UK and at National Australia Bank. Mr Barrett was appointed as a Director of Mortgage Risk Management Pty Ltd on 19 November 2013. He is an Executive Director.

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

Appointed 2 February 2015

Ms Birkensleigh was appointed to the Board on 2 February 2015. Ms Birkensleigh was 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 five Wealth Management and Insurance subsidiaries of the National Australia Bank and a Board of Management member and Treasurer of Children's Therapy Centre. Ms Birkensleigh is an independent Director. She was appointed as the Chairperson of the Audit Committee upon her appointment to the Board on 2 February 2015, and also as a member of the Group Board Remuneration Committee and the Risk Committee.

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, 16 meetings of the Directors (including 4 special meetings), 10 meetings of the Audit Committee, 4 meetings of the Remuneration Committee and 12 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	16	16	10	7	n/a	n/a	n/a	n/a
PJ Sawyer	10	9	10	9	4	4	9	8
B Dangerfield	16	16	10	10	4	4	12	12
GN Kenny	16	16	10	7	4	1	12	12
MJ Barrett	16	16	10	10*	n/a	n/a	12	11*
SC Birkensleigh	10	9	4	4	1	1	5	4

* Mr Barrett who is not a member of the Audit or Risk Committees, attended the Audit and Risk 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
PJ Sawyer (retired 17 March 2015)	1,077,567
B Dangerfield	42,076
MJ Barrett	122,314
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 (appointed 2 February 2015). Mr Peter Sawyer was a member of the committee until his retirement on 17 March 2015. Mr Barry Dangerfield is Chairman of the Committee.

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

- Appropriately balanced measures of performance weighted towards long-term shareholder interests;
- Variable performance based pay for Executives/Senior Managers involving a long-term incentive plan subject to an extended period of performance assessment;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the shareholders; and
- Short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company.

Remuneration of Non-Executive Directors

The fees payable for Non-Executive Directors are determined with reference to industry standards, the size of the Company, performance and profitability. The Directors' fees are approved by the shareholders at the Annual General Meeting in the aggregate and the individual allocation is approved by the Board. The Company's Non-Executive Directors receive only fees (including superannuation) for their services. They are not entitled to receive any benefit on retirement or resignation (other than superannuation) and do not participate in any share based remuneration.

Remuneration of Executive Directors and Senior Executives

Remuneration of the Managing Director for 2014/15 was subject to review and recommendation of the Remuneration Committee and ratification by the Board. Remuneration of other senior executives for 2014/15 was subject to ratification by the Remuneration Committee. The remuneration policy for executives uses 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 Total Target Reward methodology which links remuneration directly to the performance and behaviour of an individual with Auswide Bank's results.

The Total Target Reward framework is designed to:

- Reward those who deliver the highest relative performance through the Company's incentive programs;
- Attract, recognise, motivate and retain high performers;
- Provide competitive, fair and consistent rewards, benefits and conditions;
- Align the interests of senior executives and shareholders through ownership of Company shares.

In setting an individual's Total Target Reward, the Committee considers:

- Input from the Company's Managing Director on the Total Target Reward for senior executives who report directly to the Managing Director;
- Market data from comparable roles in the financial services industry;
- The performance of both the individual and Auswide Bank Ltd over the last year; and
- General remuneration market environment and trends.

Each individual's actual remuneration will reflect:

- The degree of individual achievement in meeting key performance measures under the performance management framework;
- Parameters approved by the Board based on the Company's financial and risk performance and other qualitative factors;
- Auswide Bank Ltd's share price performance and relative shareholder returns; and
- The timing and level of deferral in relation to any vesting conditions applicable.

Components of the Total Target Reward include:

- Fixed annual remuneration provided as cash and benefits (including employer superannuation and fringe benefits) (FAR);
- Cash based short-term incentive (STI) reflecting both individual and business performance for the current year that supports the longer term objectives of Auswide Bank; and
- Equity based long-term incentives (LTI) provided to drive management decisions focused on the long-term prosperity of Auswide Bank through the use of challenging performance hurdles.

REMUNERATION REPORT CONTINUED

Remuneration of Executive Directors and Senior Executives continued

Performance based payments were made to senior executives under the STI scheme for the year as follows:

- Mr M Barrett (Managing Director): $37,500 cash bonus granted 25 August 2014 as an incentive payment for achievement of non-financial Key Performance Indicator ('KPI') targets relating to the financial year ended 30 June 2014. These KPI targets included launching the company's strategic business plan and effective executive team restructure, together with his overall effectiveness as measured against his initial executive service agreement.

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Performance based payments were made to senior executives under the LTI scheme for the year as follows:

- Mr M Barrett (Managing Director): $37,500 of shares granted 4 December 2014 as an incentive payment for achievement of non-financial Key Performance Indicator ('KPI') targets relating to the financial year ended 30 June 2014. These KPI targets included launching the company's strategic business plan and effective executive team restructure, together with his overall effectiveness as measured against his initial executive service agreement.

KPI targets were considered by the Remuneration Committee to be appropriate measures of performance as these had been specifically chosen for each executive with the overall aim of achieving the strategy and business objectives of the Company. The KPI targets for the Managing Director were assessed by the Remuneration Committee. The KPI targets for the other senior executives were assessed by the Managing Director and then ratified by the Remuneration Committee.

No incentive payments based on financial KPIs were made during the year.

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:

2015	Short-term employee benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post employment benefits Super-annuation $	Retirement benefits $	Termination benefits $	Other long term benefits $	Share based payments $	Total $
	Fixed	*Performance based*						*Performance based*	
SPECIFIED DIRECTORS									
Humphrey, JS Chairman (non-exec)	120,182	–	–	11,417	–	–	–	–	131,599
Dangerfield, B Director (non-exec)	82,135	–	–	7,803	–	–	–	–	89,938
Kenny, GN Director (non-exec)	82,135	–	–	7,803	–	–	–	–	89,938
Barrett, MJ Managing Director	500,021	37,500	–	18,783	–	–	11,321	37,500	605,125
Birkensleigh, S Director (non-exec) – Appointed 2/02/15	38,052	–	–	3,615	–	–	–	–	41,667
Sawyer, PJ Director (non-exec) – Retired 17/03/15	59,304	–	–	5,634	–	–	–	–	64,938
Total remuneration – Specified Directors	**881,829**	**37,500**	**–**	**55,055**	**–**	**–**	**11,321**	**37,500**	**1,023,205**
OTHER KEY MANAGEMENT PERSONNEL									
Schafer, WR Chief Financial Officer	301,040	–	–	18,783	–	–	7,142	–	326,965
Lonergan, CA Chief Risk Officer – Appointed 1/07/14	173,545	–	–	16,117	–	–	4,391	–	194,053
Caville, SM Chief Information Officer	171,927	–	–	16,670	–	–	4,595	–	193,192
Rasmussen, MS Chief Operating Officer from 29/01/15. General Manager Business Banking and Operations (1/07/14 to 28/01/15)	206,102	–	–	18,783	–	–	3,990	–	228,875
Nevis, CM General Manager Third Party & Business Banking	159,754	–	–	15,823	–	–	3,448	–	179,025
McArdle, AJ General Manager Sales & Distribution	180,947	–	–	17,064	–	–	4,755	–	202,766
Total remuneration – Specified Executives	**1,193,315**	**–**	**–**	**103,240**	**–**	**–**	**28,321**	**–**	**1,324,876**

DIRECTORS' STATUTORY REPORT CONTINUED

30 JUNE 2015

REMUNERATION REPORT CONTINUED

Remuneration of Executive Directors and Senior Executives continued

	Short-term employee benefits			Post employment benefits					
2014	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Retirement benefits $	Termination benefits $	Other long term benefits $	Share based payments $	Total $
	Fixed	*Performance based*						*Performance based*	
SPECIFIED DIRECTORS									
Humphrey, JS Chairman (non-exec)	101,888	–	–	9,424	–	–	–	–	111,312
Dangerfield, B Director (non-exec)	75,744	–	–	7,006	–	–	–	–	82,750
Kenny, GN Director (non-exec)	46,611	–	–	4,312	–	–	–	–	50,923
Barrett, MJ Managing Director	482,225	75,000	–	17,775	–	–	7,982	–	582,982
Sawyer, PJ Director (non-exec) – Retired 17/03/15	75,744	–	–	7,006	–	–	–	–	82,750
Pressler, JF Director (non-exec) – Retired 19/11/13	29,715	–	–	2,749	–	–	–	–	32,464
McLeod, FM Director & General Manager – Strategy Implementation & Productivity Improvement – Retired as a Director 19/11/13	93,682	–	–	7,677	–	–	1,510	–	102,869
Total remuneration – Specified Directors	**905,609**	**75,000**	**–**	**55,949**	**–**	**–**	**9,492**	**–**	**1,046,050**
OTHER KEY MANAGEMENT PERSONNEL									
Schafer, WR Chief Financial Officer	295,616	10,000	–	17,775	–	–	5,284	–	328,675
Caville, SM Chief Information Officer	167,463	10,000	–	15,490	–	–	3,220	–	196,173
Rasmussen, MS Chief Operating Officer from 29/01/15. General Manager Business Banking and Operations (1/07/14 to 28/01/15)	78,846	–	–	6,837	–	–	1,407	–	87,090
Nevis, CM General Manager Third Party & Business Banking	156,845	10,000	–	14,393	–	–	2,585	–	183,823
McArdle, AJ General Manager Sales & Distribution	159,137	10,000	–	14,720	–	–	2,660	–	186,517
McLennan, MB General Manager Internal Audit from 1/07/14. Chief Risk Officer (1/07/13 to 30/06/14)	182,647	10,000	–	16,680	–	–	3,387	–	212,714
Total remuneration – Specified Executives	**1,040,554**	**50,000**	**–**	**85,895**	**–**	**–**	**18,543**	**–**	**1,194,992**

Consequences of performance on shareholder wealth

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2015:

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Net profit before tax	19,028,332	20,192,139	3,727,851	25,135,492	32,630,595
Net profit after tax	13,261,991	14,062,303	2,881,658	17,603,198	22,621,371

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Share price at start of year	$5.50	$5.25	$5.81	$8.50	$10.20
Share price at end of year	$5.05	$5.50	$5.25	$5.81	$8.50
Interim dividend	14.00 cps	13.00 cps	13.00 cps	22.50 cps	30.00 cps
Final dividend	16.00 cps	15.00 cps	4.00 cps	25.00 cps	30.00 cps
Basic earnings per share	36.07 cps	38.75 cps	6.78 cps	49.14 cps	66.36 cps
Diluted earnings per share	36.07 cps	38.75 cps	6.78 cps	49.14 cps	66.36 cps

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

EMPLOYMENT CONTRACTS

All named Key Management Personnel and the Managing Director have/had employment contracts. Major provisions of those agreements are summarised below:

Current Personnel

Managing Director – M J Barrett

- Contract dated – 4 February 2013
- Term of agreement – no fixed term
- Auswide Bank Ltd or M J Barrett may terminate this agreement by providing six months written notice or provide payment in lieu of the notice period.
- Short Term Incentive (STI) – The STI benefit will be payable on achieving Key Performance Indicators each year and will be a cash bonus of up to a maximum value of 30% of Fixed Pay subject to meeting performance targets. For details of the STI see (a).
- Long Term Incentive (LTI) – Grant of performance rights up to a maximum value of 30% of Fixed Pay and as determined by the Board Remuneration Committee. For details of the LTI see (b).

(a) Short Term Incentives

Up to 30% of base salary on achieving KPIs on the basis of percentage allocation in terms of CEO scorecard and measured by populating actual results and discretionary. The CEO must complete a full year of service to be eligible to receive the STI for each applicable financial year, the bonus entitlement will be calculated based on the 30th June results and the overall performance including discretionary as determined by the Board Remuneration Committee and paid on the 30th September.

(b) Long Term Incentives

The grant of performance rights, under the terms of Auswide Performance Rights Plan Rules, to subscribe for or be transferred at no cost one share for every performance right exercised. The Managing Director must complete a full year of service to be eligible to receive the LTI for each applicable financial year, the bonus entitlement will be calculated based on the 30th June results and overall performance including discretionary as determined by the Board Remuneration Committee and paid on the 1st July.

The performance rights carry no dividend or voting rights. Subject to the vesting conditions 33% of the performance rights vest on the second anniversary of the measured performance year, 33% on the third anniversary and 33% on the fourth anniversary. The vesting conditions are as follows:

- The Managing Director must be employed at the vesting date.
- Any personal income tax payable on exercise of the performance rights is payable by the Managing Director.
- The number of performance rights will be adjusted for any capital reconstructions (eg consolidation or splits).

EMPLOYMENT CONTRACTS CONTINUED

Chief Financial Officer & Company Secretary – W R Schafer

- Contract dated – 28 May 2007
- Term of agreement – no fixed term
- Auswide Bank Ltd or W R Schafer may terminate this agreement by providing four months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover and not being offered ongoing employment in Bundaberg in an equivalent position, equal to six months salary plus two weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Chief Risk Officer – C A Lonergan

- Original Contract dated – 10 February 2014. Amended Contract dated – 1 July 2014
- Term of agreement – no fixed term
- Auswide Bank Ltd or C A Lonergan may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.

Chief Information Officer – S M Caville

- Contract dated 1 November 2010
- Term of agreement – no fixed term
- Auswide Bank Ltd or S M Caville may terminate this agreement by providing four months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover and not being offered ongoing employment in Bundaberg in an equivalent position, equal to six months salary plus two weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Chief Operating Officer – M S Rasmussen (from 29 January 2015)

General Manager – Business Banking & Operations (3 February 2014 to 28 January 2015)

- Original Contract dated – 3 February 2014. Amended Contract dated – 29 January 2015
- Term of agreement – no fixed term
- Auswide Bank Ltd or M S Rasmussen may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.

General Manager – Sales & Distribution – A J McArdle

- Contract dated 24 May 2013
- Term of agreement – no fixed term
- Auswide Bank Ltd or A J McArdle may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.

General Manager – Third Party & Business Banking – C M Nevis

- Contract dated 25 April 2013
- Term of agreement – no fixed term
- Auswide Bank Ltd or C M Nevis may terminate this agreement by providing three months written notice or provide payment in lieu of the notice period.

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 90 basis points below the standard variable rate or 20 basis points below the standard fixed rate on applicable loan types, available to the general public at any time. Similar rates are, however, available to the general public, therefore this interest rate would approximate an arm's length interest rate offered by the company.

Loans are also made in accordance with the Staff Share Plan approved by shareholders in 1992. The loans are repayable over 5 years at 0% interest, with the loans being secured by a lien over the relevant shares. Such loans are only available to employees of the company and there is no applicable arm's length interest to take into account.

Loans for the year ended 30 June 2015	Balance* 30 June 2014	Interest charged $	Write-off $	Balance* 30 June 2015	Number in Group 30 June 2015
Directors	(832,385)	23,540	–	(694,675)	1
Executives	(873,403)	51,021	–	(1,643,366)	5
Total: Key management personnel	(1,705,788)	74,561	–	(2,338,041)	6

Loans for the year ended 30 June 2014	Balance* 30 June 2013 $	Interest charged $	Write–off $	Balance* 30 June 2014 $	Number in Group 30 June 2014
Directors	(1,599,467)	22,289	–	(832,385)	2
Executives	(2,135,033)	32,899	–	(873,403)	3
Total: Key management personnel	(3,734,500)	55,188	–	(1,705,788)	5

Individuals with loans above $100,000 in reporting period	Balance 30 June 2014 $	Interest** charged $	Write–off $	Balance* 30 June 2015 $	Highest in period $
Directors					
MJ Barrett	(562,742)	23,540	–	(694,675)	(705,443)
Executives					
WR Schafer	(494,427)	22,472	–	(512,473)	(575,385)
AJ McArdle	(339,820)	16,333	–	(388,510)	(403,714)
CM Nevis	–	11,770	–	(675,621)	(695,722)

Does not include SM Caville or CA Lonergan as their loans were less than $100,000.

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

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

Balances are for the period individuals were considered key management personnel.

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 2014	Received as remuneration	Options exercised	Net change other	Balance* 30 June 2015
Directors					
JS Humphrey	31,551	–	–	–	31,551
MJ Barrett	41,000	6,779	–	74,535	122,314
GN Kenny	–	–	–	15,000	15,000
PJ Sawyer	1,077,567	–	–	–	1,077,567
B Dangerfield	42,076	–	–	–	42,076
Executives					
WR Schafer	15,750	–	–	7,540	23,290
SM Caville	35,639	–	–	8,601	44,240
AJ McArdle	1,765	–	–	13,348	15,113
CM Nevis	–	–	–	8,032	8,032
Total	1,245,348	6,779	–	127,056	1,379,183

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

INDEMNITIES AND INSURANCE PREMIUMS FOR OFFICERS AND AUDITORS

During the financial year the Company has paid premiums to indemnify Directors and Officers against personal losses arising from their respective positions within the Company. During the reporting period and subsequent to 30 June 2015, no amounts have been paid under the indemnities by the Company.

The Directors and Officers of the Company and its subsidiaries are insured against certain liabilities arising in the course of their duties. This premium is paid by the Company but under the confidentiality provisions of this policy, the Directors have not disclosed the nature of the liability, the insurer, the limit of liability, or the premiums paid.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's Auditor, together with Bentleys, the previous Company's Auditor, have performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditors, 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 Auditors 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:

	2015 $	2014 $
Services provided in connection with:		
Other assurance services	**16,414**	–
	16,414	–

Non-audit services paid to Bentleys are as follows:

	2015 $	2014 $
Services provided in connection with:		
Tax returns (including subsidiaries)	**24,741**	16,589
Other assurance services	**6,753**	68,090
Other services	**1,883**	17,903
	33,377	102,582

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
28 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

28 August 2015

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 audit of the financial statements of Auswide Bank Ltd for the financial year ended 30 June 2015, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie C.J. Gatt
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Interest revenue	2	**127,397,139**	134,202,850	**127,000,350**	133,590,585
Borrowing costs	2	**(76,194,046)**	(84,549,451)	**(76,470,296)**	(84,701,389)
Net interest revenue		**51,203,093**	49,653,399	**50,530,054**	48,889,196
Other non interest revenue	3	**9,806,713**	10,238,336	**9,547,469**	9,695,452
Employee benefits expense		**18,926,412**	18,539,500	**18,926,412**	18,539,500
Depreciation expense		**1,332,181**	1,195,961	**1,272,729**	1,134,711
Amortisation expense		**338,371**	359,973	**338,371**	359,973
Occupancy expense		**2,639,189**	2,575,074	**2,757,216**	2,671,149
Bad and doubtful debts expense	10	**457,948**	360,473	**457,948**	360,000
Other expenses	3	**18,287,373**	16,668,615	**17,937,818**	17,107,260
Profit before income tax		**19,028,332**	20,192,139	**18,387,029**	18,412,055
Income tax expense	4	**5,766,341**	6,129,836	**5,644,373**	5,465,747
Profit from continuing operations		**13,261,991**	14,062,303	**12,742,656**	12,946,308
Other comprehensive income					
Items that may be reclassified to profit or loss					
Revaluation of Cash Flow Hedge to fair value		**(1,466,387)**	–	**(1,466,387)**	–
Income tax relating to this item		**439,916**	–	**439,916**	–
Revaluation of RMBS investments to fair value		**(12,553)**	(27,126)	**(12,553)**	(27,126)
Income tax relating to this item		**3,766**	8,138	**3,766**	8,138
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings to fair value		**(809,882)**	–	**266,292**	–
Income tax relating to this item		**242,965**	–	**(79,887)**	–
Other comprehensive income/(loss) for the year		**(1,602,175)**	(18,988)	**(848,853)**	(18,988)
Total comprehensive income for the year		**11,659,816**	14,043,315	**11,893,803**	12,927,320
Profit is attributable to:					
Owners of the parent entity		**13,261,991**	14,062,638	**12,742,656**	12,946,308
Non-controlling interests		**–**	(335)	**–**	–
		13,261,991	14,062,303	**12,742,656**	12,946,308
Total comprehensive income attributable to:					
Owners of the parent entity		**11,659,816**	14,043,650	**11,893,803**	12,927,320
Non-controlling interests		**–**	(335)	**–**	–
		11,659,816	14,043,315	**11,893,803**	12,927,320
Earnings per share					
Basic earnings per share (cents per share)	28	**36.07**	38.75		
Diluted earnings per share (cents per share)	28	**36.07**	38.75		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

		Consolidated		Chief entity	
	Notes	2015 $	2014 $	2015 $	2014 $
ASSETS					
Cash and cash equivalents	6	**51,495,421**	63,604,301	**47,885,421**	52,754,096
Due from other financial institutions	7	**9,215,436**	10,286,421	**9,215,436**	10,286,421
Accrued receivables	8	**5,923,807**	11,662,495	**5,951,149**	11,591,133
Financial assets	9	**244,906,350**	248,117,712	**241,795,888**	242,626,415
Current tax assets	13	**256,206**	149,714	**256,206**	149,714
Loans and advances	10	**2,330,122,246**	2,223,974,886	**2,331,008,305**	2,224,977,803
Other investments	11	**394,658**	336,504	**15,653,663**	15,596,450
Property, plant and equipment	12	**17,946,390**	18,070,737	**15,699,626**	14,688,347
Deferred income tax assets	13	**5,903,417**	6,690,630	**5,702,766**	6,427,718
Other assets	14	**8,802,512**	9,244,871	**8,563,542**	8,929,300
Goodwill	15	**42,057,110**	42,057,110	**42,057,110**	42,057,110
Total assets		**2,717,023,553**	2,634,195,381	**2,723,789,112**	2,630,084,507
LIABILITIES					
Deposits and short term borrowings	16	**1,852,071,695**	1,743,812,432	**1,865,895,790**	1,749,493,593
Payables and other liabilities	17	**24,581,026**	21,109,505	**23,854,618**	20,023,248
Securitised loans	10	**603,657,502**	634,130,085	**603,657,502**	634,130,085
Deferred income tax liabilities	18	**1,563,280**	2,267,848	**1,393,064**	1,774,780
Provisions	19	**7,159,978**	8,897,253	**2,704,060**	2,739,880
Subordinated capital notes	20	**28,000,000**	28,000,000	**28,000,000**	28,000,000
Total liabilities		**2,517,033,481**	2,438,217,123	**2,525,505,034**	2,436,161,586
Net assets		**199,990,072**	195,978,258	**198,284,078**	193,922,921
EQUITY					
Parent entity interest in equity					
Contributed equity	21	**166,636,661**	163,550,831	**166,636,661**	163,550,831
Reserves	22	**13,817,409**	14,482,677	**13,533,572**	14,482,677
Retained profits		**19,536,002**	18,015,375	**18,113,845**	15,889,413
Total parent entity interest in equity		**199,990,072**	196,048,883	**198,284,078**	193,922,921
Non-controlling interests	23				
Contributed equity		**–**	1,000	**–**	–
Retained profits		**–**	(71,625)	**–**	–
Total non-controlling interests		**–**	(70,625)	**–**	–
Total equity		**199,990,072**	195,978,258	**198,284,078**	193,922,921

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		Chief entity	
	Notes	2015 $	2014 $	2015 $	2014 $
Cash flows from operating activities					
Interest received		**126,995,487**	133,883,448	**126,598,697**	133,271,184
Dividends received		**221**	217	**221**	750,217
Borrowing costs		**(74,642,405)**	(88,626,461)	**(74,918,655)**	(88,778,400)
Other non interest income received		**16,441,205**	11,317,422	**16,081,527**	10,376,279
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(33,019,046)**	(39,359,058)	**(31,117,928)**	(35,079,068)
Income tax paid		**(5,426,392)**	(4,734,893)	**(5,043,833)**	(4,734,893)
Net cash flows from operating activities	24	**30,349,070**	12,480,675	**31,600,029**	15,805,319
Cash flows from investing activities					
Net (increase)/decrease in investment securities		**3,198,809**	22,354,871	**817,974**	20,883,720
Net (increase)/decrease in amounts due from other financial institutions		**1,070,985**	(5,106,235)	**1,070,985**	(5,106,235)
Net (increase)/decrease in loans		**(112,735,553)**	1,969,311	**(112,618,695)**	(828,577)
Net (increase)/decrease in other investments		**(58,154)**	250,000	**(57,213)**	250,000
Purchase of non current assets		**(2,761,940)**	(2,667,484)	**(2,761,940)**	(2,667,484)
Proceeds from sale of property, plant and equipment		**290,521**	–	**290,521**	–
Net cash used in investing activities		**(110,995,332)**	16,800,463	**(113,258,368)**	12,531,424
Cash flows from financing activities					
Net increase/(decrease) in deposits and other borrowings		**108,447,021**	38,457,541	**116,590,955**	39,005,642
Net increase/(decrease) in amounts due to other financial institutions and other liabilities		**(32,375,001)**	(74,219,680)	**(32,266,653)**	(74,219,680)
Proceeds from share issue		**3,084,830**	264,436	**3,084,830**	264,436
Dividends paid		**(10,619,468)**	(5,172,303)	**(10,619,468)**	(5,172,303)
Net cash flows from financing activities		**68,537,382**	(40,670,006)	**76,789,664**	(40,121,905)
Net increase/(decrease) in cash and cash equivalents		**(12,108,880)**	(11,388,868)	**(4,868,675)**	(11,785,162)
Cash at beginning of financial year		**63,604,301**	74,993,169	**52,754,096**	64,539,258
Cash at end of financial year	6	**51,495,421**	63,604,301	**47,885,421**	52,754,096

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Attributable to owners of Auswide Bank Ltd										
Consolidated entity	Share capital ordinary $	Retained profits $	Asset revaluation reserve $	General reserve $	Statutory reserve $	Doubtful debts reserve $	Available for sale reserve $	Cash flow hedging reserve $	Share-based payments $	Non-controlling interests $	Total equity $
Balance at 1 July 2013	162,377,263	10,113,299	3,418,279	5,833,939	2,676,071	2,387,810	185,566	–	–	(70,290)	186,921,937
Total comprehensive income for the year:											
Profit attributable to members of parent company	–	14,062,638	–	–	–	–	–	–	–	–	14,062,638
Profit attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	(335)	(335)
Decrease due to revaluation of RMBS investments to fair value	–	–	–	–	–	–	(27,126)	–	–	–	(27,126)
Deferred tax liability adjustment on revaluation of RMBS investments	–	–	–	–	–	–	8,138	–	–	–	8,138
Sub-total	**162,377,263**	**24,175,937**	**3,418,279**	**5,833,939**	**2,676,071**	**2,387,810**	**166,578**	**–**	**–**	**(70,625)**	**200,965,252**
Issue of share capital for staff share plan	185,309	–	–	–	–	–	–	–	–	–	185,309
Issue of share capital for dividend reinvestment plan	988,259	–	–	–	–	–	–	–	–	–	988,259
Dividends provided for or paid – ordinary shares	–	(6,160,562)	–	–	–	–	–	–	–	–	(6,160,562)
Balance at 30 June 2014	**163,550,831**	**18,015,375**	**3,418,279**	**5,833,939**	**2,676,071**	**2,387,810**	**166,578**	**–**	**–**	**(70,625)**	**195,978,258**
Balance at 1 July 2014	163,550,831	18,015,375	3,418,279	5,833,939	2,676,071	2,387,810	166,578	–	–	(70,625)	195,978,258
Total comprehensive income for the year:											
Profit attributable to members of parent company	–	13,261,991	–	–	–	–	–	–	–	–	13,261,991
Reclassification of investment in subsidiary	–	(1,222,147)	–	–	–	–	–	–	–	–	(1,222,147)
Deconsolidation of non-controlling interests	–	–	–	–	–	–	–	–	–	70,625	70,625
Transfer to retained profits of revaluation of assets since sold	–	100,251	(100,251)	–	–	–	–	–	–	–	–
Transfer to/from reserve on consolidation	–	–	392,185	–	–	–	–	–	(353,544)	–	38,641
Issue of shares to employees	–	–	–	–	–	–	–	–	245,196	–	245,196
Decrease due to revaluation of RMBS investments to fair value	–	–	–	–	–	–	(12,553)	–	–	–	(12,553)
Deferred tax liability adjustment on revaluation of RMBS investments	–	–	–	–	–	–	3,766	–	–	–	3,766
Increase due to revaluation of land and buildings to fair value	–	–	266,292	–	–	–	–	–	–	–	266,292
Deferred tax liability adjustment on revaluation of land and buildings	–	–	(79,887)	–	–	–	–	–	–	–	(79,887)
Decrease due to revaluation of cash flow hedge to fair value	–	–	–	–	–	–	–	(1,466,387)	–	–	(1,466,387)
Deferred tax liability adjustment on revaluation of cash flow hedge	–	–	–	–	–	–	–	439,916	–	–	439,916
Sub-total	**163,550,831**	**30,155,470**	**3,896,618**	**5,833,939**	**2,676,071**	**2,387,810**	**157,791**	**(1,026,471)**	**(108,348)**	**–**	**207,523,711**
Issue of share capital for staff share plan	419,092	–	–	–	–	–	–	–	–	–	419,092
Issue of share capital for dividend reinvestment plan	2,666,738	–	–	–	–	–	–	–	–	–	2,666,738
Dividends provided for or paid – ordinary shares	–	(10,619,468)	–	–	–	–	–	–	–	–	(10,619,468)
	3,085,830	(10,619,468)	–	–	–	–	–	–	–	–	(7,533,638)
Balance at 30 June 2015	**166,636,661**	**19,536,002**	**3,896,618**	**5,833,939**	**2,676,071**	**2,387,810**	**157,791**	**(1,026,471)**	**(108,348)**	**–**	**199,990,073**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED
FOR THE YEAR ENDED 30 JUNE 2015

Chief entity	Share capital ordinary $	Retained profits $	Asset revaluation reserve $	General reserve $	Statutory reserve $	Doubtful debts reserve $	Available for sale reserve $	Cash flow hedging reserve $	Share-based payments $	Non-controlling interests $	Total equity $
Balance at 1 July 2013	162,377,263	9,103,667	3,418,279	5,833,939	2,676,071	2,387,810	185,566	–	–	–	185,982,595
Total comprehensive income for the year:											
Profit attributable to members of parent company	–	12,946,308	–	–	–	–	–	–	–	–	12,946,308
Decrease due to revaluation of RMBS investments to fair value	–	–	–	–	–	–	(27,126)	–	–	–	(27,126)
Deferred tax liability adjustment on revaluation of RMBS investments	–	–	–	–	–	–	8,138	–	–	–	8,138
Sub-total	**162,377,263**	**22,049,975**	**3,418,279**	**5,833,939**	**2,676,071**	**2,387,810**	**166,578**	**–**	**–**	**–**	**198,909,915**
Issue of share capital for staff share plan	185,309	–	–	–	–	–	–	–	–	–	185,309
Issue of share capital for dividend reinvestment plan	988,259	–	–	–	–	–	–	–	–	–	988,259
Dividends provided for or paid – ordinary shares	–	(6,160,562)	–	–	–	–	–	–	–	–	(6,160,562)
Balance at 30 June 2014	**163,550,831**	**15,889,413**	**3,418,279**	**5,833,939**	**2,676,071**	**2,387,810**	**166,578**	**–**	**–**	**–**	**193,922,921**
Balance at 1 July 2014	163,550,831	15,889,413	3,418,279	5,833,939	2,676,071	2,387,810	166,578	–	–	–	193,922,921
Total comprehensive income for the year:											
Profit attributable to members of parent company	–	12,743,649	–	–	–	–	–	–	–	–	12,743,649
Transfer to retained profits of revaluation of assets since sold	–	100,251	(100,251)	–	–	–	–	–	–	–	–
Decrease due to revaluation of RMBS investments to fair value	–	–	–	–	–	–	(12,553)	–	–	–	(12,553)
Deferred tax liability adjustment on revaluation of RMBS investments	–	–	–	–	–	–	3,766	–	–	–	3,766
Increase due to revaluation of land and buildings to fair value	–	–	266,292	–	–	–	–	–	–	–	266,292
Deferred tax liability adjustment on revaluation of land and buildings	–	–	(79,887)	–	–	–	–	–	–	–	(79,887)
Decrease due to revaluation of cash flow hedge to fair value	–	–	–	–	–	–	–	(1,466,387)	–	–	(1,466,387)
Deferred tax liability adjustment on revaluation of cash flow hedge	–	–	–	–	–	–	–	439,916	–	–	439,916
Sub-total	**163,550,831**	**28,733,313**	**3,504,433**	**5,833,939**	**2,676,071**	**2,387,810**	**157,791**	**(1,026,471)**	**–**	**–**	**205,817,717**
Issue of share capital for staff share plan	419,092	–	–	–	–	–	–	–	–	–	419,092
Issue of share capital for dividend reinvestment plan	2,666,738	–	–	–	–	–	–	–	–	–	2,666,738
Dividends provided for or paid – ordinary shares	–	(10,619,468)	–	–	–	–	–	–	–	–	(10,619,468)
Balance at 30 June 2015	**166,636,661**	**18,113,845**	**3,504,433**	**5,833,939**	**2,676,071**	**2,387,810**	**157,791**	**(1,026,471)**	**–**	**–**	**198,284,079**

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

NOTE 1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for land and buildings, hedging instruments, financial assets held at fair value through profit or loss, and available-for-sale financial assets that have been measured at fair value. All amounts are denominated in Australian Dollars (AUD).

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The financial report covers the consolidated group of Auswide Bank Ltd and controlled entities, ('consolidated entity/economic entity') and Auswide Bank Ltd as an individual parent entity ('the company/chief entity'). Auswide Bank Ltd is a for-profit listed public company, incorporated and domiciled in Australia.

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the chief entity and all of the subsidiaries. Subsidiaries are entities the chief entity controls. The chief entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The chief entity reassesses whether it has control of an investee if facts and circumstances indicate changes to the aforementioned elements have occurred. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of the subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained.

The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the consolidated entity.

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.

(b) Income tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that 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 income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences 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 all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of the financial year ended 30 June 2008. Auswide Bank Ltd is the head entity in the tax consolidation 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.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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 re-valued amount of the asset.

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

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

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.

Depreciation

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 assets' 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 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.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(e) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Subsequent to initial recognition these instruments are measured as set out below.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTE 1 BASIS OF PREPARATION CONTINUED

(e) Financial instruments continued

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments

These investments have fixed maturities and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

(f) Share capital – Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(g) Derivative financial instruments

The consolidated entity enters into derivative financial instruments, including interest rate swaps, to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The consolidated entity designates hedging instruments 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 consolidated entity 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 that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income 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. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or nonfinancial liability.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income 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 or loss accumulated in equity is recognised immediately in profit or loss.

(h) Fair value of assets and liabilities

The consolidated entity 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 the economic entity would receive to sell an asset or would have to pay 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.

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.

(i) Impairment of assets

At the end of each reporting period, the Board assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard (for example, in accordance with the revaluation model in *AASB 116: Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

(j) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

The financial statements of the associate are used by the group to apply the equity method. The reporting dates of the associate and the group are identical and both use consistent accounting policies.

The investment in the associate is carried in the consolidated and chief 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 chief 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 disclose this, when applicable, in the consolidated and chief entity statement of changes in equity.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at its 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 its 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, expected to benefit from the synergies of the business combination. Cash-generating units 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.

(l) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balances are recognised as a liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Employee benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(n) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

NOTE 1 BASIS OF PREPARATION
CONTINUED

(o) 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.

(p) 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 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.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Interest is recognised as it accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend revenue is recognised when the shareholder's right to receive the payment is established.

Fees and commissions are recognised as revenue or expenses on an accrual basis.

Premium Revenue – Mortgage Risk Management Pty Ltd

Premiums have been brought to account as income from the date of attachment of risk. Direct Premiums comprise amounts charged to the policy holder, excluding stamp duties collected on behalf of the statutory authorities. The earned portion of premiums received and receivable is recognised as revenue.

(r) Loans and advances – doubtful debts

During the 2011/2012 financial year, insurance for a significant portion of loans was transferred from MRM to QBE. MRM will continue to insure the remaining portfolio not transferred, with new loans in excess of 80% LVR being insured with QBE going forward.

Loan impairments are recognised when objective evidence is available that a loss event has occurred and as a consequence it is not likely that all amounts owed will be received.

Specific provisions for doubtful debts are recognised for individual loans that are identified as impaired by undertaking an assessment of estimated future cashflows.

Collective provisions are determined by segmenting the portfolio into asset classes with similar credit risk characteristics. Each exposure within each segment is allocated a probability of default and a loss given default percentage to calculate an expected loss. Key elements determining the segmentation of an exposure include the product type, LVR, whether the exposure is covered by Lenders' Mortgage Insurance and the arrears position.

Where loan terms have been renegotiated (e.g. loans provided hardship relief), impairment provisioning is determined on the basis of the arrears position as if the renegotiation had not taken place. Restructured loans are returned to performing status after meeting restructured terms for a minimum 6 month period.

(s) Adoption of new and revised accounting standards

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.

The following new, revised or amending Accounting Standards and Interpretations were effective for the current reporting period.

i) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

ii) AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by *AASB 13 Fair Value Measurements*.

The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

iii) AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

iv) AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

As neither the parent entity nor its subsidiaries meet the definition of an investment entity, the application of these amendments do not have any material impact on the disclosures in the consolidated financial statements.

v) AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

The Annual Improvements 2010-2012 and 2011-2013 have made amendments to various AASBs. The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

vi) AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)

The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

vii) Interpretation 21 Levies

Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

The application of these amendments does not have any material impact on the disclosures in the consolidated financial statements.

viii) AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the consolidated financial statements.

The adoption of new Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(t) New standards and interpretations not yet adopted

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

(i) AASB 9 Financial Instruments, and the relevant amending standards

(applicable for annual reporting periods commencing on or after 1 January 2018)

AASB (9) 2009 introduces new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The consolidated entity has not yet determined the potential impact of this standard.

(ii) AASB 15 Revenue from Contracts with Customers

(applicable for annual reporting periods commencing on or after 1 January 2017)

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including *AASB 118 Revenue*, *AASB 111 Construction Contracts* and the related interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTE 1 BASIS OF PREPARATION
CONTINUED

(t) New standards and interpretations not yet adopted continued

(ii) AASB 15 Revenue from Contracts with Customers continued

The consolidated entity has not yet determined the potential impact of this standard.

(iii) AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint Operations
(applicable for annual reporting periods commencing on or after 1 January 2016)

The amendments to AASB 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in *AASB 3 Business Combinations.* Specifically, the amendments state that the relevant principles on accounting for business combinations in AASB 3 and other standards (eg. *AASB 136 Impairment of Assets* regarding impairment testing of a cash generation unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

The consolidated entity has not yet determined the potential impact of this standard.

(iv) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
(applicable for annual reporting periods commencing on or after 1 January 2016)

The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors of the Company do not anticipate that the application of these amendments to AASB 116 and AASB 138 will have a material impact on the Group's consolidated financial statements.

(v) AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
(applicable for annual reporting periods commencing on or after 1 January 2016)

The consolidated entity has not yet determined the potential impact of this standard.

(vi) AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(applicable for annual reporting periods commencing on or after 1 January 2016)

The consolidated entity has not yet determined the potential impact of this standard.

(vii) AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
(applicable for annual reporting periods commencing on or after 1 January 2016)

The consolidated entity has not yet determined the potential impact of this standard.

(viii)AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
(applicable for annual reporting periods commencing on or after 1 January 2016)

The consolidated entity has not yet determined the potential impact of this standard.

(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
(applicable for annual reporting periods commencing on or after 1 July 2015)

The consolidated entity has not yet determined the potential impact of this standard.

(x) AASB 2015-5 Amendments to Australian Accounting Standards – Investment entities: Applying the Consolidation Exception
(applicable for annual reporting periods commencing on or after 1 January 2016)

The consolidated entity has not yet determined the potential impact of this standard.

(xi) AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements forAustralian Groups with a Foreign Parent
(applicable for annual reporting periods commencing on or after 1 July 2015)

This standard is not applicable to the group.

(xii) AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants
(applicable for annual reporting periods commencing on or after 1 January 2016)

This standard is not applicable to the group.

(u) Comparative figures

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

(v) Critical accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Details on critical estimates and judgements in respect of impairment of receivables, impairment of investments, impairment of goodwill, outstanding claims liability and assessment of credit risk are disclosed in Note 1r), Note 11, Note 15, Note 19 and Note 35, respectively.

NOTE 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. Month end averages are used as they are representative of the entity's operations during the period.

	Average balance $	Interest $	Average interest rate %
Interest revenue 2015			
Deposits with other financial institutions	41,428,599	1,175,240	2.84
Investment securities	207,733,025	6,019,468	2.90
Loans and advances	2,318,949,522	119,655,707	5.16
Other	22,442,781	546,724	2.44
	2,590,553,927	127,397,139	4.92
Borrowing costs 2015			
Deposits from other financial institutions	580,744,389	22,233,067	3.83
Customer deposits and NCDs	1,827,661,850	52,008,737	2.85
Subordinated notes	28,000,000	1,952,242	6.97
	2,436,406,239	76,194,046	3.13
Net interest revenue 2015		51,203,093	
Interest revenue 2014			
Deposits with other financial institutions	55,788,914	1,532,820	2.75
Investment securities	206,515,969	6,091,913	2.95
Loans and advances	2,253,418,425	125,963,525	5.59
Other	25,634,682	614,592	2.40
	2,541,357,990	134,202,850	5.28
Borrowing costs 2014			
Deposits from other financial institutions	613,768,329	24,289,381	3.96
Customer deposits and NCDs	1,750,221,615	57,383,290	3.28
Subordinated notes	28,000,000	2,876,780	10.27
	2,391,989,944	84,549,451	3.53
Net interest revenue 2014		49,653,399	

NOTE 3 PROFIT BEFORE INCOME TAX

Profit before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the consolidated group.

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Profit relating to mortgage insurance activities (also refer Note 1(q))				
Premium revenue	**239,090**	488,220	–	–
Included in the profit before income tax are the following revenue items:				
Other revenue				
Dividends				
Controlled entities	**–**	–	**–**	750,000
Other corporations	**221**	217	**221**	217
Fees and commissions	**8,184,854**	7,813,686	**8,184,854**	7,813,686
Revaluation of investment securities to fair value	**110,500**	408,750	**–**	–
Other income	**1,272,048**	1,527,463	**1,362,394**	1,131,549
	9,806,713	10,238,336	**9,547,469**	9,695,452
The profit before income tax is arrived at after charging the following items:				
Other expenses				
Fees and commissions	**8,692,582**	8,608,000	**8,692,582**	8,608,000
Provisions for employee entitlements	**318,385**	343,752	**318,385**	343,752
General and administration expenses	**9,163,567**	8,554,347	**8,926,851**	8,155,508
Underwriting expenses	**112,839**	(837,484)	**–**	–
	18,287,373	16,668,615	**17,937,818**	17,107,260
Superannuation contributions paid	**1,449,779**	1,362,126	**1,449,779**	1,362,126

NOTE 4 INCOME TAX

Major components of tax expense for the year are:

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Current income tax	**4,869,643**	4,898,837	**4,804,007**	4,366,108
Deferred income tax	**896,698**	1,230,999	**840,366**	1,099,639
Income tax reported in profit or loss	**5,766,341**	6,129,836	**5,644,373**	5,465,747

The prima facie tax on profit before income tax differs from the income tax provided as follows:

Prima facie tax on profit before income tax at 30% (2014: 30%)	**5,708,500**	6,057,642	**5,516,109**	5,523,617
Tax effect of permanent differences				
Depreciation of buildings	**56,188**	55,641	**56,188**	55,641
Franked dividends	**(133)**	–	**(133)**	–
Other items – net	**1,786**	16,553	**72,209**	111,489
Intra-group dividend (MRM)	**–**	–	**–**	(225,000)
Income tax expense attributable to profit from ordinary activities	**5,766,341**	6,129,836	**5,644,373**	5,465,747

NOTE 5 DIVIDENDS PAID

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Dividends paid during the year				
Interim for current year	**5,151,525**	4,711,018	**5,151,525**	4,711,018
Fully franked dividend on ordinary shares				
Final for previous year	**5,467,943**	1,449,544	**5,467,943**	1,449,544
Fully franked dividend on ordinary shares				
	10,619,468	6,160,562	**10,619,468**	6,160,562

In accordance with Accounting Standards, dividends are only provided for as declared or paid. Subsequent to the reporting date, the Board declared a dividend of 16.0 cents per ordinary share ($5.927 million), for the six months to 30 June 2015, payable on 2 October 2015.

The final dividend for the six months to 30 June 2014 ($5.468 million) was paid on 3 October 2014, and was disclosed in the 2013/14 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2014: 30%).

NOTE 5 DIVIDENDS PAID
CONTINUED

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

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Balance as at the end of the financial year	**17,196,190**	16,637,890	**17,196,190**	16,637,890
Credits that will arise from the payment of income tax payable per the financial statements	**(256,206)**	(149,714)	**(256,206)**	(149,714)
Debits that will arise from the payment of the proposed dividend	**(2,539,931)**	(2,343,404)	**(2,539,931)**	(2,343,404)
	14,400,053	14,144,772	**14,400,053**	14,144,772

Dividends – cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**16.0**	15.0	**16.0**	15.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**14.0**	13.0	**14.0**	13.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**15.0**	4.0	**15.0**	4.0

NOTE 6 CASH AND CASH EQUIVALENTS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Cash at bank and in hand	**19,135,421**	8,554,801	**19,135,421**	8,554,096
Deposits on call	**32,360,000**	55,049,500	**28,750,000**	44,200,000
	51,495,421	63,604,301	**47,885,421**	52,754,096

NOTE 7 DUE FROM OTHER FINANCIAL INSTITUTIONS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Deposits with Special Service Providers (SSPs)	**9,090,851**	10,161,836	**9,090,851**	10,161,836
Subordinated loans	**124,585**	124,585	**124,585**	124,585
	9,215,436	10,286,421	**9,215,436**	10,286,421
Maturity analysis				
No maturity specified	**9,215,436**	10,286,421	**9,215,436**	10,286,421
	9,215,436	10,286,421	**9,215,436**	10,286,421

NOTE 8 ACCRUED RECEIVABLES

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Interest receivable	**3,924,865**	3,536,251	**3,924,865**	3,536,251
Securitisation receivables	**1,775,864**	1,708,008	**1,775,864**	1,708,008
Other	**223,078**	6,418,236	**250,420**	6,346,874
	5,923,807	11,662,495	**5,951,149**	11,591,133

NOTE 9 FINANCIAL ASSETS

	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Financial assets held to maturity				
Certificates of deposit	**190,934,302**	172,145,269	**190,934,302**	172,145,269
Financial assets available for sale				
RMBS investments	**3,516,198**	5,106,919	**3,516,198**	5,106,919
Financial assets at fair value through profit or loss designated on initial recognition				
Investments in floating rate notes	**3,110,462**	5,491,297	**–**	–
Financial assets at amortised cost				
Notes – Securitisation program & other	**47,345,388**	65,374,227	**47,345,388**	65,374,227
	244,906,350	248,117,712	**241,795,888**	242,626,415
Maturity analysis				
Up to 3 months	**194,044,764**	173,655,268	**190,934,302**	173,655,268
From 3 to 12 months	**–**	7,063,109	**–**	3,571,812
From 1 to 5 years	**–**	2,000,000	**–**	–
Later than 5 years	**50,861,586**	65,399,335	**50,861,586**	65,399,335
	244,906,350	248,117,712	**241,795,888**	242,626,415

Cash held within securitised trusts at 30 June 2015 of $22,490,711 (2014: $20,192,160) is restricted for use only by the trusts.

NOTE 10 LOANS AND ADVANCES

	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Term loans	**2,142,158,075**	1,992,857,967	**2,142,158,075**	1,992,857,967
Loans to controlled entities	**–**	–	**903,119**	1,002,797
Continuing credit loans	**189,683,341**	233,543,371	**189,666,281**	233,543,491
	2,331,841,416	2,226,401,338	**2,332,727,475**	2,227,404,255
Provision for impairment	**(1,719,170)**	(2,426,452)	**(1,719,170)**	(2,426,452)
Total loans	**2,330,122,246**	2,223,974,886	**2,331,008,305**	2,224,977,803
Provision for impairment				
Specific provision				
Opening balance	**(2,426,452)**	(2,175,797)	**(2,426,452)**	(2,175,797)
Bad and doubtful debts provided for during the year	**707,282**	(250,655)	**707,282**	(250,655)
Total provision for impairment	**(1,719,170)**	(2,426,452)	**(1,719,170)**	(2,426,452)
Charge to profit or loss for bad and doubtful debts comprises:				
Specific provision	**707,282**	(250,655)	**707,282**	(250,655)
Bad debts recognised directly	**(1,165,230)**	(109,818)	**(1,165,230)**	(109,345)
	(457,948)	(360,473)	**(457,948)**	(360,000)
Maturity analysis				
Up to 3 months	**2,672,835**	2,154,321	**2,672,835**	2,154,321
From 3 to 12 months	**1,895,272**	1,475,789	**1,895,272**	1,475,789
From 1 to 5 years	**27,190,942**	25,570,522	**27,190,942**	25,570,522
Later than 5 years	**2,298,363,197**	2,194,774,254	**2,299,249,256**	2,195,777,171
	2,330,122,246	2,223,974,886	**2,331,008,305**	2,224,977,803

NOTE 10 LOANS AND ADVANCES CONTINUED

The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The special purpose entity established for the securitisation is considered to be controlled in accordance with Australian Accounting Standards & Australian Accounting Interpretations. The economic entity 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 consolidated and chief entity is an increase in liabilities – securitised loans – of $603.658 million (30 June 2014 – $634.130 million).

Concentration of risk

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

NOTE 11 OTHER INVESTMENTS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Unlisted shares – at cost	**394,658**	336,504	**394,658**	336,384
Controlled entities – at Directors' valuation	**–**	–	**15,259,005**	15,260,066
	394,658	336,504	**15,653,663**	15,596,450

Investment in controlled entities comprises:

Name	Country of incorporation			Contribution to consolidated operating profit after income tax		Investment carrying value	
		June 2015 %	June 2014 %	2015 $	2014 $	2015 $	2014 $
Chief entity							
Auswide Bank Ltd	Australia	**–**	–	**12,742,656**	12,196,308	**–**	–
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**100.0**	100.0	**284,590**	1,539,984	**14,000,000**	14,000,000
Wide Bay Australia Mini Lease Pty Ltd	Australia	**51.0**	51.0	**–**	(348)	**–**	1,041
MPBS Insurance Pty Ltd	Australia	**100.0**	100.0	**–**	–	**2**	2
MPBS Holdings Pty Ltd	Australia	**100.0**	100.0	**234,745**	326,694	**1,258,903**	1,258,903
F.I. Software Solutions Pty Ltd	Australia	**100.0**	100.0	**–**	–	**–**	120
Widcap Securities Pty Ltd	Australia	**100.0**	100.0	**–**	–	**–**	–
Auswide Performance Rights Pty Ltd	Australia	**100.0**	–	**–**	–	**100**	–
				519,335	**1,866,330**	**15,259,005**	**15,260,066**
				13,261,991	**14,062,638**	**15,259,005**	**15,260,066**

The carrying amounts of unlisted shares were reassessed by the Directors as at 30 June 2015 with the reassessments being based on whether there were internal or external indicators that the investment was impaired.

(a) Controlled entities

Mortgage Risk Management Pty Ltd (MRM)

MRM is a wholly owned subsidiary of Auswide Bank Ltd and is a registered lenders' mortgage insurance provider. The company acts solely for the purpose of insuring the company's residential mortgages and has received APRA approval.

The operations of MRM are subject to and under the supervision of APRA in respect of compliance and capital requirements.

MRM meets APRA's acceptable LMI test and all residential mortgage loans insured with the company qualify for a concessional risk-weight for capital adequacy purposes.

During the 2011/12 financial year the insurance for a portfolio of loans was transferred from MRM to QBE at a cost of $6.1m which is being written off over 5 years. MRM will continue to insure the remaining portfolio not transferred, with new loans in excess of 80% LVR being insured with QBE going forward.

The Directors, acting on advice from the reviewing actuary, significantly increased the provisions in MRM in the second half of 2012/13. The increase arose from a re-examination and revised modelling of the insured loan book.

The Directors resolved that the additional provisions and resulting losses in MRM were evidence of impairment of the investment in the entity. Impairment losses of $6.42m were recognised in the chief entity, in the year ended 30 June 2013, reducing the value of the investment from $20.42m to $14.00m.

The carrying value of the investment on the balance sheet of the chief entity has been derived by estimating the net present value of the future cash flows, and by evaluating the net assets of the controlled entity.

The recoverable amounts are considered by the Directors to be value-in-use, and it is the intention of the Board for the subsidiary to continue trading. There is unlikely to be a market for sale of the subsidiary.

An application has been lodged with the prudential regulator, APRA, for the cancellation of the insurance licence for MRM. This will effectively transfer the risk on the insured loans and the associated provisions to the balance sheet of the chief entity.

Wide Bay Mini Lease Pty Ltd

The company controlled a 51% share in Wide Bay Australia Mini Lease Pty Ltd. This company provided leasing and rental finance for businesses to acquire plant and equipment. The Directors have resolved not to issue new leasing and rental contracts and to wind the business down as existing contracts are paid out. This company was deregistered on 17 June 2015.

MPBS Holdings Pty Ltd

MPBS Holdings Pty Ltd is a wholly owned subsidiary which holds the property at 73 Victoria Street, Mackay.

MPBS Insurance Pty Ltd

MPBS Insurance Pty Ltd is a wholly owned subsidiary which is no longer actively trading.

F.I. Software Solutions Pty Ltd

F.I. Software Solutions Pty Ltd was a wholly owned subsidiary. The company was deregistered on 17 June 2015.

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 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.

(b) Investment accounted for using the equity method

On 29 July 2005, Auswide Bank Ltd acquired a 25% interest in Financial Technology Securities Pty Ltd.

Financial Technology has operated since 1993 as financial planners; the company operates primarily in South East Queensland and New South Wales, with a large clientele developed over the years.

Financial Technology Securities Pty Ltd is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of the associate is the same as Auswide Bank Ltd.

In the 2012/13 financial year, the Directors resolved that a provision for impairment for the investment be made as the recoverable amount was determined to be nil. The impairment was based on the view that there is significant uncertainty about dividend income to be derived. Therefore, it was determined that value-in-use was nil. As there is no discernable market for the investment, it was also determined that fair value less costs to sell was nil. As a result of this, small profits arising in past years have not been brought to account.

The carrying value of the investment, accounted for using the equity method, was reduced from $7.377m to nil.

In the current financial year, a carrying value of $50,873 was recognised as a result of the application of equity accounting given the recent developments which indicate a return to profitability. However, profitability is not at a level to indicate a reversal of the impairment.

The following table illustrates summarised information of the investment in Financial Technology Securities Pty Ltd:

NOTE 11 OTHER INVESTMENTS CONTINUED

(b) Investment accounted for using the equity method continued

Share of associate's balance sheet:	30 June 2015 $	30 June 2014 $
Current assets	**198,980**	318,857
	–	–
Non-current assets	**136,298**	864,336
Current liabilities	**(113,522)**	(214,621)
Non-current liabilities	**(58,682)**	(143,460)
Net assets	**163,074**	825,112

Share of associate's revenue and profit:	30 June 2015 $	30 June 2014 $
Revenue	**1,456,046**	2,092,104
Profit before income tax	**54,341**	52,473
Income tax	**(3,468)**	(22,309)
Profit after income tax	**50,873**	30,164

We note that the above figures were based on the unaudited accounts of Financial Technology Securities Pty Ltd.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Freehold land and buildings				
At independent valuation – June 2015	**9,135,000**	9,680,000	**9,135,000**	9,680,000
Provision for depreciation	**(14,369)**	(357,100)	**(14,369)**	(357,100)
Land and buildings 73 Victoria St Mackay	**2,250,000**	3,504,890	**–**	–
At independent valuation – June 2015				
Provision for depreciation	**(3,236)**	(122,500)	**–**	–
	11,367,395	12,705,290	**9,120,631**	9,322,900
Movement in carrying amount				
Carrying amount at beginning of year	**12,705,290**	12,940,200	**9,322,900**	9,501,450
Additions	**–**	4,890	**–**	–
Revaluation increment/(decrement) (net)	**(809,882)**	–	**266,292**	–
Disposals	**(290,521)**	–	**(290,521)**	–
Depreciation	**(237,492)**	(239,800)	**(178,040)**	(178,550)
Carrying amount at end of year	**11,367,395**	12,705,290	**9,120,631**	9,322,900

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Plant and equipment				
At cost	**31,623,379**	29,781,921	**31,623,379**	29,781,921
Provision for depreciation	**(25,044,384)**	(24,416,474)	**(25,044,384)**	(24,416,474)
	6,578,995	5,365,447	**6,578,995**	5,365,447
Movement in carrying amount				
Carrying amount at beginning of year	**5,365,447**	4,017,405	**5,365,447**	4,017,405
Additions	**2,927,981**	2,672,391	**2,927,981**	2,672,391
Disposals	**(281,372)**	(8,215)	**(281,372)**	(8,215)
Depreciation	**(1,433,061)**	(1,316,134)	**(1,433,061)**	(1,316,134)
Carrying amount at end of year	**6,578,995**	5,365,447	**6,578,995**	5,365,447
	17,946,390	18,070,737	**15,699,626**	14,688,347

All land and buildings were revalued as at 3 June 2015 by certified practicing valuers Jim Webster and Richard Lysnar of Propell National Valuers QLD. The valuations were assessed to fair market values. 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.

NOTE 13 INCOME TAX ASSETS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Income tax receivable	**256,206**	149,714	**256,206**	149,714
Deferred income tax assets are attributable to:				
Employee leave provisions	**794,106**	798,900	**794,106**	798,900
Other provisions	**1,924,045**	2,704,216	**1,924,045**	2,698,286
Property, plant & equipment	**691,192**	625,834	**691,192**	625,834
Unrealised losses on investments	**1,919,599**	2,009,074	**1,886,449**	1,886,449
MPBS project costs	**–**	57,726	**–**	57,726
Other project acquisition costs	**95,601**	78,459	**95,601**	78,459
Premium on loans purchased (First Mac)	**144,569**	147,005	**144,569**	147,005
Subordinated notes prepaid expenses	**25,924**	14,216	**25,924**	14,216
Share issue costs	**–**	32,449	**–**	32,449
Other items	**308,381**	222,751	**140,880**	88,394
	5,903,417	6,690,630	**5,702,766**	6,427,718

In respect of each temporary difference the adjustment was charged to income, except for share issue costs which were credited to equity.

NOTE 14 OTHER ASSETS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Prepayments	**8,802,512**	9,244,871	**8,563,542**	8,929,300
	8,802,512	9,244,871	**8,563,542**	8,929,300

NOTE 15 GOODWILL

Pursuant to a bidder's statement lodged with the Australian Securities & 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 as set out in note 1k), and recognises the acquisition date as 10 January 2008.

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Goodwill	**42,057,110**	42,057,110	**42,057,110**	42,057,110
	42,057,110	42,057,110	**42,057,110**	42,057,110

Impairment testing

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

The goodwill disclosed in the Statement of Financial Position at 30 June 2015 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:

- The budgeted trading result for the financial year ending 30 June 2016 represents the cash-generating potential of the chief entity based on the forecasts approved by the Board of Directors;
- The estimated growth in the cash-generating unit cash flows over years one to three (beyond 30 June 2016) was 5.0% (2014: 3.0%); (Such growth rate is considered to be reasonable by management and the Board of Directors given historical loan book growth and strategic long-term growth targets)
- The terminal growth rate (beyond three years) was 5.0% (2014: 3.0%); and
- The pre-tax discount rate used in the impairment testing was 11.50% (2014: 9.48%) which represents the Cost of Equity to the consolidated group at 30 June 2015.

The recoverable amount exceeds the carrying value of the cash-generating unit by $33.70m at 30 June 2015.

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 – 3.8% (2014: 1.8%);
- Discount rate – 12.8% (2014: 10.7%); and
- Average revenue growth rate – 4.60% (2014: 3.0%).

NOTE 16 DEPOSITS AND SHORT TERM BORROWINGS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Call deposits	**517,305,301**	471,426,192	**521,129,396**	477,107,353
Term deposits	**1,146,219,117**	1,133,827,244	**1,156,219,117**	1,133,827,244
Negotiable certificates of deposit	**188,547,277**	138,558,996	**188,547,277**	138,558,996
	1,852,071,695	1,743,812,432	**1,865,895,790**	1,749,493,593
Maturity analysis				
On call	**625,147,265**	535,472,818	**628,971,360**	554,877,071
Up to 3 months	**557,756,387**	648,484,778	**557,756,387**	648,484,778
From 3 to 12 months	**590,223,881**	504,463,831	**600,223,881**	490,740,739
From 1 to 5 years	**78,944,162**	55,391,005	**78,944,162**	55,391,005
	1,852,071,695	1,743,812,432	**1,865,895,790**	1,749,493,593

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

NOTE 17 PAYABLES AND OTHER LIABILITIES

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Trade creditors	**3,609,892**	2,276,927	**3,606,888**	2,276,927
Accrued interest payable	**15,150,781**	13,599,140	**15,150,781**	13,599,140
Other creditors	**5,820,353**	5,233,438	**5,096,949**	4,147,181
	24,581,026	21,109,505	**23,854,618**	20,023,248
Maturity analysis				
Up to 3 months	**17,375,867**	14,621,984	**16,649,459**	13,535,727
From 3 to 12 months	**2,367,229**	2,488,602	**2,367,229**	2,488,602
From 1 to 5 years	**4,837,697**	3,998,919	**4,837,697**	3,998,919
Later than 5 years	**233**	–	**233**	–
	24,581,026	21,109,505	**23,854,618**	20,023,248

NOTE 18 INCOME TAX LIABILITIES

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Deferred income tax liabilities are attributable to:				
Asset revaluation reserve	**1,672,116**	1,958,045	**1,501,900**	1,464,977
Prepayments	**208,139**	164,658	**208,139**	164,658
MPBS acquisition adjustments	**55,317**	73,755	**55,317**	73,755
Special reserve	**67,624**	71,390	**67,624**	71,390
Cash flow hedging reserve	**(439,916)**	–	**(439,916)**	–
	1,563,280	2,267,848	**1,393,064**	1,774,780

In respect of each temporary difference the adjustment was charged to income, except for the revaluations of the RMBS investments which were charged to the 'available for sale' reserve in equity, and the revaluations of land and buildings which were charged to the asset revaluation reserve in equity.

NOTE 19 PROVISIONS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Employee entitlements				
Balance at beginning of year	**2,663,000**	2,565,000	**2,663,000**	2,565,000
Annual leave and long service leave provided for during the year	**425,207**	370,764	**425,207**	370,764
Annual leave and long service leave payments used during the year	**(441,186)**	(272,764)	**(441,186)**	(272,764)
Balance at end of year	**2,647,021**	2,663,000	**2,647,021**	2,663,000
Maturity analysis				
Current provision	**2,227,680**	1,570,813	**2,227,680**	1,570,813
Non-current provision	**419,341**	1,092,187	**419,341**	1,092,187
	2,647,021	2,663,000	**2,647,021**	2,663,000
Unearned direct premiums and outstanding claims				
Balance at beginning of year	**6,157,373**	9,541,091	**–**	–
Transfers to/(from) the provision during the year	**–**	(3,140,000)	**–**	–
Payments from the provision during the year	**(1,701,455)**	(243,718)	**–**	–
	4,455,918	6,157,373	**–**	–

Premium revenues are earned over 10 years in accordance with actuarial advice based on historical claim patterns. The unearned portion is recognised as unearned premium liability.

The outstanding claims liability is based on independent actuarial advice and estimates of claims incurred but not settled at balance date. The estimation is based on statistical analyses of historical experience.

Other provisions	**57,039**	76,880	**57,039**	76,880
Total provisions	**7,159,978**	8,897,253	**2,704,060**	2,739,880

NOTE 20 SUBORDINATED CAPITAL NOTES

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Inscribed debenture stock	**28,000,000**	28,000,000	**28,000,000**	28,000,000
Maturity analysis				
Later than 5 years	**28,000,000**	28,000,000	**28,000,000**	28,000,000

NOTE 21 CONTRIBUTED EQUITY

Fully paid ordinary shares	2015 Shares No.	2015 Shares $	2014 Shares No.	2014 Shares $
All ordinary shares have equal voting, dividend and capital repayment rights.				
Balance at beginning of year	**36,452,951**	163,550,831	**36,238,600**	162,377,262
Issued during the year				
Staff share plan	**84,155**	419,092	**36,550**	185,309
Dividend reinvestment plan	**503,548**	2,666,738	**177,801**	988,260
Balance at end of year	**37,040,654**	166,636,661	**36,452,951**	163,550,831

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.

(a) Staff Share Plan

13 October 2014 – 84,155 ordinary shares were issued.

Shares issued pursuant to the company's staff share plan were 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 5 years at no interest.

	Consolidated		Chief entity	
	2015 Shares	2014 Shares	2015 Shares	2014 Shares
The total number of shares issued to employees since the inception of the staff share plan	**2,684,433**	2,600,278	**2,684,433**	2,600,278
The total number of shares issued to employees during the financial year	**84,155**	36,550	**84,155**	36,550
	$	$	$	$
The total market value at date of issue, 13 October 2014 (3 April 2014)	**430,874**	215,645	**430,874**	215,645
The total amount paid or payable for the shares at that date	**419,092**	185,309	**419,092**	185,309

(b) Dividend Reinvestment Plan (DRP)

The DRP was maintained by the Board of Directors during the 2014/15 financial year and suspended for the final dividend payable 2 October 2015.

3 October 2014 – 259,502 ordinary shares were issued.
27 March 2015 – 244,046 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 3 October 2014 and 27 March 2015 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.

NOTE 22 RESERVES

Movements in reserves

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Available for sale reserve				
Balance at beginning of year	**166,578**	185,566	**166,578**	185,566
Increase/(decrease) due to revaluation of RMBS investments to mark-to-market	**(12,553)**	(27,126)	**(12,553)**	(27,126)
Deferred tax liability adjustment on revaluation of RMBS investments	**3,766**	8,138	**3,766**	8,138
Balance at end of year	**157,791**	166,578	**157,791**	166,578

The balance of this reserve represents the excess of the mark-to-market valuation over the original cost of the RMBS investments.

	Consolidated		Chief entity	
Asset revaluation reserve				
Balance at beginning of year	**3,418,279**	3,418,279	**3,418,279**	3,418,279
Transfer from profit and loss appropriation	**392,185**	–	**–**	–
Increase/(decrease) due to revaluation increment on land and buildings	**266,292**	–	**266,292**	–
Deferred tax liability adjustment on revaluation increment on land and buildings	**(79,887)**	–	**(79,887)**	–
Decrease due to transfer to retained profits of revaluation of assets since sold	**(100,251)**	–	**(100,251)**	–
Balance at end of year	**3,896,618**	3,418,279	**3,504,433**	3,418,279

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

	Consolidated		Chief entity	
Cash flow hedge reserve				
Balance at beginning of year	**–**	–	**–**	–
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges				
Interest rate swaps	**(1,466,387)**	–	**(1,466,387)**	–
Income tax related to gains/losses recognised in other comprehensive income	**439,916**	–	**439,916**	–
Balance at end of year	**(1,026,471)**	–	**(1,026,471)**	–

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.

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Share based payments reserve				
Increase in reserve on acquisition of shares	**(353,544)**	–	**–**	–
Issue of shares held by entity to employees	**245,196**	–	**–**	–
Balance at end of year	**(108,348)**	–	**–**	–

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

Statutory reserve				
Balance at end of year	**2,676,071**	2,676,071	**2,676,071**	2,676,071

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

General reserve				
Balance at end of year	**5,833,939**	5,833,939	**5,833,939**	5,833,939

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.

Doubtful debts reserve				
Balance at end of year	**2,387,810**	2,387,810	**2,387,810**	2,387,810

Under APRA Harmonised Standards the company was required to establish a general reserve for doubtful debts. The amount was 0.5% of Risk Weighted Assets, and the Board resolved to retain this reserve.

Total reserves	**13,817,409**	14,482,677	**13,533,572**	14,482,677

NOTE 23 OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

	Consolidated	
	2015 $	2014 $
Opening balance	**(70,625)**	(70,290)
Share of operating profit/(loss)	**–**	(335)
Deconsolidation of minority interest	**70,625**	–
Closing balance	**–**	(70,625)

NOTE 24 CASH FLOW STATEMENT

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

	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Profit after tax from continuing operations	**13,261,991**	14,062,638	**12,742,656**	12,946,308
Depreciation and amortisation	**1,670,552**	1,555,934	**1,611,100**	1,494,684
Bad debts expense	**457,948**	360,473	**457,948**	360,000
(Profit)/loss on disposal of non-current assets	**(265,557)**	3,133	**(265,557)**	3,133
(Increase)/Decrease in Assets				
Accrued interest on investments	**(388,613)**	140,103	**(388,613)**	140,103
Prepayments & other receivables	**6,696,546**	3,096,476	**6,521,240**	2,952,529
Deferred tax asset	**787,213**	(1,238,506)	**724,952**	(1,256,860)
Increase/(Decrease) in Liabilities				
Creditors & accruals	**9,937,325**	(5,695,028)	**10,372,514**	(1,179,744)
Deferred tax payable	**(704,568)**	165,359	**(381,716)**	165,359
Income tax payable	**(106,491)**	(313,659)	**(106,491)**	(163,945)
Employee entitlement provisions	**(15,979)**	343,752	**(15,979)**	343,752
Other provisions	**(1,737,277)**	–	**(35,820)**	–
Reserves	**755,980**	–	**363,795**	–
Net cash flows from operating activities	**30,349,070**	12,480,675	**31,600,029**	15,805,319

Cash flows arising from the following activities are presented on a net basis:

- Deposits to and withdrawals from customer deposit accounts.
- Advances and repayments on loans, advances and other receivables.
- Sales and purchases of investment securities.
- Insurance and reinsurance premiums.
- (Profit)/Loss on disposal of fixed assets.

NOTE 25 EXPENDITURE COMMITMENTS

	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Capital expenditure commitments				
Capital expenditure contracted for within one year	**1,190,694**	920,000	**1,190,694**	920,000
Lease expenditure commitments				
Non-cancellable operating leases				
Up to 1 year	**2,269,360**	2,534,364	**2,269,360**	2,534,364
From 1 to 2 years	**1,573,246**	2,014,140	**1,573,246**	2,014,140
From 2 to 5 years	**1,697,156**	2,337,185	**1,697,156**	2,337,185
Later than 5 years	**145,552**	–	**145,552**	–
	5,685,314	6,885,689	**5,685,314**	6,885,689

NOTE 26 EMPLOYEE ENTITLEMENTS

The aggregate employment entitlement liability is comprised of:

	Notes	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Provisions	19	**2,647,021**	2,663,000	**2,647,021**	2,663,000

NOTE 27 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

	Consolidated 2015 $	Consolidated 2014 $	Chief entity 2015 $	Chief entity 2014 $
Approved but undrawn loans	**66,969,048**	76,036,526	**66,969,048**	76,036,526
Approved but undrawn credit limits	**92,350,042**	92,740,504	**92,350,042**	92,740,504
Bank guarantees	**364,316**	258,469	**364,316**	258,469
	159,683,406	169,035,499	**159,683,406**	169,035,499

NOTE 28 EARNINGS PER SHARE

	Consolidated 2015 Cents	Consolidated 2014 Cents
Basic earnings per share (cents per share)	**36.07**	38.75
Diluted earnings per share (cents per share)	**36.07**	38.75

As shares held in the share based payments reserve would be antidilutive, they have been excluded from the calculation of diluted earnings per share.

Information relating to the calculation of the earnings per share is as follows:	Basic 2015 $	Basic 2014 $	Diluted 2015 $	Diluted 2014 $
Calculation of numerator				
Net profit attributable to shareholders	**13,261,993**	14,062,638	**13,261,993**	14,062,638
Less dividends paid on preference shares	**–**	–	**–**	–
Numerator	**13,261,993**	14,062,638	**13,261,993**	14,062,638
Weighted average number of shares				
Ordinary shares	**36,768,376**	36,293,202	**36,788,376**	36,293,202
Potential ordinary shares	**–**	–	**–**	–
Total weighted average ordinary shares	**36,768,376**	36,293,202	**36,788,376**	36,293,202

NOTE 29 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

The following were key management personnel for the entire reporting period unless otherwise stated.

(i) Directors

JS Humphrey	Chairman – Non-Executive Director
MJ Barrett	Managing Director
PJ Sawyer	Director – Non-Executive (retired 17 March 2015)
B Dangerfield	Director – Non-Executive
GN Kenny	Director – Non-Executive
SC Birkensleigh	Director – Non-Executive (appointed 2 February 2015)

(ii) Executives

WR Schafer	Chief Financial Officer, Company Secretary
CA Lonergan	Chief Risk Officer
SM Caville	Chief Information Officer
MS Rasmussen	Chief Operating Officer (appointed 29 January 2015) previously General Manager Business Banking and Operations
CM Nevis	General Manager Third Party & Business Banking
AJ McArdle	General Manager Sales & Distribution

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.

(b) Key management personnel compensation

	Consolidated		Chief entity	
Remuneration for the year ended 30 June 2015	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Short term benefits				
Cash and salary fees	**2,075,144**	1,946,162	**2,075,144**	1,946,162
Cash bonus	**37,500**	125,000	**37,500**	125,000
Non-monetary	**–**	–	**–**	–
Post employment benefits				
Superannuation	**158,295**	141,844	**158,295**	141,844
Retirement benefits	**–**	–	**–**	–
Termination benefits	**–**	–	**–**	–
Share based payments	**37,500**	–	**37,500**	–
Other long term benefits	**39,642**	28,035	**39,642**	28,035
	2,348,081	2,241,041	**2,348,081**	2,241,041

Remuneration is calculated based on the period each employee was classified as key management personnel.

(c) Other transactions with key management personnel

There were no other transactions in which key management personnel provided services to the company.

NOTE 30 REMUNERATION OF AUDITORS

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Amounts received or due and receivable by the auditors of the chief entity, Deloitte Touche Tohmatsu, are as follows:				
Audit and review of financial statements of the entity and any other entity in the economic entity	**272,470**	–	**272,470**	–
Other assurance services	**16,414**	–	**16,414**	–
	288,884	–	**288,884**	–
Amounts received or due and receivable by the previous auditors of the chief entity, Bentleys Brisbane Partnership, are as follows:				
Audit and review of financial statements of the entity and any other entity in the economic entity	**47,797**	224,768	**47,797**	224,768
Tax returns (including subsidiaries)	**24,741**	16,589	**24,741**	16,589
Other assurance services	**6,753**	68,090	**6,753**	68,090
Other services	**1,883**	17,903	**1,883**	17,903
Accrual adjustment	**–**	(5,726)	**–**	(5,726)
	81,174	321,624	**81,174**	321,624
Amounts received or due and receivable by the auditors of Mortgage Risk Management Pty Ltd, KPMG, are as follows:				
Audit and review of the financial statements of the entity	**22,600**	22,600	**–**	–
Other regulatory audit services (APRA Return)	**11,300**	11,300	**–**	–
	33,900	33,900	**–**	–
KPMG related practices:				
Other regulatory services	**41,000**	21,000	**–**	–
	41,000	21,000	**–**	–
Total auditors' remuneration	**444,958**	376,524	**370,058**	321,624

NOTE 31 EVENTS SUBSEQUENT TO BALANCE DATE

The financial statements were authorised for issue by the Directors on the date the Directors' declaration was signed.

Mortgage Risk Management Pty Ltd (MRM)

The Board announced on 13 August 2015 the effective date of 30 September 2015 to wind up the captive lenders' mortgage insurance subsidiary, MRM.

The credit risk and provisions will be transferred to the balance sheet of the chief entity.

The wind up will release up to $10m of tier 1 capital which is currently invested in MRM.

Land and buildings – Victoria Street, Mackay

A conditional contract for the sale of the property at Victoria Street, Mackay was entered into on 31st July 2015 in the amount of $2.35m.

NOTE 32 BUSINESS AND GEOGRAPHICAL 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.

NOTE 33 CONCENTRATION OF ASSETS AND LIABILITIES AND OFF BALANCE SHEET ITEMS

The Directors are satisfied that there is no undue concentration of risk by way of geographical area, customer group or industry group.

NOTE 34 FAIR VALUE MEASUREMENTS

The economic entity measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Financial assets held for sale
- Available-for-sale financial assets
- Freehold land and buildings
- Investments in floating rate notes

The economic entity does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that is significant to the measurement, and can be categorised 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.

Level 3

Measurements 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.

(b) Valuation techniques

The economic entity 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.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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 economic entity gives priority 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.

The following tables provide the fair values of the economic entity's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Consolidated entity – at 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	190,934,302	–	–	190,934,302
Financial assets held at amortised cost:				
Notes – securitisation program	–	47,345,388	–	47,345,388
Loans and advances	–	–	2,339,227,326	2,339,227,326
Financial assets at fair value through profit or loss:				
Investment in floating rate notes	–	3,110,462	–	3,110,462
Financial assets available for sale:				
RMBS investments	–	3,516,198	–	3,516,198
Total	190,934,302	53,972,048	2,339,227,326	2,584,133,676
Non-financial assets				
Freehold land and buildings	–	–	11,367,395	11,367,395
Total	–	–	11,367,395	11,367,395
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	–	–	1,845,882,158	1,845,882,158
Securitised loans	–	605,569,536	–	605,569,536
Total	–	605,569,536	1,845,882,158	2,451,451,694

Chief entity – at 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	190,934,302	–	–	190,934,302
Financial assets held at amortised cost:				
Notes – securitisation program	–	47,345,388	–	47,345,388
Loans and advances	–	–	2,339,227,326	2,339,227,326
Financial assets at fair value through profit or loss:				
Shares in unlisted companies	–	–	15,653,663	15,653,663
Financial assets available for sale:				
RMBS investments	–	3,516,198	–	3,516,198
Total	190,934,302	50,861,586	2,354,880,989	2,596,676,877
Non-financial assets				
Freehold land and buildings	–	–	9,120,631	9,120,631
Total	–	–	9,120,631	9,120,631
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	–	–	1,872,122,826	1,872,122,826
Securitised loans	–	605,569,536	–	605,569,536
Total	–	605,569,536	1,872,122,826	2,477,692,362

NOTE 34 FAIR VALUE MEASUREMENTS CONTINUED

(b) Valuation techniques continued

Consolidated entity – at 30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	172,145,269	–	–	172,145,269
Financial assets held at amortised cost:				
Notes – securitisation program	–	65,374,227	–	65,374,227
Loans and advances	–	–	2,233,714,347	2,233,714,347
Financial assets at fair value through profit or loss:				
Investment in floating rate notes	–	5,491,297	–	5,491,297
Financial assets available for sale:				
RMBS investments	–	5,106,919	–	5,106,919
Total	172,145,269	75,972,443	2,233,714,347	2,481,832,059
Non-financial assets				
Freehold land and buildings	–	–	12,705,290	12,705,290
Total	–	–	12,705,290	12,705,290
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	–	–	1,738,210,118	1,738,210,118
Securitised loans	–	636,212,997	–	636,212,997
Total	–	636,212,997	1,738,210,118	2,374,423,115

Chief entity – at 30 June 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	172,145,269	–	–	172,145,269
Financial assets held at amortised cost:				
Notes – securitisation program	–	65,374,227	–	65,374,227
Loans and advances	–	–	2,233,714,347	2,233,714,347
Financial assets at fair value through profit or loss:				
Shares in unlisted companies	–	–	15,596,450	15,596,450
Financial assets available for sale:				
RMBS investments	–	5,106,919	–	5,106,919
Total	172,145,269	70,481,146	2,249,310,797	2,491,937,212
Non-financial assets				
Freehold land and buildings	–	–	9,322,900	9,322,900
Total	–	–	9,322,900	9,322,900
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	–	–	1,755,095,906	1,755,095,906
Securitised loans	–	636,212,997	–	636,212,997
Total	–	636,212,997	1,755,095,906	2,391,308,903

(c) Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value Consolidated $ Jun 15	$ Jun 14	Valuation technique(s)	Inputs used
Financial assets available for sale				
RMBS investments	3,516,198	5,106,919	Mark to market value	Consideration, maturity and interest rates
Financial assets at fair value through profit or loss				
Investment in floating rate notes	3,110,462	5,491,297	Mark to market value	Consideration, maturity and interest rates
	6,626,660	10,598,216		

There were no changes during the period in the valuation techniques used by the economic entity to determine Level 2 fair values.

(d) Valuation techniques and inputs used to measure Level 3 fair values

Description	Fair value $ Jun 15	$ Jun 14	Valuation technique(s)	Inputs used
Freehold land and buildings	11,367,395	12,705,290	Market approach using recent observable market data, income approach using discounted cash flow methodology	Rentals for the property, capitalisation rate, value of similar properties
Shares in unlisted companies	15,653,663	15,596,450	Market approach using recent observable market data, income approach using discounted cash flow methodology	Cost value, net present value of future cash flows (see note 11)
	27,021,058	28,301,740		

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and when appropriate, update the fair value measurement to reflect current market conditions.

(e) Reconciliation of Level 3 fair value measurements

	Shares in unlisted companies		Freehold land and buildings	
	2015 $	2014 $	2015 $	2014 $
Opening balance	**15,596,450**	15,925,577	**12,705,290**	12,940,200
Total gains or losses:				
– in profit or loss	**–**	–	**(528,013)**	(239,800)
– in other comprehensive income	**–**	–	**(809,882)**	–
Purchases	**58,374**	–	**–**	4,890
Disposals	**(1,161)**	(329,127)	**–**	–
Closing balance	**15,653,663**	15,596,450	**11,367,395**	12,705,290

NOTE 35 FINANCIAL INSTRUMENTS

Auswide Bank Ltd has exposure to the following risks from its use of financial instruments:

- Capital risk
- Market risk
- Liquidity risk
- Credit risk

(a) Capital risk management

The Board and Management of Auswide Bank Ltd are responsible for instituting a risk management framework and processes to diminish such risks to prudent levels. The Board has established the following committees with responsibilities to develop and monitor risk management frameworks within their relevant areas: the Risk Committee; the Asset and Liability Management Committee and the Audit Committee.

The Risk Committee is responsible for constructing and reviewing Auswide Bank Ltd's risk management policies and procedures and appraising the adequacy of the risk management framework. The Asset and Liability Management Committee is responsible for the analysis and management of interest rate risk. Conversely, the Audit Committee is responsible for providing an impartial review of internal and external audit and of Auswide Bank Ltd's:

- Statutory reporting;
- Prudential Australian Prudential Regulation Authority reporting;
- Other financial reporting; and
- Compliance with laws and regulations.

The Australian Prudential Regulation Authority's (APRA's) Prudential Standard *APS 110 Capital Adequacy* aims to ensure the Authorised Deposit-taking Institutions (ADIs) 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 consolidated entity 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's targets. The Board's target is for the capital adequacy ratio to be maintained above 13%. During the 2015 and 2014 financial years the capital adequacy ratios of both the consolidated and chief entities were maintained above the target ratio.

The capital adequacy calculations at 30 June 2015 and 30 June 2014 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 chief entity and consolidated basis are set out below:

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
Total risk weighted assets	**1,033,792,787**	1,063,422,672	**1,031,499,262**	1,060,944,227
Capital base	**156,652,308**	151,960,540	**154,647,013**	149,543,312
Risk-based capital ratio	**15.15%**	14.29%	**14.99%**	14.10%

(b) 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.

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 Rate Sensitive Asset and Liability Gap Analysis Report (the 'Gap Analysis Report'). The ALCO's function and role are:

(i) to review and analyse the interest rate exposures (as set out in the 'Gap Analysis Report') in the context of current wholesale interest rate settings;

(ii) to compare the interest rate exposures set out in the Gap Analysis Report against the limits prescribed under Auswide Bank's Interest Rate Risk Policy limits;

(iii) to ascertain whether the risks manifested in the Gap Analysis Report are appropriate given the committee's view on interest rates;

(iv) to review and analyse:
- The maturity profile of cash flow as produced through the Gap Analysis Report;
- The concentration in sources and application of funds;
- The ability to borrow in various markets;
- The potential sources of volatility in assets and liabilities;
- The impact of market/ operational disruption on cash flow and on customers; and
- The ability to undertake asset sales.

At the reporting date, if interest rates had been 2.0% higher or lower and all other variables were held constant, the group's net profit would decrease by $10,060,065 or increase by $9,782,054 (2014: decrease by $2,826,434 or increase by $2,826,434). This is mainly due to the company's exposures to fixed and variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from the Gap Analysis Report which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities. The parameters used were consistent with those adopted for the prior period.

(c) Liquidity risk management

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

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

An additional reserve equivalent to a minimum of 8% 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).

NOTE 35 FINANCIAL INSTRUMENTS CONTINUED

(c) Liquidity risk management continued

The undrawn limits on the securitisation warehouses were as follows:

Securitisation trust	2015 $	2014 $
WB Trust No. 3	–	50,596,703
WB Trust No. 5	81,553,957	–
WB Trust No. 6	30,605,288	40,544,808
Total	112,159,245	91,141,511
Maturity analysis		
Up to 1 year	112,159,245	91,141,511

The maturity analysis for the respective groups of financial assets and liabilities have been included in the notes to the financial statements.

(d) Credit risk management

Under the direction of the Board of Directors, management has developed risk management policies and procedures to establish and monitor the credit risk of the 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 is minimised by the availability and application of insurances including lenders' mortgage insurance, title insurance, property insurance, mortgage protection insurance and consumer credit insurance. Credit risk in the loan portfolio is managed by protecting all loans in excess of 80% LVR with either one of the recognised mortgage insurers or through the company's wholly owned subsidiary Mortgage Risk Management Pty Ltd, an approved lenders' mortgage insurer, and by securing the loans by first mortgages of residential property.

The company has a diversified Branch Network consisting of 32 branches and agencies across Queensland, and a business centre in Toowong, Brisbane, which conducts the company's Third Party and 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 and ensure credit procedures are adhered to on a timely and accurate basis.

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. 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 cover the risk exposure.

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

	Consolidated		Chief entity	
	2015 $	2014 $	2015 $	2014 $
30 days and less than 60 days	**7,125,543**	15,481,298	**7,125,543**	15,481,298
60 days and less than 90 days	**3,215,709**	7,262,763	**3,215,709**	7,262,763
90 days and less than 182 days	**3,178,019**	9,587,526	**3,178,019**	9,587,526
182 days and less than 273 days	**1,670,694**	1,830,451	**1,670,694**	1,830,451
273 days and less than 365 days	**2,463,633**	4,692,619	**2,463,633**	4,692,619
365 days and over	**4,652,942**	4,136,824	**4,652,942**	4,136,824
	22,306,540	42,991,481	**22,306,540**	42,991,481

As at 30 June 2015 there were 13 loans totalling $3,903,233 (30 June 2014: 15 loans totalling $4,199,640) on which interest was not being accrued due to impairment.

Concentration of credit risk

The company 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.

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

	2015 %	2014 %
Queensland	**83.8**	86.8
New South Wales	**8.0**	6.2
Victoria	**5.9**	5.6
South Australia	**0.9**	0.7
Western Australia	**1.2**	0.6
Tasmania	**0.1**	0.1
Northern Territory	**0.1**	-
	100.0	100.0

Counterparty risk

As part of Auswide Bank Ltd's investment policy individual counterparties need to have the appropriate investment grading and are monitored in respect of their credit rating. Further, limits are placed on the amount of funds which may be placed with institutions with certain credit ratings.

NOTE 35 FINANCIAL INSTRUMENTS
CONTINUED

(e) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instruments	Notes to accounts	Accounting policies	Terms and conditions
FINANCIAL ASSETS			
Short term deposits	6,7	Short term deposits are stated at amortised cost. Interest is recognised when earned.	Short term deposits have an effective interest rate of 2.53% (2014 – 2.89%)
Accrued receivables	8	Amounts receivable are recorded at their recoverable amount.	
Bills of exchange and promissory notes	9	Bills of exchange and promissory notes are stated at amortised cost.	Bills of exchange and promissory notes have an effective interest rate of 0% (not applicable for 2015) (2014 – 2.81%)
Certificates of deposit	9	Certificates of deposit are carried at amortised cost. Interest revenue is recognised when earned.	Certificates of deposit have an effective interest rate of 3.01% (2014 – 2.92%)
Notes	9	Notes are carried at amortised cost.	These notes are an overcover required as part of the securitisation of loans. They have an effective interest rate of 3.13% (2014 – 4.32%)
RMBS investments	9	RMBS investments are recorded at fair value through the Available for Sale Reserve.	
Mortgage Risk Management Pty Ltd investments	9	Investments held by Mortgage Risk Management Pty Ltd are recorded at fair value through profit or loss.	
Loans and advances	10	Loan interest is calculated on the closing daily outstanding balance and is charged in arrears to the customer's account on a monthly basis. Loans and advances are recorded at amortised cost.	New mortgage loans approved with an LVR in excess of 80% will be insured under an arrangement with QBE, and are secured by first mortgage over residential property. Personal loans are approved on both a secured and unsecured basis and are not insured. Loans made for the purchase of staff shares are secured by the shares themselves. Certain of the company's loans have been securitised and continue to be managed by the company. Further details are disclosed in note 10. The securitisation notes have a maturity period of greater than 30 years. The securitisation notes are eligible for repayment once the balance of the trust falls below 10% of the invested amount. Interest paid to the note holders is repriced on a monthly basis at a set margin above BBSW.

Recognised financial instruments	Notes to accounts	Accounting policies	Terms and conditions
FINANCIAL LIABILITIES			
Deposits	16	Deposits are recorded at the principal amount. Interest is brought to account on an accrual basis.	Details of maturity of the deposits are set out in note 16. Interest is calculated on the daily balance.
Payables and other liabilities	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms.
Dividends payable	5	Dividends payable are recognised when declared by the company.	Details of the final dividend declared by the company for the financial year ended 30 June 2015 are disclosed in note 5.
Subordinated capital notes	20	The subordinated capital notes are inscribed debenture stock.	These notes are issued for an initial period of 5 years and thereafter can be redeemed on an annual basis until the final redemption date of 10 years. Interest is repriced quarterly at a set margin above BBSW.

(f) Derivatives

Each of the securitisation trusts has an Interest Rate Swap in place to hedge against fixed rate loans held in the trust. The mark-to-market values at the end of the year were as follows:

	2015 $	2014 $
WB Trust No.3	**–**	359,400
WB Trust No.5	**–**	–
WB Trust No.6	**–**	–
WB Trust 2006-1	**63,857**	65,200
WB Trust 2008-1	**784,428**	619,400
WB Trust 2009-1	**135,235**	122,600
WB Trust 2010-1	**38,985**	28,600
WB Trust 2014-1	**256,057**	–

NOTE 35 FINANCIAL INSTRUMENTS
CONTINUED

(g) Interest rate risk

The economic entity'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:

	Floating interest rate		Fixed interest rate maturing in: 1 Year or less		From 1 to 5 years		Non interest bearing		Total carrying amount per balance sheet		Weighted average effective interest rate	
Financial instruments	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	**49,265,928**	59,997,391	**–**	–	**–**	–	**2,229,493**	3,606,910	**51,495,421**	63,604,301	**2.56**	2.73
Due from other financial institutions	**9,120,436**	10,191,421	**–**	–	**–**	–	**95,000**	95,000	**9,215,436**	10,286,421	**2.26**	2.31
Accrued receivables	**–**	–	**–**	–	**–**	–	**5,892,559**	11,635,359	**5,892,559**	11,635,359	**–**	–
Financial assets	**22,490,711**	20,192,160	**194,450,500**	177,252,188	**27,965,139**	50,673,363	**–**	–	**244,906,350**	248,117,712	**3.02**	3.21
Loans and advances	**1,763,308,322**	1,730,003,221	**218,272,335**	205,326,337	**350,260,759**	292,137,242	**–**	–	**2,331,841,416**	2,226,401,338	**5.21**	5.65
Other investments	**–**	–	**–**	–	**–**	–	**434,339**	376,185	**434,339**	376,185	**–**	–
Other assets	**–**	–	**–**	–	**–**	–	**8,559,071**	8,929,299	**8,559,071**	8,929,299	**–**	–
Total financial assets	**1,844,185,397**	1,820,384,193	**412,722,835**	382,578,525	**378,225,898**	342,810,605	**17,210,462**	24,642,753	**2,652,344,592**	2,569,350,615		
Financial liabilities												
Deposits and short term borrowings	**517,305,301**	471,426,192	**1,255,822,232**	1,216,995,234	**78,944,162**	55,391,005	**–**	–	**1,852,071,695**	1,743,812,432	**2.86**	3.29
Payables and other liabilities	**–**	–	**–**	–	**–**	–	**24,581,026**	21,109,506	**24,581,026**	21,109,506	**–**	–
Securitised loans	**456,477,996**	492,744,533	**56,505,443**	58,481,642	**90,674,063**	83,207,376	**–**	–	**603,657,502**	634,130,085	**3.74**	3.73
Provisions	**–**	–	**–**	–	**–**	–	**7,159,978**	8,897,253	**7,159,978**	8,897,253	**–**	–
Subordinated capital notes	**–**	–	**28,000,000**	28,000,000	**–**	–	**–**	–	**28,000,000**	28,000,000	**6.97**	10.08
Total financial liabilities	**973,783,297**	964,170,725	**1,340,327,675**	1,303,476,876	**169,618,225**	138,598,381	**31,741,004**	30,006,759	**2,515,470,201**	2,435,949,276		

(h) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	Total carrying amount per balance sheet		Aggregate net fair value	
	2015 $	2014 $	2015 $	2014 $
Financial assets				
Cash and cash equivalents	**51,495,421**	63,604,301	**51,495,421**	63,604,301
Due from other financial institutions	**9,215,436**	10,286,421	**9,215,436**	10,286,421
Accrued receivables	**5,892,559**	11,635,359	**5,892,559**	11,635,359
Financial assets	**244,906,350**	248,117,712	**246,199,874**	249,410,962
Loans and advances	**2,331,841,416**	2,226,401,338	**2,339,227,326**	2,233,714,347
Other investments	**434,339**	376,185	**434,339**	376,185
Other assets	**8,559,071**	8,929,299	**8,559,071**	8,929,299
Total financial assets	**2,652,344,592**	2,569,350,615	**2,661,024,026**	2,577,956,874
Financial liabilities				
Deposits and short term borrowings	**1,852,071,695**	1,743,812,432	**1,845,882,158**	1,738,210,118
Payables and other liabilities	**24,581,026**	21,109,506	**24,581,026**	21,109,506
Securitised loans	**603,657,502**	634,130,085	**605,569,536**	636,212,997
Provisions	**7,159,978**	8,897,253	**7,159,978**	8,897,253
Subordinated capital notes	**28,000,000**	28,000,000	**28,000,000**	28,000,000
Total financial liabilities	**2,515,470,201**	2,435,949,276	**2,511,192,698**	2,432,429,874

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalents

The carrying amount approximates fair value because these assets are receivable on demand or have a short term to maturity.

Due from other financial institutions

The fair values of amounts due from other financial institutions are estimated using discounted cash flow analysis, based on current lending rates for similar types of investments. The carrying amount approximates fair value.

Accrued receivables

The carrying amount approximates fair value as they are short term in nature.

Financial assets

For the financial instruments traded in organised financial markets, fair value is the current quoted market price adjusted for any realisation costs.

Loans and advances

The fair values of loans receivable are estimated using discounted cash flow analysis, based on current lending rates for similar types of loans.

Other investments

The carrying amount for other investments is considered to be the reasonable estimate of net fair value.

Other assets

The carrying amount for these prepaid fees and expenses is considered to be the reasonable estimate of net fair value.

Deposits and short term borrowings

The fair values of deposits are estimated using discounted cash flow analysis, based on current lending rates for similar types of deposits.

Due to other financial institutions

The fair values of these liabilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements.

Payables and other liabilities

This includes interest payable and trade payables for which the carrying amount is considered to be a reasonable estimate of net 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 liability.

Securitised loans

The fair values of securitised loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of loans.

Provisions

The carrying amount approximates fair value.

Subordinated capital notes

The carrying amount approximates fair value.

DIRECTORS' DECLARATION
30 JUNE 2015

In the opinion of the Directors of Auswide Bank Ltd ('the company'):

(a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2015 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretation) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;

(c) there are reasonable grounds to believe that the company 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 2015.

Signed in accordance with a resolution of the Directors.

JS Humphrey
Director

SC Birkensleigh
Director

Brisbane
28 August 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Level 25
123 Eagle Street
Brisbane QLD 4000
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Independent Auditor's Report to the Members of Auswide Bank Ltd

Report on the Financial Report

We have audited the accompanying financial report of Auswide Bank Ltd which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Auswide Bank Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2015. The directors of the company 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.

Opinion

In our opinion the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie Gatt

Jamie C.J. Gatt
Partner
Chartered Accountants
Brisbane, Queensland
28 August 2015

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 Standard *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 otherwise be 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 the External Audit Partners' 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.

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

REGISTERED OFFICE

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

Level 5
16-20 Barolin Street
Bundaberg QLD 4670

Ph	07 4150 4000
Fax	07 4152 3566
Email	auswide@auswidebank.com.au
Website	**www.auswidebank.com.au**

SECRETARY

The Secretary is Mr William (Bill) Ray Schafer.

AUDITOR

The principal auditors are:

Deloitte Touche Tohmatsu
Riverside Centre
Level 25
123 Eagle Street
Brisbane QLD 4000

Ph	07 3308 7000
Fax	07 3308 7001
Website	**www.deloitte.com.au**

2015 ANNUAL GENERAL MEETING

The 2015 Annual General Meeting is to be held on **Wednesday 18 November 2015** at **11.00am** EST at Auswide Bank Ltd, Level 3, 16-20 Barolin Street, Bundaberg, Queensland.

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	**18 November 2015**
Full year results and final dividend announcement	***28 August 2015***
Ex dividend date	9 September 2015
Record date	11 September 2015
Dividend payment	2 October 2015
Half-year results and interim dividend announcement	***18 February 2015***
Ex dividend date	4 March 2015
Record date	6 March 2015
Participation in DRP (final date for receipt of application)	9 March 2015
Dividend payment	27 March 2015

SECURITIES INFORMATION

SHARE REGISTER

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

Computershare Investor Services
Pty Limited
117 Victoria Street,
West End QLD 4101.

Ph	1300 552 270
Fax	(07) 3237 2152
Online Contact	www-au.computershare.com/Investor/Contact
Website	**www.computershare.com.au**

ISSUED SHARES

The Company's securities listed on the Australian Securities Exchange (ASX) as at 16 September 2015 are:

CLASS OF SECURITY	ASX CODE	NUMBER
Permanent Ordinary Shares	ABA	37,040,654

DISTRIBUTION OF SHAREHOLDINGS

Permanent Ordinary Shares

16 September 2015

Range	No. of Shareholders
1 – 1,000	1,300
1,001 – 5,000	1,922
5,001 – 10,000	608
10,001 – 100,000	508
100,001 – OVER	53
TOTAL NUMBER OF SHAREHOLDERS	**4,391**

TOP 20 SHAREHOLDERS

Permanent Ordinary Shares

16 September 2015

	Name	No. of Shares	%
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,122,832	3.03
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	904,465	2.44
3.	NATIONAL NOMINEES LIMITED	827,884	2.24
4.	HANCOCK, RE & LP	814,738	2.20
5.	HANCOCK, RE	677,241	1.83
6.	CITICORP NOMINEES PTY LIMITED	663,375	1.79
7.	MILTON CORPORATION LIMITED	433,570	1.17
8.	SAWYER, K	432,719	1.17
9.	SAWYER, PJ ATF THE PETER SAWYER FAMILY A/C	408,486	1.10
10.	CHANTILLY ONE PTY LTD ATF RG SPRAKE & CO S/F A/C	402,577	1.09
11.	COCKERILL, GD & DM ATF GRAHAM COCKERILL S/F A/C	383,546	1.04
12.	OLSEN, N	330,520	0.89
13.	HANCOCK, RE & LP ATF THE HANCOCK FAMILY A/C	320,000	0.86
14.	HESTEARN PTY LTD	308,543	0.83
15.	WEALTHCOACH PTY LTD ATF SUNRISE A/C	285,236	0.77
16.	MERTAN PTY LTD	275,973	0.75
17.	CRAN, D	264,074	0.71
18.	DRENWOOD PTY LTD	258,985	0.70
19.	KENNEDY, JW & GJ	245,100	0.66
20.	LOHSE HOLDINGS PTY LTD ATF PETER LOHSE SUPER FUND A/C	238,893	0.64
	Top 20 Permanent Shareholders	**9,598,757**	**25.91**

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders recorded the following substantial shareholders' interests:

Permanent Ordinary Shares

16 September 2015

	No. of Shares	% of Total
Hancock, RE (associated entities & associates)	2,174,188	5.87

ON-MARKET BUYBACK

There is no on-market buy back.

DIVIDEND REINVESTMENT PLAN

The Board of Directors resolved to suspend the dividend reinvestment plan for the final dividend for the half year ended 30 June 2015, due to the strength of the capital position.

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 on-line at **www.auswidebankltd.com.au** under the Shareholders' section.
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 on-line or electing to receive a printed Annual Report by mail. To change your Annual Report elections on-line 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.

Not all terms may have been used in the Annual Report and Financial Statements.

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 per cent 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 the tax that will need to be paid factored in.
Net Tangible Asset Backing per Share	An indication of a 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.
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 Cash 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 Financial Services &
Australian Credit Licence 239686

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