

Appendix 4D

Half year report

Period ending 31 December 2015

Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Half Year Ended	31 December 2015
Previous Corresponding Reporting Period	6 months to 31 December 2014

Results for announcement to the market

				\$A'000
Income from operations	Up	3.41%	to	31,469
Profit from ordinary activities after tax attributable to members	Down	6.67%	to	6,063
Net profit for the period attributable to members	Down	6.67%	to	6,063

Auswide Bank Ltd profit attributable to owners of the parent entity

Auswide Bank Ltd's total operating income for the half-year to 31 December 2015 increased to \$31.469m compared to \$30.432m for the corresponding period, an increase of 3.41%.

After adjusting the statutory consolidated net profit after tax for the effects of non-recurring items, the underlying cash profit for the group was \$6.782m for the half-year to 31 December 2015 compared to \$6.495m in the prior corresponding period, an increase of 4.40%.

The statutory consolidated net profit after tax attributable to owners of the company for the half-year to 31 December 2015 was \$6.063m. This represents a 6.67% decrease from \$6.495m in the prior corresponding period.

The company's NIM improved 2 points compared to the half-year ended 31 December 2014 from 1.81% to 1.83%. Despite continued competition in the loan market, the NIM saw some improvement as a result of turnover and easing in the term deposit rates, with retail deposits comprising the major source of funding for the company. The NIM also increased as a result of a 17 point lift in rates for investor loans in September 2015 and a 15 point rate increase in variable rate loans in November 2015. The half-year NIM of 1.83% has increased from the reported NIM of 1.79% for the year ended 30 June 2015.

Net interest for the half year increased by 2.65% compared to the corresponding half-year to 31 December 2014, from \$25.856m to \$26.542m.

Non-recurring expenses brought to account

The decrease in statutory after tax profit was due to \$1.027m (\$719,000 after tax) of non-recurring expense items brought to account in the half year to 31 December 2015. Auswide has undertaken a branch rationalisation program across the half-year with costs attributable to lease payouts, make-good of premises, write-off of assets and redundancy payments. The total costs incurred to close six branches and combine two branches into a single outlet were \$682,000. It is estimated that the branch rationalisation will reduce overheads by \$525,000 in the second half of the financial year.

In addition, there were one-off expenses attributable to merger & acquisition projects totaling \$267,000. The costs relating to the final write-off of signage assets for the rebranding of the bank to 'Auswide' were \$78,000.

Loan book growth

The loan book recorded growth on an annualised basis of 9.05% across the half-year, increasing from \$2.330 billion at 30 June 2015 to \$2.436 billion at 31 December 2015.

Mortgage Risk Management Pty Ltd (MRM)

MRM's contribution to the consolidated operating profit after tax for the half-year to 31 December 2015 was a loss of \$0.603m, which resulted from the write-off of LMI claims to expenses. However, there was an offsetting reduction in the provision for doubtful debts in the parent entity to correctly account for the transfer of risk and provisions on the effective wind-up of MRM.

Dividends (distributions) - Ordinary shares	Amount per security	Franked amount per security
Final dividend (30 June 2015) - paid 02 October 2015	16.0c	16.0c
Interim dividend (31 December 2015)	14.0c	14.0c
The record date for determining entitlements to the dividends	7 March 2016	

Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	\$ 4.27	\$ 4.24

Details of associates and joint venture entities

Controlled entities	Country of incorporation	% Holding		Contribution to consolidated operating profit after income tax	
		Current period	Previous corresponding period	Current period	Previous corresponding period
				\$A'000	\$A'000
Mortgage Risk Management Pty Ltd	Australia	100	100	(603)	4
Wide Bay Australia Mini Lease Pty Ltd	Australia	-	51	-	(2)
Mackay Permanent Building Society Ltd	Australia	100	100	-	-
MPBS Insurance Pty Ltd	Australia	100	100	-	-
MPBS Holdings Pty Ltd	Australia	100	100	17	164
F.I. Software Solutions Pty Ltd	Australia	100	100	-	-
Auswide Performance Rights Pty Ltd	Australia	100	100	-	-

Dividends

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

Interim dividends on all securities		Current period \$A'000	Previous corresponding period \$A'000
Ordinary securities Interim dividend payable 30 March 2016 - previous period paid 27 March 2015		5,200	5,152
Total		5,200	5,152

DIVIDEND REINVESTMENT PLAN

The Board of Directors resolved to reintroduce the dividend reinvestment plan for the interim dividend for the half year ended 31 December 2015.

The choices are for Full Participation where the dividend on all fully paid shares or contributing shares held is reinvested in new shares, or Partial Participation where the dividend on a specified number of shares is reinvested in new shares.

To participate in the plan, shareholders must complete the Application Form and lodge the form with the Company's Share Registry. Full terms and conditions of the dividend reinvestment plan and the application form will be forwarded to shareholders by the Company's Share Registry.

Ranking for dividend

Shares issued under the plan will rank equally in every respect with existing fully paid permanent ordinary shares and will participate in all cash dividends declared after the date of issue.

Issue price of the new shares

The shares issued under the Plan in respect of the final dividend for the current year will be issued at a discount of 2.5% on the weighted average sale price of the Company's shares sold during the five trading days immediately following the Record Date.

The final date for the receipt of the application form for participation in the dividend reinvestment plan is 8 March 2016.

Auswide Bank Ltd

ABN 40 087 652 060

**Interim report
for the half-year 31 December 2015**

Auswide Bank Ltd ABN 40 087 652 060
Interim report - 31 December 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' statutory report

The Directors present this report on the company's consolidated accounts for the six month period ended 31 December 2015, in accordance with the provisions of the Corporations Act 2001.

DIRECTORS

The Directors in office during or since the end of the half-year period 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 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 is an Executive Director.

Mr Barry Dangerfield

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield is a Director of the Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg and is Chairman of the Institute's Audit and Risk Committee. 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 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.

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

Ms Birkenleigh was appointed to the Board on 2 February 2015. Ms Birkenleigh was previously a partner at PricewaterhouseCoopers for 16 years until 2013. During her career her predominant industry focus has been Financial Services (Banking and Wealth Management). Ms Birkenleigh has also advised on risk management in other sectors such as retail and consumer goods, retail and wholesale electricity companies, resources and the education sector. Ms Birkenleigh is currently a Non-Executive Director of five Wealth Management and Insurance subsidiaries of the National Australia Bank, a Director of four Responsible Entities within the NabWealth Group, a Director of Horizon Oil Limited, an independent member of the Audit Committee of the Reserve Bank of Australia, and a Board of Management member and Treasurer of Children's Therapy Centre. Ms Birkenleigh is the Chairperson of the Audit Committee, a member of the Group Board Remuneration Committee, a member of the Risk Committee and is an independent Director.

DIRECTORS (continued)

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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Principal activities

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

Funding for loans is raised through a combination of retail and wholesale deposits as well as through securitisation markets. On 19 August 2015 Auswide announced that it had priced its first Senior Unsecured Floating Rate Note (FRN). The ongoing issue of FRNs will provide further diversification to the funding sources of the company.

Mortgage Risk Management Pty Ltd (MRM) was Auswide Bank Ltd's wholly-owned lenders mortgage insurer, which ceased writing new business in August 2012. In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the Insurance Act 1973, to carry on insurance business in Australia, effective 17 December 2015.

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

Profitability

Auswide Bank Ltd's total operating income for the half-year to 31 December 2015 increased to \$31.469m compared to \$30.432m for the corresponding period, an increase of 3.41%.

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In addition, there were one-off expenses attributable to merger & acquisition projects totaling \$267,000. The costs relating to the final write-off of signage assets for the rebranding of the bank to 'Auswide' were \$78,000.

MRM's contribution to the consolidated operating profit after tax for the half-year to 31 December 2015 was a loss of \$0.603m, which resulted from the write-off of LMI claims to expenses. However, there was an offsetting reduction in the provision for doubtful debts in the parent entity to correctly account for the transfer of risk and provisions on the effective wind-up of MRM.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

Profitability (continued):

The loan book recorded growth on an annualised basis of 9.05% across the half-year, increasing from \$2.330 billion at 30 June 2015 to \$2.436 billion at 31 December 2015.

Financial Position

Loans approved during the half-year amounted to \$294.819m, which is a 26.03% increase over the prior corresponding period. The strong growth in loan approvals is a result of management's focus on driving sales in the both the branch network and third party sales business. Sales will remain a major focus in 2016 as further emphasis is placed on growing the loan book in the market while meeting the challenged economic environment and strong competition from the big four and regional banks.

Arrears continued to trend downwards, with total arrears past due 30 days (excluding the effects of hardship accounts) decreasing from \$22.307m at 30 June 2015 to \$20.271m at 31 December 2015. Arrears past due 30 days represented 0.83% of total loans and advances at 31 December 2015 compared to 0.96% at 30 June 2015.

Retail deposits continue to be Auswide's largest source of funding and saw growth of 0.80% in the six month period, resulting in an increase to \$1.677 billion. This result was achieved in a market where strong competition for retail deposits continues.

MPBS Holdings Pty Ltd is a wholly owned subsidiary of Auswide Bank Ltd which held the property at 73 Victoria Street, Mackay. This property was sold on 19 October 2015 for \$2.32m.

Capital Management

The group is in a strong capital position with the consolidated capital ratio at the end of December 2015 standing at 14.89%, with Tier 1 capital accounting for 12.24%. The consolidated capital ratio has decreased marginally from 15.15% at 30 June 2015.

Outlook and Strategy

Auswide will focus on better organisational alignment, resource management and leadership across the Sales and Distribution network to achieve growth targets across the second half of the financial year. Competition from the big four and regional banks is expected to challenge Auswide's growth strategies. The company will continue to offer a competitive range of residential mortgage, business banking and personal loan products to the target markets.

In accordance with the company's strategic plan, there will be ongoing investment on innovation, improving operational and technological efficiency, and expanding distribution points in the online models.

The Board of Directors will continue to review opportunities for expansion through merger & acquisition transactions, as industry consolidation continues to provide potential for capability build and cost release.

Increased efficiencies and productivity gains will continue to be targeted to offset the costs of investments in sales, IT and personnel, with a medium term goal of reducing the company's cost to income ratio.

Subsequent Events

Dividend

A final dividend in respect of the year ended 30 June 2015 of 16 cents per ordinary share (fully franked) was paid on 2 October 2015.

On 22 February 2016 the Directors of Auswide Bank Ltd declared an interim dividend of 14 cents per ordinary share (fully franked) in respect of the December 2015 half-year, payable on 30 March 2016. The amount estimated to be appropriated in relation to this dividend is \$5.200m. The dividend has not been provided for in the 31 December 2015 half-year financial statements. The Board of Directors resolved to reintroduce the dividend reinvestment plan for the interim dividend declared.

Equity stake in entity

On 16 December 2015 Auswide Bank announced it would be entering into a strategic relationship and equity investment with MoneyPlace, Australia's second fully licenced peer-to-peer (P2P) lender. The long term relationship includes a conditional five year deal to fund up to \$60m to invest in consumer loans. In addition, Auswide Bank has acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. MoneyPlace launched in October 2015 after receiving its retail and wholesale Australian Financial Services licence and provides loans of \$5,000 to \$35,000 through its P2P platform.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (continued)

Subsequent Events (continued)

Merger Implementation Arrangement

Auswide Bank and Queensland Professional Credit Union Ltd (trading as YCU - Your Credit Union) have entered into a Merger Implementation Agreement under which they have agreed to proceed with a merger proposal by way of a scheme of arrangement between YCU and its members.

The proposal is subject to the approval by YCU members, regulatory and court approvals, the independent expert concluding that the scheme is in the best interests of YCU members and other conditions customary for a public transaction of this nature (including there being no material adverse change or prescribed events in respect of either party). Because of its corporate structure, the amendment of YCU's constitution by its members is also a condition precedent to the merger.

YCU members should receive relevant documentation, including the report of an independent expert, in March 2016 with the scheme of arrangement expected to be implemented in May 2016.

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

Discontinued operations

Mortgage Risk Management Pty Ltd (MRM)

MRM has been in wind-down since ceasing to write insurance business in 2012.

On 13 August 2015 Auswide Bank announced the effective date of 30 September 2015 to wind up MRM. All risks and provisions were transferred to the Statement of Financial Position of Auswide Bank on that date. The capital invested in MRM was returned to Auswide Bank, further strengthening the capital position of the Bank.

In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the Insurance Act 1973, to carry on insurance business in Australia, effective 17 December 2015.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the half year ended 31 December 2015 has been received and been included in this financial report..

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



John Humphrey
Director

Brisbane
19 February 2016

Auswide Bank Ltd
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2015

	Notes	Consolidated 6 months to 31/12/2015 \$'000	6 months to 31/12/2014 \$'000
Interest revenue		61,208	65,613
Borrowing costs		(34,666)	(39,757)
Net interest revenue		26,542	25,856
Other non interest revenue		4,927	4,576
Total operating income		31,469	30,432
Bad and doubtful debts expense		846	(424)
Other expenses		(23,653)	(20,680)
Profit before income tax		8,662	9,328
Income tax expense		(2,599)	(2,834)
Profit for the period		6,063	6,494
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Revaluation of Cash Flow Hedge to fair value		220	(1,030)
Income tax relating to this item		(66)	309
Revaluation of RMBS investments to fair value		(49)	(6)
Income tax relating to this item		15	2
		120	(725)
Total comprehensive income for the period		6,183	5,769
Profit is attributable to:			
Owners of Auswide Bank Ltd		6,063	6,495
Non-controlling interests		-	(1)
		6,063	6,494
Total comprehensive income attributable to:			
Owners of Auswide Bank Ltd		6,183	5,770
Non-controlling interests		-	(1)
		6,183	5,769
Earnings per share		Cents	Cents
Basic earnings per share (cents per share)		16.36	17.74
Diluted earnings per share (cents per share)		16.36	17.74

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

Auswide Bank Ltd
Condensed consolidated statement of financial position
As at 31 December 2015

	Notes	Consolidated as at 31/12/2015 \$'000	as at 30/06/2015 \$'000
ASSETS			
Cash and cash equivalents		80,386	51,495
Due from other financial institutions		9,216	9,216
Accrued receivables		13,248	5,924
Financial assets		198,552	244,906
Current tax assets		(589)	256
Loans and advances		2,435,511	2,330,122
Other investments		467	395
Property, plant and equipment		17,157	17,946
Deferred income tax assets		6,423	5,904
Other assets		8,350	8,803
Goodwill		42,057	42,057
		<u>2,810,778</u>	<u>2,717,024</u>
Total assets		<u>2,810,778</u>	<u>2,717,024</u>
LIABILITIES			
Deposits and short term borrowings		1,943,194	1,852,072
Payables and other liabilities		20,077	24,581
Securitised loans		614,805	603,658
Deferred income tax liabilities		1,362	1,563
Provisions		2,609	7,160
Subordinated capital notes		28,000	28,000
		<u>2,610,047</u>	<u>2,517,034</u>
Total liabilities		<u>2,610,047</u>	<u>2,517,034</u>
Net assets		<u>200,731</u>	<u>199,990</u>
EQUITY			
Parent entity interest in equity			
Contributed equity	5	167,114	166,637
Reserves		13,386	13,817
Retained earnings		20,231	19,536
Capital and reserves attributable to owners of Auswide Bank Ltd		<u>200,731</u>	<u>199,990</u>
Total equity		<u>200,731</u>	<u>199,990</u>

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

Auswide Bank Ltd
Condensed consolidated statement of changes in equity
For the half-year 31 December 2015

Consolidated entity	Attributable to owners of Auswide Bank Ltd										
	Share Capital Ordinary \$'000	Retained Profits \$'000	Asset Revaluation Reserve \$'000	General Reserve \$'000	Statutory Reserve \$'000	Doubtful Debts Reserve \$'000	Available for Sale Reserve \$'000	Cash Flow Hedging Reserve \$'000	Share- based payments \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2014	163,551	18,015	3,418	5,834	2,676	2,388	167	-	-	(71)	195,978
Profit attributable to members of parent company	-	6,495	-	-	-	-	-	-	-	-	6,495
Profit attributable to minority shareholders	-	-	-	-	-	-	-	-	-	(1)	(1)
Decrease due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(6)	-	-	-	(6)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	2	-	-	-	2
Decrease due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	(1,030)	-	-	(1,030)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	309	-	-	309
Subtotal	-	6,495	-	-	-	-	(4)	(721)	-	(1)	5,769
Issue of share capital	1,799	-	-	-	-	-	-	-	-	-	1,799
Dividends provided for or paid - ordinary shares	-	(5,468)	-	-	-	-	-	-	-	-	(5,468)
Subtotal	1,799	(5,468)	-	-	-	-	-	-	-	-	(3,669)
Balance at 31 December 2014	165,350	19,042	3,418	5,834	2,676	2,388	163	(721)	-	(72)	198,078

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

Auswide Bank Ltd
Condensed consolidated statement of changes in equity
For the half-year 31 December 2015
(continued)

Consolidated entity	Notes	Attributable to owners of Auswide Bank Ltd									Non- controlling interests \$'000	Total equity \$'000
		Share Capital Ordinary \$'000	Retained Profits \$'000	Asset Revaluation Reserve \$'000	General Reserve \$'000	Statutory Reserve \$'000	Doubtful Debts Reserve \$'000	Available for Sale Reserve \$'000	Cash Flow Hedging Reserve \$'000	Share- based payments \$'000		
Balance at 1 July 2015		166,637	19,536	3,896	5,834	2,676	2,388	158	(1,027)	(108)	-	199,990
Profit attributable to members of parent company		-	6,063	-	-	-	-	-	-	-	-	6,063
Decrease due to sale of properties		-	-	(551)	-	-	-	-	-	-	-	(551)
Transfer to retained profits of revaluation of assets since sold		-	559	-	-	-	-	-	-	-	-	559
Decrease due to revaluation of RMBS investments to fair value		-	-	-	-	-	-	(49)	-	-	-	(49)
Deferred tax liability adjustment on revaluation of RMBS investments		-	-	-	-	-	-	15	-	-	-	15
Decrease due to revaluation of cash flow hedge to fair value		-	-	-	-	-	-	-	220	-	-	220
Deferred tax liability adjustment on revaluation of cash flow hedge		-	-	-	-	-	-	-	(66)	-	-	(66)
Subtotal		-	6,622	(551)	-	-	-	(34)	154	-	-	6,191
Issue of share capital		477	-	-	-	-	-	-	-	-	-	477
Dividends provided for or paid	7	-	(5,927)	-	-	-	-	-	-	-	-	(5,927)
Subtotal		477	(5,927)	-	-	-	-	-	-	-	-	(5,450)
Balance at 31 December 2015		167,114	20,231	3,345	5,834	2,676	2,388	124	(873)	(108)	-	200,731

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

Auswide Bank Ltd
Condensed consolidated statement of cash flows
For the half-year 31 December 2015

	Consolidated	
	6 months to	6 months to
	31/12/2015	31/12/2014
	\$'000	\$'000
Cash flows from operating activities		
Interest received	60,603	64,943
Other non interest income received	(4,575)	6,504
Borrowing costs	(34,690)	(39,221)
Cash paid to suppliers and employees (inclusive of goods and services tax)	(19,319)	(19,550)
Income tax paid	(2,525)	(2,684)
Net cash (outflow) inflow from operating activities	(506)	9,992
Cash flows from investing activities		
Net (increase)/decrease in investment securities	46,306	4,408
Net (increase)/decrease in amounts due from other financial institutions	-	6,029
Net (increase)/decrease in loans	(116,811)	(50,871)
Net (increase)/decrease in other investments	(73)	-
Purchase of non current assets	(2,949)	(1,014)
Proceeds from sale of property, plant and equipment	2,767	-
Net cash (outflow) from investing activities	(70,760)	(41,448)
Cash flows from financing activities		
Net increase/(decrease) in deposits and other borrowings	95,039	81,966
Net increase/(decrease) in amounts due to other financial institutions and other liabilities	10,567	(28,175)
Proceeds from share issue	478	418
Dividends paid	(5,927)	(4,087)
Net cash inflow from financing activities	100,157	50,122
Net increase in cash and cash equivalents	28,891	18,666
Cash at beginning of financial year	51,495	63,604
Cash and cash equivalents at end of period	80,386	82,270

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

1 Basis of preparation of half-year report

These condensed consolidated financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars.

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

(a) New and amended standards adopted by the economic entity

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

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

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

(b) Comparative figures

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

2 Interest revenue and interest expense

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

Consolidated entity	Average Balance \$'000	Interest \$'000	Average Interest Rate %
Interest revenue December 2015			
Deposits with other financial institutions	43,199	451	2.09
Investment securities	195,006	2,670	2.74
Loans and advances	2,425,810	57,878	4.77
Other	20,420	208	2.04
	2,684,435	61,208	4.56
Borrowing costs December 2015			
Deposits from other financial institutions	591,834	10,223	3.45
Customer deposits and NCDs	1,919,613	23,514	2.45
Subordinated notes	28,000	929	6.64
	2,539,447	34,666	2.73
Net interest revenue December 2015		26,542	1.83

Consolidated entity

Interest revenue December 2014			
Deposits with other financial institutions	40,586	654	3.20
Investment securities	204,841	3,149	3.05
Loans and advances	2,302,380	61,527	5.30
Other	25,034	283	2.24
	2,572,841	65,613	5.06
Borrowing costs December 2014			
Deposits from other financial institutions	589,014	11,628	3.92
Customer deposits and NCDs	1,809,326	27,128	2.97
Subordinated notes	28,000	1,001	7.09
	2,426,340	39,757	3.25
Net interest revenue December 2014		25,856	1.81

3 Capital adequacy

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

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

3 Capital adequacy (continued)

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

	Consolidated		Parent Entity	
	as at	as at	as at	as at
	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	\$	\$	\$	\$
Total risk weighted assets	1,148,689,821	1,033,792,787	1,147,301,550	1,031,499,262
Capital base	171,023,561	156,652,308	169,890,049	154,647,013
Risk-based capital ratio	14.89%	15.15%	14.81%	14.99%

4 Credit risk

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

	Consolidated		Parent Entity	
	as at	as at	as at	as at
	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	\$	\$	\$	\$
30 days and less than 60 days	8,406,456	7,125,543	8,406,456	7,125,543
60 days and less than 90 days	3,116,351	3,215,709	3,116,351	3,215,709
90 days and less than 182 days	2,399,292	3,178,019	2,399,292	3,178,019
182 days and less than 273 days	681,589	1,670,694	681,589	1,670,694
273 days and less than 365 days	1,112,546	2,463,633	1,112,546	2,463,633
365 days and over	4,554,615	4,652,942	4,554,615	4,652,942
	20,270,849	22,306,540	20,270,849	22,306,540

5 Issued capital

	31/12/2015	31/12/2014
	No. of shares	No. of shares
Issued capital		
Balance at the beginning of the period - 30 June	37,040,654	36,452,951
Dividend reinvestment plan	-	259,502
Staff share plan	99,479	84,155
Balance at the end of the period - 31 December	37,140,133	36,796,608

6 Fair value of financial instruments

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
- Financial assets held at fair value through profit or loss
- Financial liabilities

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 into as follows:

- (a) **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.
- (b) **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.
- (c) **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.

6 Fair value of financial instruments (continued)

(b) Valuation techniques (continued)

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 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
<i>Financial assets held to maturity:</i>				
Certificates of Deposit	172,984	-	-	172,984
<i>Financial assets held at amortised cost:</i>				
Securitisation program	-	22,838	-	22,838
Loans and advances	-	-	2,446,658	2,446,658
<i>Financial assets available for sale:</i>				
RMBS investments	-	2,729	-	2,729
Total financial assets recognised at fair value on a recurring basis	172,984	25,567	2,446,658	2,645,209

Financial liabilities

<i>Financial liabilities held at amortised cost:</i>				
Deposits and short term borrowings	-	-	1,937,597	1,937,597
Securitisised loans	-	616,302	-	616,302
Total financial liabilities recognised at fair value on a recurring basis	-	616,302	1,937,597	2,553,899

Consolidated entity At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
<i>Financial assets held to maturity:</i>				
Certificates of Deposit	190,934	-	-	190,934
<i>Financial assets held at amortised cost:</i>				
Securitisation program	-	47,345	-	47,345
Loans and advances	-	-	2,339,227	2,339,227
<i>Financial assets at fair value through profit or loss:</i>				
Investment in floating rate notes	-	3,110	-	3,110
<i>Financial assets available for sale:</i>				
RMBS investments	-	3,516	-	3,516
Total financial assets recognised at fair value on a recurring basis	190,934	53,971	2,339,227	2,584,132

Financial liabilities

<i>Financial liabilities held at amortised cost:</i>				
Deposits and short term borrowings	-	-	1,845,882	1,845,882
Securitisised loans	-	605,570	-	605,570
Total financial liabilities recognised at fair value on a recurring basis	-	605,570	1,845,882	2,451,452

6 Fair value of financial instruments (continued)

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

Description	Fair Value		Valuation technique(s)	Inputs used
	Consolidated			
	\$'000	\$'000		
	31 Dec 2015	30 Jun 2015		
Financial Assets				
Financial assets available for sale				
RMBS investments	2,729	3,516	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	Mark to market value	Consideration, maturity and interest rates
	2,729	6,626		

7 Dividends

A final fully franked dividend in respect of the year ended 30 June 2015 of 16.0 cents per ordinary share (\$5.927m) was paid on 2 October 2015.

The Board declared a fully franked dividend of 14.0 cents per ordinary share (\$5.200m), for the six months to 31 December 2015, payable on 30 March 2016. In accordance with Accounting Standards, dividends are only provided for as declared or paid, therefore this dividend has not been provided for in the interim financial statements.

8 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.

9 Contingent Liabilities

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

10 Events subsequent to balance date

(a) Equity stake in entity

On 16 December 2015 Auswide Bank announced it would be entering into a strategic relationship and equity investment with MoneyPlace, Australia's second fully licenced peer-to-peer (P2P) lender. The long term relationship includes a five year deal to fund up to \$60m to invest in consumer loans. In addition, Auswide Bank has acquired a 19.3% equity stake in MoneyPlace which settled on 4 January 2016. MoneyPlace launched in October 2015 after receiving its retail and wholesale Australian Financial Services licence and provides loans of \$5,000 to \$35,000 through its P2P platform.

10 Events subsequent to balance date (continued)

(b) Merger Implementation Arrangement

Auswide Bank and Queensland Professional Credit Union Ltd (trading as YCU - Your Credit Union) have entered into a Merger Implementation Agreement under which they have agreed to proceed with a merger proposal by way of a scheme of arrangement between YCU and its members.

The proposal is subject to the approval by YCU members, regulatory and court approvals, the independent expert concluding that the scheme is in the best interests of YCU members and other conditions customary for a public transaction of this nature (including there being no material adverse change or prescribed events in respect of either party). Because of its corporate structure, the amendment of YCU's constitution by its members is also a condition precedent to the merger.

YCU members should receive relevant documentation, including the report of an independent expert, in March 2016 with the scheme of arrangement expected to be implemented in May 2016.

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

11 Discontinued operations

(a) Mortgage Risk Management Pty Ltd (MRM)

MRM has been in wind-down since ceasing to write insurance business in 2012.

On 13 August 2015 Auswide Bank announced the effective date of 30 September 2015 to wind-up MRM. All risks and provisions were transferred to the Statement of Financial Position of Auswide Bank on that date. The capital invested in MRM was returned to Auswide Bank, further strengthening the capital position of the Bank.

In response to a formal application by MRM, APRA revoked the authorisation under subsection 12(2) of the *Insurance Act 1973*, to carry on insurance business in Australia, effective 17 December 2015.

(b) MPBS Holdings Pty Ltd

MPBS Holdings Pty Ltd is a wholly owned subsidiary of Auswide Bank Ltd which held the property at 73 Victoria Street, Mackay. This property was sold on 19 October 2015 for \$2.32m.

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'John Humphrey', with a large, stylized loop at the end.

John Humphrey
Director

Brisbane
19 February 2016

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

We have reviewed the accompanying half-year financial report of Auswide Bank Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 5 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Auswide Bank Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

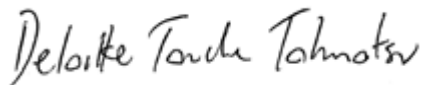
Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Jamie C. J. Gatt

Partner

Chartered Accountants

Sydney, 19 February 2016

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

19 February 2016

Dear Board Members

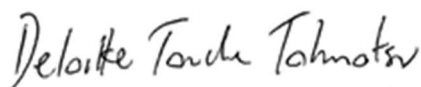
Auswide Bank Ltd

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

As lead audit partner for the review of the financial statements of Auswide Bank Ltd for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jamie C. J. Gatt
Partner
Chartered Accountants