Appendix 4E

Preliminary final report
Financial year ended 30 June 2016

Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	30 June 2016
Previous Corresponding Reporting Period	12 months to 30 June 2015

Results for announcement to the market

				$A'000
Income from operations	**Up**	**6.20%**	**to**	**64,794**
Profit from ordinary activities after tax attributable to members	**Down**	**11.79%**	**to**	**11,699**
Net profit for the period attributable to members	**Down**	**11.79%**	**to**	**11,699**

Review and results of operations

The underlying cash NPAT for the consolidated entity for financial year 2015/16 was $14.041m compared to $13.655m for 2014/15. This represents an increase of 2.8% from 2014/15.

The statutory consolidated net profit after income tax for the 2015/16 financial year was $11.699m compared to the result of $13.262m for the 2014/15 year.

There were one-off expense items in the 2015/16 financial year totaling $3.788m before tax ($3.242m after tax). These one-off expenses were as follows:

- Merger and acquisition projects: $2.836m;
- Final write-off of signage assets for the rebranding of the bank to 'Auswide' and branch rationalisation program (including lease payouts, make-good of premises, write-off of assets and redundancy payments): $0.848m; and
- Other and professional costs: $0.104m.

There were also one-off income items in 2015/16, being receipt by MRM of $1.284m ($0.899m after tax) for settlement and dividends upon the conclusion of lawsuits regarding investments written off in prior years.

The loan book of Auswide Bank Ltd increased from $2.330b at 30 June 2015 to $2.666b at 30 June 2016, an increase of 14.4%. This includes $129.152m of loans purchased in the merger with YCU in May 2016. The actual growth excluding the YCU loans purchased was 8.9%.

Home loan approvals across the 2015/16 financial year totaled $591.571m, an increase of 31.7% on the $449.048m in home approvals for the 2014/15 financial period.

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 were transferred to the balance sheet of the parent entity.

Merger Implementation

In December 2015 Auswide Bank and Queensland Professional Credit Union Ltd (trading as YCU – Your Credit Union) entered into a Merger Implementation Agreement under which the two parties agreed to proceed with a merger proposal by way of a scheme of arrangement between YCU and its members. In April 2016 YCU members voted in favour of the merger proposal (which involved the demutualisation of YCU) and the required prudential regulatory approvals were granted.

The merger was a strategic acquisition for Auswide with the addition of a branch in the Brisbane CBD and in excess of 4,000 new customers for the bank. The transaction represented the first merger between a listed ADI and a mutual in 11 years.

Each eligible YCU member received $4,055 in cash and 696 new Auswide Bank Ltd shares for their membership interest. The total consideration transferred by Auswide Bank was $30,818,434, which was comprised of $16,584,949 cash and $14,233,485 of new shares issued (2,846,640 shares at $5.0001 per share). Financial synergies expected from the transaction have been realised and will add to operating profit in the future.

Investment in MoneyPlace

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.

Net Interest Margin

Competition in the home loan market has continued across the 2015/16 financial year with interest rates at historical lows. Auswide has been able to manage the NIM to reflect a stable performance across the 2015/16 financial year when compared to the prior corresponding period.

The net margin and interest spread for the 2015/16 year was 1.96% compared to 1.98% in the 2014/15 financial year.

Arrears and collections

The Arrears Project implemented in prior years has continued to deliver positive results in the arrears of the group. Arrears greater than 30 days past due (excluding the effects of hardship accounts) increased from $22.3m to $26.6m.

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

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
Final dividend	**Current year**	16.0c	16.0c	Nil
	Previous year	16.0c	16.0c	Nil
The record date for determining entitlements to the dividends		13 September 2016		

Total Dividend (Distribution) per security (Interim Plus Final)	**Current year**	**Previous year**
Ordinary securities	30.0c	30.0c

Details of individual and total dividends	**Current period $A'000**	**Previous corresponding period $A'000**
Ordinary securities		
Interim dividend paid 30 March 2016 - previous period paid 27 March 2015	5,200	5,152
Final dividend payable 30 September 2016 - previous period paid 2 October 2015	6,440	5,927
Total	11,640	11,079

DIVIDEND REINVESTMENT PLAN

The board of directors resolved to continue the dividend reinvestment plan for the final dividend for the half year ended 30 June 2016.

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 14 September 2016.

CONSOLIDATED RETAINED PROFITS

	Current period $A'000	Previous corresponding period $A'000
Retained profits (accumulated losses) at the beginning of the financial period	**19,536**	**18,015**
Net profit (loss) attributable to members	**11,699**	**13,262**
Net transfers from (to) reserves	**559**	**100**
Less change in accounting policy for investment in subsidiary	**-**	**1,222**
Dividends and other equity distributions paid or payable	**11,126**	**10,619**
Retained profits (accumulated losses) at end of financial period	**20,668**	**19,536**

NET TANGIBLE ASSETS PER SECURITY

	Current period $	Previous corresponding period $
Net tangible asset backing per ordinary share	**4.16**	**4.21**

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 $A'000	Previous corresponding period $A'000
Mortgage Risk Management Pty Ltd	Australia	100	100	424	285
Mackay Permanent Building Society Ltd	Australia	100	100	-	-
MPBS Insurance Pty Ltd	Australia	100	100	-	-
MPBS Holdings Pty Ltd	Australia	100	100	16	234
Auswide Performance Rights Pty Ltd	Australia	100	100	-	-
Queensland Professional Credit Union Ltd (YCU)	Australia	100	-	-	-

AUDIT OF ACCOUNTS

The audit of the accounts has been completed and the audited Financial Statements are attached.

Review and results of operations

The underlying cash NPAT for the consolidated entity for financial year 2015/16 was $14.041m compared to $13.655m for 2014/15. This represents an increase of 2.8% from 2014/15.

The statutory consolidated net profit after income tax for the 2015/16 financial year was $11.699m compared to the result of $13.262m for the 2014/15 year.

There were one-off expense items in the 2015/16 financial year totalling $3.788m before tax ($3.242m after tax). These one-off expenses were as follows:

- Merger and acquisition projects: $2.836m;
- Final write-off of signage assets for the rebranding of the bank to 'Auswide': $0.078m;
- Branch rationalisation program (including lease payouts, make-good of premises, write-off of assets and redundancy payments): $0.770m;
- Outsourcing of the Internal Audit function: $0.078m: and
- Mortgage Risk Management Pty Ltd (MRM) restructure: $0.026m.

There were also one-off income items in 2015/16, being receipt by MRM of $1.284m ($0.899m after tax) for settlement and dividends upon the conclusion of lawsuits regarding investments written off in prior years.

The loan book of Auswide Bank Ltd increased from $2.330b at 30 June 2015 to $2.666b at 30 June 2016, an increase of 14.4%. This includes $129.152m of loans purchased in the merger with YCU in May 2016. The actual growth excluding the YCU loans purchased was 8.9%.

Home loan approvals across the 2015/16 financial year totalled $591.571m, an increase of 31.7% on the $449.048m in home approvals for the 2014/15 financial period.

Personal loans

The personal loan book continues to grow and although not material to the total loan portfolio, reached $12.365m 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.

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.

The credit risk and provisions were transferred to the balance sheet of the parent entity.

Principal activities and significant changes

Following the progress made with the implementation of the strategies contained in the three year strategic plan adopted in May 2013, a refreshed 3 year strategic plan was adopted by the Board in March of 2016.

The strategic plan focused on the structure, transformation, growth and strength of the bank, which is to be achieved by:

- Restructure of the sales channels, products and marketing to provide better allocation of resources to improve customer experience;
- Implementation and re-engineering of the end to end home loan process;
- Automation of process and simplification of products, including online loans and account opening;
- Building the ‘Auswide’ brand with consistency of messaging and enhanced customer service;
- Continued investment in technology, skills and training;
- Strengthening the bank through management capabilities, risk and audit processes and capital strength; and
- Review of M&A and Fintech opportunities as they arise.

Principal activities and significant changes (continued)

Merger Implementation

In December 2015 Auswide Bank and Queensland Professional Credit Union Ltd (trading as YCU - Your Credit Union) entered into a Merger Implementation Agreement under which the two parties agreed to proceed with a merger proposal by way of a scheme of arrangement between YCU and its members. In April 2016 YCU members voted in favour of the merger proposal (which involved the demutualisation of YCU) and the required prudential regulatory approvals were granted.

The merger was a strategic acquisition for Auswide with the addition of a branch in the Brisbane CBD and in excess of 4,000 new customers for the bank. The transaction represented the first merger between a listed ADI and a mutual in 11 years.

On 19 May 2016 the court approved Scheme of Arrangement was implemented, and Auswide Bank acquired 100 percent of the shares of YCU. Each eligible YCU member received $4,055 in cash and 696 new Auswide Bank Ltd shares for their membership interest. The total consideration transferred by Auswide Bank was $30,818,434, which was comprised of $16,584,949 cash and $14,233,485 of new shares issued (2,846,640 shares at $5.0001 per share).

The integration of the systems and products of YCU with those of Auswide Bank is currently underway. This is expected to be materially completed by the end of September 2016. Financial synergies expected from the transaction have been realised and will add to operating profit in the future.

Investment in MoneyPlace

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.

Branch network

The rebranding of Auswide Bank which commenced in the 2014/15 financial year has included the roll-out of the branch refurbishment plan, creating a more modern look and customer-friendly experience across our branch locations. Six branch upgrades were completed during 2015/16 and additional branches have been identified for 2016/17. 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.

The branches which have been refurbished in the 2015/16 year include Maryborough, Gympie, Nambour and Townsville branches and 2 branches in Bundaberg at Sugarland and the Barolin Street head office.

Technology

Auswide has invested in the deployment of a new automated loan origination system which has resulted in significant processing efficiencies. Loan origination now uses automated valuation request and fulfilment, credit policy assessment and exception management, customer identification and AML screening. Further stakeholder benefits include back channel messaging at origination milestones, and electronic document capture and assessment.

Brokers now have an automated lodgment channel and will soon have the same back channel milestone communication and online document lodgment as the retail network.

The investment in the loan origination automation is expected to result in further efficiencies as cost effective procedures are implemented across the 2016/17 year.

Net Interest Margin

Competition in the home loan market has continued across the 2015/16 financial year with interest rates at historical lows. Auswide has been able to manage the NIM to reflect a stable performance across the 2015/16 financial year when compared to the prior corresponding period.

The net margin and interest spread for the 2015/16 year was 1.96% compared to 1.98% in the 2014/15 financial year.

Principal activities and significant changes (continued)

Arrears and collections

The Arrears Project implemented in prior years has continued to deliver positive results in the arrears of the group. In accordance with data disclosed in the financial accounts of the bank, total arrears greater than 30 days past due (excluding the effects of hardship accounts) increased from $22.3m to $26.6m.

Despite economic challenges in some regions of Queensland, the arrears have been maintained at levels materially less than experienced in the 2013/14 financial year. The Board is satisfied that the provisions set aside cover the risks arising from current and future doubtful debts.

Risk

Strengthening the risk management ‘culture’ of the organisation has been a focus of the Board and management of Auswide in the 2015/16 financial year, and is a key focus in the 2016/17 financial year.

There has been increased measurement, monitoring and reporting of risk related matters in the financial year. The Board Risk Committee provides strong oversight of this process and of the risk framework across the organisation. The Board remains focused on the improvement of credit quality as the loan book grows.

Acquisitions

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

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 Group at 30 June 2016 was 14.31% (2015: 15.15%). The tier 1 capital ratio at 30 June 2016 was 11.90% (2015: 12.59%).

The total capital level remains strong and in excess of the Board target of 13.50%.

Dividends

A fully franked interim dividend of 14.0 cents per ordinary share was declared and paid on 30 March 2016 (27 March 2015 - 14.0 cents). A fully franked final dividend of 16.0 cents per ordinary share has been declared by the Board and will be paid on 30 September 2016 (2 October 2015 - 16.0 cents).

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 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.

Directors (continued)

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.

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.

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

Ms Birkensleigh was appointed to the Board on 2 February 2015. Ms Birkensleigh was previously a partner at PricewaterhouseCoopers for 16 years until 2013. During her career her predominant industry focus has been Financial Services (Banking and Wealth Management). Ms Birkensleigh has also advised on risk management in other sectors such as retail and consumer goods, retail and wholesale electricity companies, resources and the education sector. Ms Birkensleigh is currently a Non-Executive Director of 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 Birkensleigh is the Chairperson of the Audit Committee, a member of the Group Board Remuneration Committee, a member of the Risk Committee and is an independent Director.

Company secretary

Mr William R Schafer BCom, CA

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

Directors' meetings

During the financial year, 18 meetings of the Directors, 7 meetings of the Audit Committee, 2 meetings of the Remuneration Committee and 9 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	18	18	7	6	n/a	n/a	n/a	n/a
B Dangerfield	18	17	7	7	2	2	9	8
GN Kenny	18	18	7	7	2	2	9	9
MJ Barrett	18	18	7	7*	n/a	n/a	9	7*
SC Birkensleigh	18	18	7	7	2	2	9	9

* 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
MJ Barrett	143,148
B Dangerfield	43,291
GN Kenny	15,000

Related Party Disclosure

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

Remuneration report

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

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

- Appropriately balanced measures of performance weighted 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 2015/16 was subject to review and recommendation of the Remuneration Committee and ratification by the Board. Remuneration of other senior executives for 2015/16 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’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’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.

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

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.

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

- Mr M Barrett (Managing Director): $25,000 cash bonus granted 6 November 2015 as an incentive payment for achievement of non-financial Key Performance Indicator (‘KPI’) targets relating to the financial year ended 30 June 2015. 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.

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 25 February 2016 as an incentive payment for achievement of non-financial Key Performance Indicator (‘KPI’) targets relating to the financial year ended 30 June 2013. 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:

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2016	Short-term employee benefits			Post employment benefits			
	Cash salary and fees $ *Fixed*	Cash bonus $ *Performance based*	Non-monetary $	Super-annuation $	Other long term benefits $	Share based payments $ *Performance based*	Total $
SPECIFIED DIRECTORS							
Humphrey, JS Chairman (non-exec)	146,119	-	-	13,881	-	-	160,000
Dangerfield, B Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Kenny, GN Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Barrett, MJ Managing Director	519,400	25,000	-	19,308	11,277	37,504	612,489
Birkensleigh, S Director (non-exec)	91,324	-	-	8,676	-	-	100,000
Total remuneration - Specified Directors	939,491	25,000	-	59,217	11,277	37,504	1,072,489
OTHER KEY MANAGEMENT PERSONNEL							
Schafer, WR Chief Financial Officer	305,810	15,000	-	19,308	7,802	-	347,920
Lonergan, CA Chief Risk Officer	186,001	17,500	-	17,416	3,850	-	224,767
Caville, SM Chief Information Officer	177,567	15,000	-	17,101	4,947	-	214,615
Rasmussen, MS Chief Operating Officer	210,383	10,000	-	19,308	4,262	-	243,953
Nevis, CM General Manager Third Party & Business Banking	168,164	10,000	-	16,232	3,445	-	197,841
McArdle, AJ General Manager Sales & Distribution (ceased 28/08/2015)	50,485	-	-	3,471	-	-	53,956
Total remuneration - Specified Executives	**1,098,410**	**67,500**	**-**	**92,836**	**24,306**	**-**	**1,283,052**

Remuneration report (continued)

Remuneration of Executive Directors and Senior Executives (continued)

2015

	Short term benefits			Post employment benefits			
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	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)	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	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	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 (ceased 28/08/2015)	180,947	-	-	17,064	4,755	-	202,766
Total remuneration - Specified Executives	**1,193,315**	**-**	**-**	**103,240**	**28,321**	**-**	**1,324,876**

Remuneration report (continued)

Consequences of performance on shareholder wealth

The tables below set out summary information about the Consolidated Entity's earnings from continuing and discontinued operations and movements in shareholder wealth for the five years to 30 June 2016:

	30 June 2016 $	**30 June 2015 $**	**30 June 2014 $**	**30 June 2013 $**	**30 June 2012 $**
Net profit before tax	17,605,513	19,028,332	20,192,139	3,727,851	25,135,492
Net profit after tax	11,698,923	13,261,991	14,062,303	2,881,658	17,603,198

	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2013**	**30 June 2012**
Share price at start of year	$5.05	$5.50	$5.25	$5.81	$8.50
Share price at end of year	$5.08	$5.05	$5.50	$5.25	$5.81
Interim dividend	14.00 cps	14.00 cps	13.00 cps	13.00 cps	22.50 cps
Final dividend	16.00 cps	16.00 cps	15.00 cps	4.00 cps	25.00 cps
Basic earnings per share	31.20 cps	36.07 cps	38.75 cps	6.78 cps	49.14 cps
Diluted earnings per share	31.20 cps	36.07 cps	38.75 cps	6.78 cps	49.14 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.

Employment Contracts (continued)

Current Personnel (continued)

(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).

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

- 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 - 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.

Employment Contracts (continued)

Non-Current Personnel

General Manager - Sales & Distribution - A J McArdle (resigned 28 August 2015)

- 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.

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 2016	Balance* 30 June 2015	Interest charged $	Write-off $	Balance* 30 June 2016	Number in Group 30 June 2016
Directors	(694,675)	8,291	-	(1,910,317)	1
Executives	(1,643,366)	46,264	-	(1,618,330)	5
Total: Key management personnel	(2,338,041)	54,555	-	(3,528,647)	6

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

Individuals with loans above $100,000 in reporting period	Balance 30 June 2015 $	Interest** charged $	Write-off $	Balance* 30 June 2016 $	Highest in period $
Directors					
MJ Barrett	(694,675)	8,291	-	(1,910,317)	(1,912,055)
Executives					
WR Schafer	(512,473)	19,858	-	(495,318)	(520,314)
AJ McArdle	(388,510)	2,689	-	(386,072)	(388,510)
CM Nevis	(675,621)	22,776	-	(686,591)	(704,955)

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 2015	Received as remuneration	Options exercised	Net change other	Balance* 30 June 2016
Directors					
JS Humphrey	31,551	-	-	-	31,551
MJ Barrett	122,314	6,240	-	14,594	143,148
GN Kenny	15,000	-	-	-	15,000
B Dangerfield	42,076	-	-	1,215	43,291
Executives					
WR Schafer	23,290	-	-	6,000	29,290
SM Caville	44,240	-	-	-	44,240
AJ McArdle	15,113	-	-	-	15,113
CM Nevis	8,032	-	-	9,048	17,080
CA Lonergan	-	-	-	2,000	2,000
Total	301,616	6,240	-	32,857	340,713

* 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 2016, 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, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor, and in accordance with advice provided by the Board Audit Committee, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the Corporate Governance procedures adopted by the Company and have been reviewed by the Board Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the Auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor’s Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included in the Directors’ Statutory Report.

Non-audit services (continued)

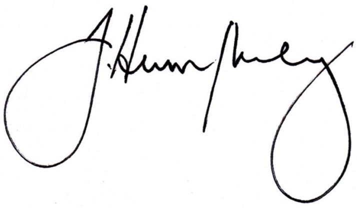
Non-audit services paid to Deloitte Touche Tohmatsu are as follows:

	2016 $	2015 $
Services provided in connection with:		
Tax advisory services	**61,107**	-
Other assurance services	**51,539**	16,414
	112,646	16,414

Non-audit services paid to Bentleys are as follows:

	2016 $	2015 $
Services provided in connection with:		
Tax advisory services	**-**	24,741
Other assurance services	**-**	6,753
Other services	**-**	1,883
	-	33,377

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
29 August 2016

Deloitte Touche Tohmatsu
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The Board of Directors
Auswide Bank Ltd
PO Box 1063
BUNDABERG QLD 4760

29 August 2016

Dear Directors

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 2016, 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

	Notes	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Interest revenue	2	**124,292,628**	127,000,350	**124,292,628**	127,000,350
Interest expense	2	**(70,400,502)**	(76,194,046)	**(70,514,012)**	(76,470,296)
Net interest revenue		**53,892,126**	50,806,304	**53,778,616**	50,530,054
Other non interest revenue	3	**9,102,595**	9,457,123	**9,522,683**	9,547,469
Employee benefits expense		**18,691,934**	18,926,412	**18,691,934**	18,926,412
Depreciation expense		**1,707,587**	1,310,942	**1,695,645**	1,251,490
Amortisation expense		**428,787**	359,610	**428,787**	359,610
Occupancy expense		**2,626,817**	2,639,189	**2,688,288**	2,757,216
Bad and doubtful debts expense	10	**(567,619)**	457,948	**(567,619)**	457,948
Fees and commissions		**9,001,105**	8,692,582	**9,001,105**	8,692,582
General and administration expenses		**13,670,651**	9,020,336	**13,637,448**	8,926,851
Other expenses	3	**322,426**	318,385	**322,426**	318,385
Profit before income tax expense		**17,113,033**	18,538,023	**17,403,285**	18,387,029
Income tax expense	4	**5,758,846**	5,619,248	**5,724,914**	5,644,373
Profit for the year from continuing operations		**11,354,187**	12,918,775	**11,678,371**	12,742,656
Profit/(loss) for the year from discontinued operations	34	**344,736**	343,216	**-**	-
Profit for the year		**11,698,923**	13,261,991	**11,678,371**	12,742,656
Other comprehensive income, net of income tax					
Items that may be reclassified to profit or loss					
Revaluation of cash flow hedge to fair value		**346,898**	(1,466,387)	**346,898**	(1,466,387)
Revaluation of RMBS investments to fair value		**(63,800)**	(12,553)	**(63,800)**	(12,553)
Income tax relating to these items		**(84,930)**	443,682	**(84,930)**	443,682
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, net of income tax		**198,168**	(1,602,175)	**198,168**	(848,853)
Total comprehensive income for the year		**11,897,091**	11,659,816	**11,876,539**	11,893,803
Profit for the year attributable to:					
Owners of the Company		**11,698,923**	13,261,991	**11,678,371**	12,742,656
Total comprehensive income attributable to:					
Owners of the Company		**11,897,091**	11,659,816	**11,876,539**	11,893,803
Earnings per share					
From continuing and discontinued operations					
Basic (cents per share)	26	**31.20**	36.07		
Diluted (cents per share)	26	**31.20**	36.07		
From continuing operations					
Basic (cents per share)	26	**30.28**	35.14		
Diluted (cents per share)	26	**30.28**	35.14		

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

	Notes	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
ASSETS					
Cash and cash equivalents	6	**67,791,596**	51,495,421	**67,791,596**	47,885,421
Due from other financial institutions	7	**22,013,903**	9,215,436	**22,013,903**	9,215,436
Accrued receivables	8	**12,817,827**	5,923,807	**11,533,760**	5,951,149
Financial assets	9	**225,045,371**	244,906,350	**252,186,312**	241,795,888
Current tax assets	4	**411,035**	256,206	**411,035**	256,206
Loans and advances	10	**2,666,410,703**	2,330,122,246	**2,664,696,521**	2,331,008,305
Other investments	11	**512,299**	394,658	**1,771,304**	15,653,663
Property, plant and equipment	12	**15,543,563**	16,124,377	**15,543,563**	13,877,613
Other intangible assets	15	**2,719,522**	1,822,013	**2,719,522**	1,822,013
Deferred income tax assets	4	**5,441,101**	5,903,417	**5,441,101**	5,702,766
Other assets	13	**7,749,905**	8,802,512	**7,749,805**	8,563,542
Goodwill	14	**46,363,080**	42,057,110	**46,363,080**	42,057,110
Total assets		**3,072,819,905**	2,717,023,553	**3,098,221,502**	2,723,789,112
LIABILITIES					
Deposits and short term borrowings	16	**2,183,901,358**	1,852,071,695	**2,184,223,460**	1,865,895,790
Payables and other liabilities	17	**25,353,444**	24,581,026	**24,920,200**	23,854,618
Loans under management	10	**613,821,087**	603,657,502	**640,962,028**	603,657,502
Deferred income tax liabilities	4	**2,209,781**	1,563,280	**2,209,781**	1,393,064
Provisions	18	**2,879,451**	7,159,978	**2,879,450**	2,704,060
Subordinated capital notes	19	**28,000,000**	28,000,000	**28,000,000**	28,000,000
Total liabilities		**2,856,165,121**	2,517,033,481	**2,883,194,919**	2,525,505,034
Net assets		**216,654,784**	199,990,072	**215,026,583**	198,284,078
EQUITY					
Contributed equity	20	**182,628,748**	166,636,661	**182,628,748**	166,636,661
Reserves	21	**13,358,163**	13,817,409	**13,572,434**	13,533,572
Retained profits		**20,667,873**	19,536,002	**18,825,401**	18,113,845
Total equity		**216,654,784**	199,990,072	**215,026,583**	198,284,078

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

		Consolidated		Company	
		2016	2015	**2016**	2015
	Notes	**$**	$	**$**	$
Cash flows from operating activities					
Interest received		**123,576,426**	126,995,487	**123,576,426**	126,598,697
Dividends received		**221**	221	**420,221**	221
Other non interest income received		**6,794,845**	16,441,205	**6,954,992**	16,081,527
Interest paid		**(71,604,411)**	(74,642,405)	**(71,717,921)**	(74,918,655)
Cash paid to suppliers and employees (inclusive of goods and services tax)		**(36,294,603)**	(33,019,046)	**(30,291,227)**	(31,117,928)
Income tax paid		**(5,037,531)**	(5,426,392)	**(4,886,290)**	(5,043,833)
Net cash provided by / (used in) operating activities	23	**17,434,947**	30,349,070	**24,056,201**	31,600,029
Cash flows from investing activities					
Net movement in investment securities		**(7,343,760)**	3,198,809	**(10,454,222)**	817,974
Net movement in amounts due from other financial institutions		**(12,798,467)**	1,070,985	**(12,798,467)**	1,070,985
Net movement in loans and advances		**(336,100,258)**	(112,735,553)	**(334,782,580)**	(112,618,695)
Net movement in other investments		**(117,641)**	(58,154)	**13,882,359**	(57,213)
Payments for non current assets		**(5,268,180)**	(2,761,940)	**(5,275,758)**	(2,761,940)
Proceeds from sale of property, plant and equipment		**2,766,506**	290,521	**531,684**	290,521
Net cash provided by / (used in) investing activities		**(358,861,800)**	(110,995,332)	**(348,896,984)**	(113,258,368)
Cash flows from financing activities					
Net movement in deposits and short-term borrowings		**330,622,245**	108,447,021	**317,540,252**	116,590,955
Net movement in amounts due to other financial institutions and other liabilities		**36,468,304**	(32,375,001)	**36,574,227**	(32,266,653)
Proceeds from share issue		**477,499**	3,084,830	**477,499**	3,084,830
Dividends paid		**(9,845,020)**	(10,619,468)	**(9,845,020)**	(10,619,468)
Net cash provided by / (used in) financing activities		**357,723,028**	68,537,382	**344,746,958**	76,789,664
Net movement in cash and cash equivalents		**16,296,175**	(12,108,880)	**19,906,175**	(4,868,675)
Cash and cash equivalents at the beginning of the financial year		**51,495,421**	63,604,301	**47,885,421**	52,754,096
Cash and cash equivalents at end of the financial year	6	**67,791,596**	51,495,421	**67,791,596**	47,885,421

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 entity	**Attributable to owners of Auswide Bank Ltd**										
	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 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)
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.

	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 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
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	11,698,923	-	-	-	-	-	-	-	-	11,698,923
Transfer to retained profits of revaluation of assets since sold	-	559,071	(551,493)	-	-	-	-	-	-	-	7,578
Transfer to/from reserve on consolidation	-	-	-	-	-	-	-	-	(166,359)	-	(166,359)
Issue of shares to employees	-	-	-	-	-	-	-	-	60,436	-	60,436
Decrease due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(63,800)	-	-	-	(63,800)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	19,140	-	-	-	19,140
Decrease due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	346,898	-	-	346,898
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(104,069)	-	-	(104,069)
Sub-total	**166,636,661**	**31,793,996**	**3,345,125**	**5,833,939**	**2,676,071**	**2,387,810**	**113,131**	**(783,642)**	**(214,271)**	**-**	**211,788,820**
Issue of share capital for staff share plan	477,499	-	-	-	-	-	-	-	-	-	477,499
Issue of share capital for dividend reinvestment plan	1,281,103	-	-	-	-	-	-	-	-	-	1,281,103
Issue of share capital for YCU merger	14,233,485	-	-	-	-	-	-	-	-	-	14,233,485
Dividends provided for or paid - ordinary shares	-	(11,126,123)	-	-	-	-	-	-	-	-	(11,126,123)
Balance at 30 June 2016	**182,628,748**	**20,667,873**	**3,345,125**	**5,833,939**	**2,676,071**	**2,387,810**	**113,131**	**(783,642)**	**(214,271)**	**-**	**216,654,784**

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

Company	**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 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.

Company	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 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
Total comprehensive income for the year:											
Profit attributable to members of parent company	-	11,678,371	-	-	-	-	-	-	-	-	11,678,371
Transfer to retained profits of revaluation of assets since sold	-	159,308	(159,308)	-	-	-	-	-	-	-	-
Decrease due to revaluation of RMBS investments to fair value	-	-	-	-	-	-	(63,800)	-	-	-	(63,800)
Deferred tax liability adjustment on revaluation of RMBS investments	-	-	-	-	-	-	19,140	-	-	-	19,140
Decrease due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	-	346,898	-	-	346,898
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	-	(104,069)	-	-	(104,069)
Sub-total	**166,636,661**	**29,951,524**	**3,345,125**	**5,833,939**	**2,676,071**	**2,387,810**	**113,131**	**(783,642)**	**-**	**-**	**210,160,619**
Issue of share capital for staff share plan	477,499	-	-	-	-	-	-	-	-	-	477,499
Issue of share capital for dividend reinvestment plan	1,281,103	-	-	-	-	-	-	-	-	-	1,281,103
Issue of share capital for YCU merger	14,233,485	-	-	-	-	-	-	-	-	-	14,233,485
Dividends provided for or paid - ordinary shares	-	(11,126,123)	-	-	-	-	-	-	-	-	(11,126,123)
Balance at 30 June 2016	**182,628,748**	**18,825,401**	**3,345,125**	**5,833,939**	**2,676,071**	**2,387,810**	**113,131**	**(783,642)**	**-**	**-**	**215,026,583**

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

1 Significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group (or the 'Consolidated Entity'), consisting of Auswide Bank Ltd ('the Company') and subsidiaries, and the separate financials statements of Auswide Bank Ltd as an individual parent entity. Auswide Bank Ltd is a for-profit listed public company, incorporated and domiciled in Australia.

The financial statements comply with all International Financial Reporting Standards ('IFRS') in their entirety.

The financial statements have been prepared on an accrual basis and are based on historical costs, 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.

The presentation currency of the financial statements is Australian Dollars (AUD).

The following is a summary of the material accounting policies applies by the Group in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied.

(b) Principles of consolidation

The consolidated financial statements comprise of the financial statements of Auswide Bank Ltd ('the Company'), being the parent entity, and entities (including structured entities) controlled by the Company and its subsidiaries. The Company and its subsidiaries together are referred to in these financial statements as the Group.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company has power when it has rights that give it the current ability to direct the activities that significantly affect the investee’s returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

The Company reassesses whether it has control of an investee if facts and circumstances indicate changes to the aforementioned elements have occurred. A list of the controlled entities is provided in Note 11.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

Equity interests in a subsidiary not attributable, directly or indirectly, to the consolidated entity are presented as 'non-controlling interests'. The consolidated entity initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profits or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at cost less any accumulated impairment losses.

1 Significant accounting policies (continued)

(c) Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the business combination.

A cash-generating unit or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(d) Investments in associates

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

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

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

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

(e) Revenue recognition

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. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue:
Loan interest revenue is calculated on the daily loan balance outstanding and charged in arrears to the customer’s loan account. Loan interest revenue is recognised as it accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset.

When a loan is classified as impaired, the Group generally ceases to recognise interest and other income earned but not yet received. Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, or a judgement has been obtained.

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

Fees and commissions:
Fees and commissions are recognised on an accrual basis once a right to receive consideration has been attained or when service to the customer has been rendered.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Leases

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

Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The corresponding 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 the asset’s expected useful life where it is likely that the Group will obtain ownership of the asset at the end of the lease term or over the shorter of the asset’s expected useful life and the lease term where there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight line basis over the period of the lease.

1 Significant accounting policies (continued)

(f) Leases (continued)

Rental income from operating leases where the Group is lessor is recognised in profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position based on their nature. 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.

(g) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

<u>Short-term employee benefits</u>

Liabilities for wages, salaries, sick leave and bonuses, that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in the statement of financial position in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

<u>Long-term employee benefits</u>

Liabilities for long service leave and annual leave are not expected to be settled within twelve months of the end of the reporting period. They are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period. Consideration is given to expected future salary and wage increases and periods of service.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

<u>Superannuation</u>

Contributions are made by the Group to an employees' superannuation fund and are charged as an expense when incurred. The Group has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

(h) Taxation

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

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

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

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

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

1 Significant accounting policies (continued)

(h) Taxation (continued)

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

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) 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.

(k) Financial instruments

Recognition
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.

Financial assets
Financial assets at fair value through profit or loss
A financial asset is classified as fair value through profit or loss (FVTPL) if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets at FVTPL are stated at fair value, with realised and unrealised gains and losses arising from changes in the fair value 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. These instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments
Investment with fixed maturities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. These investments are stated at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets
Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets.

Unquoted equity securities, whose fair value cannot be reliability measured, are carried at cost. Other available-for-sale assets that are traded in an active market are stated at fair value. Unrealised gains and losses arising from changes in fair value are taken directly through equity through other comprehensive income.

1 Significant accounting policies (continued)

(k) Financial instruments (continued)

Financial liabilities and equity instruments
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the Group entity are recognised at the proceeds received, net of direct issue costs. Equity instruments include contributed equity.

Financial liabilities
Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial liabilities are classified at FVTPL when the liability is either held for training or is designated as at FVTPL. These liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities, including borrowings, trade payables and other non-derivative financial liabilities are originally measured at fair value. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition
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. On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment
Other than for assets held at FVTPL, the Group assess whether there is objective evidence that a financial instrument has been impaired, at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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.

Refer to Note 1(n) for further details regarding impairment of financial assets.

Derivative financial instruments
The Group 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 Group designates certain hedging instruments, which include interest rate swaps, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives 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.

1 Significant accounting policies (continued)

(k) Financial instruments (continued)

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 non-financial 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.

(l) Property, plant and equipment

Freehold land and buildings are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation for buildings and subsequent accumulated impairment losses. Freehold land is not depreciated. Revalued amounts are based on periodic, but at least triennial, valuations by external independent valuers.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the 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.

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.

1 Significant accounting policies (continued)

(m) Intangible assets

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

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

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

No internally generated intangible assets are recognised by the Group.

(n) Impairment of assets

At the end of each reporting period, the Board assesses whether there is any indication that its tangible and intangible assets 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.

Further impairment considerations are discussed within the respective policy note throughout this section.

Loans and advances - doubtful debts
A provision for losses on impaired loans is 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 cash flows.

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 retuned to performing status after meeting restructured terms for a minimum six month period.

A reserve for credit losses is also maintained to cover risks inherent in the loan portfolio. Movements in the reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off, as determined by management, when it is reasonable to expect that the recovery of the debt is unlikely. All write-offs are on a case-by-case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.

(o) Deposits

Deposits are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

1 Significant accounting policies (continued)

(o) Deposits (continued)

Interest on deposits is recognised on an accruals basis. Interest accrued at reporting date is shown as part of deposits.

(p) Securitisation

Where the Group enters into transactions that transfer substantially all the risks and rewards of ownership of the transferred assets, the Group de-recognises the transferred assets.

Where the Group enters into transactions that transfer assets recognised on its Statement of Financial Position, but retains substantially all of the risks and rewards of ownership of the transferred assets, the transferred assets are not de-recognised and a secured liability for funds raised is recognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement.

Refer to Note 10 for further details regarding the securitisation structure in place.

(q) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are received at each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement. The categories are as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3
Measurement based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques:
The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The ability 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:

1 Significant accounting policies (continued)

(q) Fair value of assets and liabilities (continued)

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 Group gives priorities to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and that reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is ether not available or when the valuation is determined to be significant. External valuers are selected based on market knowledge and reputation.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held in assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(r) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

1 Significant accounting policies (continued)

(r) Business combinations (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(s) Comparative figures

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

(t) 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.

Management have made critical accounting estimates when applying the Group’s accounting policies with respect of the impairment of financial assets, loans and advances, other investments and goodwill- refer Notes 9, 10, 11 and 14 respectively.

Management have made significant judgements when applying the Group’s accounting policies with respect to loans assigned to a special purpose vehicle used for securitisation purposes - refer to Note 10.

Management have made critical accounting estimates and judgement in relation to the assessment of the fair value of the assets and liabilities on the date of acquisition of Queensland Professional Credit Union (YCU) - refer to Note 33.

In addition, details on critical estimates and judgements in respect of credit risk are disclosed in Note 32.

(u) Application of new and revised Accounting Standards

Amendments to AASBs and the new interpretations that are mandatorily effective for the current year
The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2015.

- AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’
- AASB 2015-4 ‘Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Group with a Foreign Parent’

1 Significant accounting policies (continued)

(u) Application of new and revised Accounting Standards (continued)

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and are not likely to materially affect future periods.

Standards and Interpretations in issue not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 ' Revenue from Contracts with Customers' and AASB 2014-5 ' Amendments to Australian Accounting standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 16 ' Leases'	1 January 2016	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards-Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

AASB 9 Financial Instruments (December 2014) (application date 30 June 2019)
The AASB has issued complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009- as amended) and AASB 9 (issued in December 2010).

AASB 9 may have a potential increase in the Group's loan and advances provisioning. However, the Group has not yet fully assessed the impact of AASB 9 (December 2014) as this standard does not mandatorily apply before 1 January 2018.

AASB 15 *Revenue from Contracts with Customers* (application date 30 June 2018)
The standard contains a single model that applies to contracts with customers and two approaches to recognition revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Management have yet to assess the full impact of this standard.

Other standards
The Group has not yet assessed the impact of the other listed Standards; however none are expected to have a material impact on future or prior periods.

2 Interest revenue and interest expense

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

	Average balance $	Interest $	Average interest rate %
Interest revenue 2016			
Deposits with other financial institutions	**47,661,163**	**935,120**	**1.96**
Investment securities	**187,761,857**	**5,434,834**	**2.89**
Loans and advances	**2,494,616,365**	**117,458,130**	**4.71**
Other	**21,462,570**	**464,544**	**2.16**
	2,751,501,954	**124,292,628**	**4.52**
Interest expense 2016			
Deposits from other financial institutions	**611,520,733**	**21,094,689**	**3.45**
Customer deposits	**1,700,729,657**	**40,345,630**	**2.37**
Negotiable certificates of deposit (NCDs)	**218,332,836**	**5,923,806**	**2.71**
Floating rate notes (FRNs)	**47,916,667**	**1,287,074**	**2.69**
Subordinated notes	**27,000,000**	**1,749,304**	**6.48**
	2,605,499,893	**70,400,502**	**2.70**
Net interest revenue 2016		**53,892,126**	
Interest revenue 2015			
Deposits with other financial institutions	41,428,599	1,175,240	2.84
Investment securities	186,773,112	5,622,679	3.01
Loans and advances	2,318,949,522	119,655,707	5.16
Other	22,442,781	546,724	2.44
	2,569,594,014	127,000,350	4.94
Interest expense 2015			
Deposits from other financial institutions	580,744,389	22,233,067	3.83
Customer deposits	1,660,243,715	46,890,730	2.82
Negotiable certificates of deposit (NCDs)	167,418,135	5,118,007	3.06
Subordinated notes	28,000,000	1,952,242	6.97
	2,436,406,239	76,194,046	3.13
Net interest revenue 2015		50,806,304	

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

Interest margin and interest spread 2016			
Interest revenue	**2,751,501,954**	**124,292,628**	**4.52**
Interest expense	**2,605,499,893**	**70,400,502**	**2.70**
Net interest spread			**1.82**
Benefit of net interest-free assets, liabilities and equity			**0.14**
Net interest margin - on average interest earning assets	**2,751,501,954**	**53,892,126**	**1.96**
Interest margin and interest spread 2015			
Interest revenue	2,569,594,014	127,000,350	4.94
Interest expense	2,436,406,239	76,194,046	3.13
Net interest spread			1.81
Benefit of net interest-free assets, liabilities and equity			0.17
Net interest margin - on average interest earning assets	2,569,594,014	50,806,304	1.98

3 Profit before income tax

Profit before income tax from continuing operations includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated Group.

Included in the profit before income tax are the following revenue items:

	Consolidated		**Company**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Other non interest revenue				
Dividends				
Controlled entities	**-**	-	**420,000**	-
Other companies	**221**	221	**221**	221
Fees and commissions	**7,872,152**	8,184,854	**7,872,240**	8,184,854
Other income	**1,230,222**	1,272,048	**1,230,222**	1,362,394
	9,102,595	9,457,123	**9,522,683**	9,547,469

The profit before income tax is arrived at after charging the following items:

	2016	2015	**2016**	2015
	$	$	**$**	$
Other expenses				
Provisions for employee entitlements	**322,426**	318,385	**322,426**	318,385
	322,426	318,385	**322,426**	318,385
Superannuation contributions paid	**1,441,064**	1,449,779	**1,441,064**	1,449,779

4 Income tax relating to continuing operations

(a) Income tax recognised in profit or loss

(i) Major components of income tax expense for the year are:

	Consolidated		**Company**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Current income tax	**4,605,475**	4,778,882	**4,571,543**	4,804,007
Deferred income tax	**1,153,371**	840,366	**1,153,371**	840,366
Income tax expense reported in profit or loss	**5,758,846**	5,619,248	**5,724,914**	5,644,373

4 Income tax relating to continuing operations (continued)

(a) Income tax recognised in profit or loss (continued)

(ii) Numerical reconciliation of income tax expense to prima facie tax payable:

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Tax on profit before income tax at 30% (2015: 30%)	**5,133,910**	5,561,407	**5,220,986**	5,516,109
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	**53,255**	56,188	**53,255**	56,188
Merger expenses	**589,819**	-	**589,819**	-
Less:				
Tax offset for franked dividends	**(66)**	(133)	**(66)**	(133)
Intra-group dividend (MRM)	**-**	-	**(126,000)**	-
Other items - net	**(18,072)**	1,786	**(13,080)**	72,209
Income tax expense	**5,758,846**	5,619,248	**5,724,914**	5,644,373

(b) Income tax recognised in other comprehensive income

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Current income tax				
Other	**-**	-	**-**	-
	-	-	**-**	-
Deferred income tax				
Arising on items that may be reclassified to profit or loss:				
Fair value remeasurement of available-for-sale financial assets	**(19,140)**	(3,766)	**(19,140)**	(3,766)
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**104,070**	(439,916)	**104,070**	(439,916)
	84,930	(443,682)	**84,930**	(443,682)
Arising on items that will not be reclassified to profit or loss:				
Fair value remeasurement of land and buildings	**-**	(242,965)	**-**	79,887
	-	(242,965)	**-**	79,887
Total income tax recognised directly in other comprehensive income	**84,930**	(686,647)	**84,930**	(363,795)

(c) Current tax assets and liabilities

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Current tax assets				
Income tax receivable	**411,035**	256,206	**411,035**	256,206
	411,035	256,206	**411,035**	256,206

4 Income tax relating to continuing operations (continued)

(d) Deferred tax balances

Deferred tax balances are presented in the statement of financial position as follows:

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Deferred income tax assets	**(5,441,101)**	(5,903,417)	**(5,441,101)**	(5,702,766)
Deferred income tax liabilities	**2,209,781**	1,563,280	**2,209,781**	1,393,064
	(3,231,320)	(4,340,137)	**(3,231,320)**	(4,309,702)

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Deferred income tax assets				
Employee leave provisions	**864,226**	794,106	**864,226**	794,106
Other provisions	**1,514,144**	1,924,045	**1,514,144**	1,924,045
Property, plant & equipment	**597,650**	691,192	**597,650**	691,192
Unrealised losses on investments	**1,886,449**	1,919,599	**1,886,449**	1,886,449
Project acquisition costs	**135,807**	95,601	**135,807**	95,601
Premium on loans purchased (First Mac)	**137,753**	144,569	**137,753**	144,569
Subordinated notes prepaid expenses	**14,022**	25,924	**14,022**	25,924
Other items	**291,050**	308,381	**291,050**	140,880
	5,441,101	5,903,417	**5,441,101**	5,702,766

In respect of each temporary difference the adjustment was charged to income.

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Deferred income tax liabilities				
Asset revaluation reserve	**1,433,625**	1,672,116	**1,433,625**	1,501,900
Prepayments	**1,063,517**	208,139	**1,063,517**	208,139
MPBS acquisition adjustments	**-**	55,317	**-**	55,317
Special reserve	**48,485**	67,624	**48,485**	67,624
Cash flow hedging reserve	**(335,846)**	(439,916)	**(335,846)**	(439,916)
	2,209,781	1,563,280	**2,209,781**	1,393,064

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, the revaluations of hedging instruments entered into for cash flow hedges which were charged to the 'cash flow hedge' reserve in equity, and the revaluations of land and buildings which were charged to the asset revaluation reserve in equity.

5 Dividends paid

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Dividends paid during the year				
Interim for current year	**5,199,619**	5,151,525	**5,199,619**	5,151,525
Final for previous year	**5,926,505**	5,467,943	**5,926,505**	5,467,943
	11,126,124	10,619,468	**11,126,124**	10,619,468

Dividends paid are fully franked on ordinary shares.

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 ($6.440m), for the six months to 30 June 2016, payable on 30 September 2016.

The final dividend for the six months to 30 June 2015 ($5.927m) was paid on 2 October 2015, and was disclosed in the 2014/15 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2015: 30%).

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

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Balance as at the end of the financial year	**16,925,283**	17,196,190	**16,925,283**	17,196,190
Credits/(Debits) that will arise from the payment of income tax payable per the financial statements	**(411,035)**	(256,206)	**(411,035)**	(256,206)
Debits that will arise from the payment of the proposed dividend	**(2,760,082)**	(2,539,931)	**(2,760,082)**	(2,539,931)
	13,754,166	14,400,053	**13,754,166**	14,400,053

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**16.0**	16.0	**16.0**	16.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**14.0**	14.0	**14.0**	14.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**16.0**	15.0	**16.0**	15.0

6 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of financial position as follows:

	Consolidated		**Company**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash at bank and in hand	**13,751,596**	19,135,421	**13,751,596**	19,135,421
Deposits on call	**54,040,000**	32,360,000	**54,040,000**	28,750,000
	67,791,596	51,495,421	**67,791,596**	47,885,421

Cash held within securitised trusts at 30 June 2016 of $19.335m (2015: $22.491m) is restricted for use only by the trusts.

7 Due from other financial institutions

	Consolidated		**Company**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Deposits with Special Service Providers (SSPs)	**9,965,953**	9,090,851	**9,965,953**	9,090,851
Subordinated loans	**547,235**	124,585	**547,235**	124,585
Bank term deposits	**11,500,715**	-	**11,500,715**	-
	22,013,903	9,215,436	**22,013,903**	9,215,436
Maturity analysis				
No maturity specified	**22,013,903**	9,215,436	**22,013,903**	9,215,436
	22,013,903	9,215,436	**22,013,903**	9,215,436

Following the acquisition of shares in Queensland Professional Credit Union Ltd, $11.501m of term deposits were transferred to Auswide Bank Ltd at fair value as part of the transfer of assets.

8 Accrued receivables

	Consolidated		**Company**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Interest receivable	**4,681,653**	3,924,865	**4,681,653**	3,924,865
Securitisation receivables	**1,448,000**	1,775,864	**1,448,000**	1,775,864
Other	**6,688,174**	223,078	**5,404,107**	250,420
	12,817,827	5,923,807	**11,533,760**	5,951,149

9 Financial assets

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Held to maturity financial assets carried at amortised cost				
Certificates of deposit	**199,923,930**	190,934,302	**199,923,930**	190,934,302
Available for sale financial assets carried at fair value				
External RMBS investments	**2,373,288**	3,516,198	**2,373,288**	3,516,198
MoneyPlace	**3,412,696**	-	**3,412,696**	-
Financial assets at fair value through profit & loss designated on initial recognition				
Investments in floating rate notes	**-**	3,110,462	**-**	-
Financial assets at amortised cost				
Notes - Securitisation program & other	**19,335,457**	47,345,388	**46,476,398**	47,345,388
	225,045,371	244,906,350	**252,186,312**	241,795,888

Maturity analysis				
Up to 3 months	**87,723,930**	194,044,764	**87,723,930**	190,934,302
From 1 to 5 years	**112,200,000**	-	**112,200,000**	-
Later than 5 years	**25,121,441**	50,861,586	**52,262,382**	50,861,586
	225,045,371	244,906,350	**252,186,312**	241,795,888

Cash held within securitised trusts at 30 June 2016 of $19.335m (2015: $22.491m) is restricted for use only by the trusts.

10 Loans and advances

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Term loans	**2,506,506,559**	2,142,158,075	**2,506,506,559**	2,142,158,075
Loans to controlled entities	**-**	-	**(1,694,618)**	903,119
Continuing credit loans	**164,951,290**	189,683,341	**164,931,726**	189,666,281
	2,671,457,849	2,331,841,416	**2,669,743,667**	2,332,727,475
Provision for impairment	**(5,047,146)**	(1,719,170)	**(5,047,146)**	(1,719,170)
Total loans	**2,666,410,703**	2,330,122,246	**2,664,696,521**	2,331,008,305

On 30 September 2015 all risks and provisions of Mortgage Risk Management Pty Ltd were transferred to the Statement of Financial Position of Auswide Bank Ltd.

Provision for impairment

Specific provision				
Opening balance	**(1,719,170)**	(2,426,452)	**(1,719,170)**	(2,426,452)
Bad and doubtful debts provided for during the year	**(3,327,976)**	707,282	**(3,327,976)**	707,282
Total provision for impairment	**(5,047,146)**	(1,719,170)	**(5,047,146)**	(1,719,170)

Charge to profit and loss for bad and doubtful debts comprises:				
Specific provision	**(3,327,976)**	707,282	**(3,327,976)**	707,282
Bad debts recognised directly	**3,895,595**	(1,165,230)	**3,895,595**	(1,165,230)
	567,619	(457,948)	**567,619**	(457,948)

Maturity analysis				
Up to 3 months	**2,658,215**	2,672,835	**2,658,215**	2,672,835
From 3 to 12 months	**1,118,868**	1,895,272	**1,118,868**	1,895,272
From 1 to 5 years	**31,919,797**	27,190,942	**31,919,797**	27,190,942
Later than 5 years	**2,630,713,823**	2,298,363,197	**2,628,999,641**	2,299,249,256
	2,666,410,703	2,330,122,246	**2,664,696,521**	2,331,008,305

Following the acquisition of shares in Queensland Professional Credit Union Ltd, a loan book of $130.737m was transferred to Auswide Bank Ltd at fair value as part of the transfer of assets.

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 Company is entitled to any residual income of the securitisation program after all payments due to investors and costs of the program have been met, to this extent the economic entity retains credit and liquidity risk.

The impact on the Group is an increase in liabilities - Loans under management - of $613.821m (30 June 2015 - $603.658m). $27.141m of B notes which are owned by the Company have been eliminated from the consolidated figures.

Concentration of risk

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

11 Other investments and related parties

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Unlisted shares - at cost	**512,299**	394,658	**512,299**	394,658
Controlled entities - at directors' valuation	**-**	-	**1,259,005**	15,259,005
	512,299	394,658	**1,771,304**	15,653,663

(a) Controlled entities

Name	Place of incorporation and operation	Proportion of ownership and voting power held by the Company 2016 %	2015 %	Contribution to consolidated operating profit after income tax 2016 $	2015 $	Investment carrying value 2016 $	2015 $
Company							
Auswide Bank Ltd	Australia	**-**	-	**11,258,371**	12,742,656	**-**	-
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**100.0**	100.0	**423,910**	284,590	**-**	14,000,000
MPBS Insurance Pty Ltd	Australia	**100.0**	100.0	**-**	-	**2**	2
MPBS Holdings Pty Ltd	Australia	**100.0**	100.0	**16,326**	234,745	**1,258,903**	1,258,903
Widcap Securities Pty Ltd	Australia	**100.0**	100.0	**-**	-	**-**	-
Auswide Performance Rights Pty Ltd	Australia	**100.0**	100.0	**316**	-	**100**	100
Queensland Professional Credit Union Ltd (YCU)	Australia	**100.0**	-	**-**	-	**-**	-
				440,552	**519,335**	**1,259,005**	**15,259,005**
				11,698,923	**13,261,991**	**1,259,005**	**15,259,005**

All controlled entities are members of the tax consolidated group.

The carrying amounts of unlisted shares were reassessed by the directors as at 30 June 2016 with the reassessments being based on whether there were internal or external indicators that the investment was impaired.

Queensland Professional Credit Union Ltd (YCU)
YCU was acquired in a merger with Auswide Bank Ltd on 19 May 2016 and all assets and liabilities were transferred subsequent to that acquisition. All operating results of the acquired entity were included in Auswide Bank Ltd for the period ending 30 June 2016. Further explanation can be found at Note 33.

Mortgage Risk Management Pty Ltd (MRM)
MRM is a wholly owned subsidiary of Auswide Bank Ltd and was previously registered as a Lenders' Mortgage Insurance provider. 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.

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. Further information in relation to this entity is disclosed in Note 34.

11 Other investments and related parties (continued)

(a) Controlled entities (continued)

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.

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

Widcap Securities Pty Ltd
Widcap Securities Pty Ltd is a wholly owned subsidiary which acts as the manager and custodian for Auswide'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) Warehouse and securitisation trusts

Auswide has an external securitisation program which is comprised of the following trusts:

- Wide Bay Trust No. 5
- Wide Bay Trust No. 6
- WB Trust 2006-1 (matured 16 May 2016)
- WB Trust 2008-1
- WB Trust 2009-1
- WB Trust 2010-1
- WB Trust 2014-1

These trusts are fully consolidated at the reporting date.

(c) Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30/06/16	30/06/15
J1-Plan Pty Ltd (formerly Financial Technology Securities Pty Ltd (FTS))	Financial Planning	Australia	25.0%	25.0%
Finance Advice Matters Group Pty Ltd (FAM)	Financial Planning	Australia	25.0%	-

J1-Plan Pty Ltd (formerly FTS) is accounted for using the equity method in these consolidated financial statements.

Financial Advice Matters Group Pty Ltd (FAM) purchased the financial planning business from J1-Plan Pty Ltd on 29 October 2015.

11 Other investments and related parties (continued)

(d) Investment accounted for using the equity method

Summarised financial information in respect of each of the Group’s material associates is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with AASBs.

J1-Plan Pty Ltd

Share of associate's balance sheet:	**2016 $**	2015 $
Current assets	**637,048**	198,980
Non-current assets	**-**	136,298
Current liabilities	**(99,484)**	(113,522)
Non-current liabilities	**(42,878)**	(58,682)
Net assets	**494,686**	**163,074**

Share of associate's revenue and profit:	**2016 $**	2015 $
Revenue	**595,313**	1,456,046
Profit / (loss) for the year	**106,303**	54,341
Income tax	**-**	(3,468)
Profit / (loss) after income tax	**106,303**	50,873
Total comprehensive income for the year	**106,303**	**50,873**
Dividends received from associate during the year	**12,502**	-

The above figures were based on the unaudited accounts of J1-Plan Pty Ltd.

11 Other investments and related parties (continued)

(d) Investment accounted for using the equity method (continued)

Financial Advice Matters Group Pty Ltd (FAM)

Share of associate's balance sheet:	**2016 $**	2015 $
Current assets	**273,184**	-
Non-current assets	**462,075**	-
Current liabilities	**(706,920)**	-
Non-current liabilities	**(14,347)**	-
Net assets	**13,991**	**-**

Share of associate's revenue and profit:	**2016 $**	2015 $
Revenue	**907,962**	-
Profit / (loss) for the year	**23,414**	-
Income tax	**(9,566)**	-
Profit / (loss) after income tax	**13,848**	-
Total comprehensive income for the year	**13,848**	**-**
Dividends received from associate during the year	**-**	-

The above figures were based on the unaudited accounts of Financial Advice Matters Group Pty Ltd (FAM).

(e) Related party transactions

Balances and transactions between the company and its subsidiaries which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

12 Property, plant and equipment

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Carrying amounts of:				
Freehold land and buildings	**8,567,538**	11,367,395	**8,567,538**	9,120,631
Plant and equipment	**6,976,025**	4,756,982	**6,976,025**	4,756,982
	15,543,563	16,124,377	**15,543,563**	13,877,613

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Freehold land and buildings				
At independent valuation - June 2015	**8,750,000**	9,135,000	**8,750,000**	9,135,000
Provision for depreciation	**(182,462)**	(14,369)	**(182,462)**	(14,369)
Land and buildings 73 Victoria St Mackay				
At independent valuation - June 2015	**-**	2,250,000	**-**	-
Provision for depreciation	**-**	(3,236)	**-**	-
	8,567,538	11,367,395	**8,567,538**	9,120,631
Movement in carrying amount				
Opening net book amount	**11,367,395**	12,705,290	**9,120,631**	9,322,900
Revaluation surplus	**-**	(809,882)	**-**	266,292
Disposals	**(2,617,822)**	(290,521)	**(383,000)**	(290,521)
Depreciation charge	**(182,035)**	(237,492)	**(170,093)**	(178,040)
Carrying amount at end of year	**8,567,538**	11,367,395	**8,567,538**	9,120,631

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Plant and equipment				
At cost	**27,099,018**	24,400,688	**27,099,018**	24,400,688
Provision for depreciation	**(20,122,993)**	(19,643,706)	**(20,122,993)**	(19,643,706)
	6,976,025	4,756,982	**6,976,025**	4,756,982
Movement in carrying amount				
Opening net book amount	**4,756,982**	3,786,359	**4,756,982**	3,786,359
Additions	**3,599,829**	2,311,548	**3,599,829**	2,311,548
Additions due to business combinations	**349,633**	-	**349,633**	-
Disposals	**(204,867)**	(267,474)	**(204,867)**	(267,474)
Depreciation charge	**(1,525,552)**	(1,073,451)	**(1,525,552)**	(1,073,451)
Carrying amount at end of year	**6,976,025**	4,756,982	**6,976,025**	4,756,982

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.

13 Other assets

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Prepayments	**7,749,905**	8,802,512	**7,749,805**	8,563,542
	7,749,905	8,802,512	**7,749,805**	8,563,542

14 Goodwill

(a) Queensland Professional Credit Union Ltd (YCU)

On 19 May 2016, the Group acquired 100 per cent of the shares of Queensland Professional Credit Union Ltd trading as Your Credit Union (YCU), via a court approved Scheme of Arrangement which involved the demutualisation of YCU and resulted in Auswide Bank Ltd obtaining control of YCU. All of YCU's assets, liabilities and obligations, whether actual or contingent were transferred to Auswide Bank Ltd. In addition, all duties, obligations, immunities, rights and privileges which apply to YCU, had YCU continued in existence, apply to Auswide Bank Ltd as a continuation of, and the same legal entity as YCU.

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and as set out in Notes 1(c) & (r), and recognises the acquisition date as 19 May 2016.

(b) Mackay Permanent Building Society Ltd (MPBS)

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 Notes 1(c) & (r), and recognises the acquisition date as 10 January 2008.

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Goodwill	**46,363,080**	42,057,110	**46,363,080**	42,057,110
	46,363,080	42,057,110	**46,363,080**	42,057,110

Impairment testing

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

The goodwill disclosed in the Statement of Financial Position at 30 June 2016 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.

14 Goodwill (continued)

Impairment testing (continued)

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

*	Budgeted trading result for the financial year ending 30 June 2017/18	Represents the cash-generating potential of the parent entity based on the forecast approved by the Board of Directors.
*	Estimated growth rate	6.0% (2015: 5.0%) represents growth in cash-generating unit cash flows over years one to three (beyond 30 June 2016). (Such growth is considered to be reasonable by management and the Board of Directors given historical loan book growth and strategic long-term growth targets)
*	Terminal growth rate	6.0% (2015: 5.0%) represents the terminal growth rate (beyond three years).
*	Pre-tax discount rate	12.0% (2015: 11.5%) is the pre-tax discount rate used in impairment testing representing the Cost to Equity to the consolidated group at 30 June 2016.

The recoverable amount exceeds the carrying value of the cash-generating unit by $124.4m at 30 June 2016 (2015: $33.7m).

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 - 1.9% (2015: 3.8%);
- discount rate - 15.6% (2015: 12.8%); and
- average revenue growth rate - 2.1% (2015: 4.6%).

15 Other intangible assets

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Carrying amounts of:				
Software	**2,719,522**	1,822,013	**2,719,522**	1,822,013
	2,719,522	1,822,013	**2,719,522**	1,822,013

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Software				
At cost	**8,549,488**	7,222,691	**8,549,488**	7,222,691
Provision for amortisation	**(5,829,966)**	(5,400,678)	**(5,829,966)**	(5,400,678)
	2,719,522	1,822,013	**2,719,522**	1,822,013

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Carrying Amount				
Balance at 1 July	**1,822,013**	1,579,088	**1,822,013**	1,579,088
Additions	**1,326,296**	616,433	**1,326,296**	616,433
Disposals	**-**	(13,898)	**-**	(13,898)
Amortisation charge	**(428,787)**	(359,610)	**(428,787)**	(359,610)
Balance at 30 June	**2,719,522**	1,822,013	**2,719,522**	1,822,013

16 Deposits and short term borrowings

	Consolidated 2016 $	Consolidated 2015 $	Company 2016 $	Company 2015 $
Call deposits	**675,822,631**	517,305,301	**676,144,733**	521,129,396
Term deposits	**1,218,061,572**	1,146,219,117	**1,218,061,572**	1,156,219,117
Negotiable certificates of deposit (NCDs)	**215,017,155**	188,547,277	**215,017,155**	188,547,277
Floating rate notes (FRNs)	**75,000,000**	-	**75,000,000**	-
	2,183,901,358	1,852,071,695	**2,184,223,460**	1,865,895,790
Maturity analysis				
On call	**820,407,618**	625,147,265	**820,729,720**	628,971,360
Up to 3 months	**801,871,665**	557,756,387	**801,871,665**	557,756,387
From 3 to 12 months	**538,953,846**	590,223,881	**538,953,846**	600,223,881
From 1 to 5 years	**22,668,229**	78,944,162	**22,668,229**	78,944,162
	2,183,901,358	1,852,071,695	**2,184,223,460**	1,865,895,790

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

Following the acquisition of shares in Queensland Professional Credit Union Ltd, $178.728m of call and term deposits were transferred to Auswide Bank Ltd at fair value as part of the transfer of liabilities.

17 Payables and other liabilities

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Trade creditors	**4,686,838**	3,609,892	**4,678,390**	3,606,888
Accrued interest payable	**13,946,872**	15,150,781	**13,946,872**	15,150,781
Other creditors	**6,719,734**	5,820,353	**6,294,938**	5,096,949
	25,353,444	24,581,026	**24,920,200**	23,854,618
Maturity analysis				
Up to 3 months	**17,951,971**	17,375,867	**17,518,727**	16,649,459
From 3 to 12 months	**7,189,491**	2,367,229	**7,189,491**	2,367,229
From 1 to 5 years	**211,982**	4,837,697	**211,982**	4,837,697
Later than 5 years	**-**	233	**-**	233
	25,353,444	24,581,026	**24,920,200**	23,854,618

18 Provisions

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Employee entitlements				
Balance at beginning of year	**2,647,021**	2,663,000	**2,647,021**	2,663,000
Provided for during the year	**526,607**	425,207	**526,607**	425,207
Used during the year	**(292,874)**	(441,186)	**(292,874)**	(441,186)
Balance at end of year	**2,880,754**	2,647,021	**2,880,754**	2,647,021
Maturity analysis				
Current provision	**2,491,604**	2,227,680	**2,491,604**	2,227,680
Non-current provision	**389,150**	419,341	**389,150**	419,341
	2,880,754	2,647,021	**2,880,754**	2,647,021
Unearned direct premiums and outstanding claims				
Balance at beginning of year	**4,455,918**	6,157,373	**-**	-
Transfers to/(from) the provision during the year	**(4,344,025)**	-	**-**	-
Payments from the provision during the year	**(111,893)**	(1,701,455)	**-**	-
Balance at end of year	**-**	4,455,918	**-**	-
Other provisions	**(1,303)**	57,039	**(1,304)**	57,039
Total provisions	**2,879,451**	7,159,978	**2,879,450**	2,704,060

18 Provisions (continued)

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

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.

As at 30 June 2016 the outstanding claims liability provision is nil due to the wind down of Mortgage Risk Management Pty Ltd.

19 Subordinated capital notes

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
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

20 Contributed equity

Fully paid ordinary shares	**2016 Shares No.**	**2016 Shares $**	2015 Shares No.	2015 Shares $
Balance at the beginning of the period - 30 June	**37,040,654**	**166,636,661**	36,452,951	163,550,831
Issued during the year				
Staff share plan	**99,479**	**477,499**	84,155	419,092
Dividend reinvestment plan	**264,423**	**1,281,103**	503,548	2,666,738
YCU merger shares *	**2,846,640**	**14,233,485**	-	-
Balance at end of year	**40,251,196**	**182,628,748**	37,040,654	166,636,661

* Refer to Note 33 for information as to the issue of shares in relation to the merger with YCU.

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

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

(a) Staff Share Plan

1 December 2015 - 99,479 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.

20 Contributed equity (continued)

(a) Staff Share Plan (continued)

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		**Company**	
	2016 Shares	2015 Shares	**2016 Shares**	2015 Shares
The total number of shares issued to employees since the inception of the staff share plan	**2,783,912**	2,684,433	**2,783,912**	2,684,433
The total number of shares issued to employees during the financial year	**99,479**	84,155	**99,479**	84,155
	$	$	**$**	$
The total market value at date of issue, 1 December 2015 (13 October 2014)	**536,192**	430,874	**536,192**	430,874
The total amount paid or payable for the shares at that date	**477,499**	419,092	**477,499**	419,092

(b) Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to suspend the DRP for the final dividend payable on 2 October 2015 for the 2014/15 financial year. They resolved to reintroduce the DRP for the interim dividend payable on 30 March 2016 for the 2015/16 financial year.

30 March 2016 - 264,423 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 30 March 2016 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.

(c) Auswide Performance Rights Pty Ltd.

As at the reporting date Auswide Performance Rights Pty Ltd holds 33,080 shares ($214,271) for the purpose of facilitating the Executive LTI scheme.

21 Reserves

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Available for sale reserve	**113,131**	157,791	**113,131**	157,791
Asset revaluation reserve	**3,345,125**	3,896,617	**3,345,125**	3,504,432
Cash flow hedge reserve	**(783,642)**	(1,026,471)	**(783,642)**	(1,026,471)
Share-based payment reserve	**(214,271)**	(108,348)	**-**	-
Statutory reserve	**2,676,071**	2,676,071	**2,676,071**	2,676,071
General reserve	**5,833,939**	5,833,939	**5,833,939**	5,833,939
Doubtful debts reserve	**2,387,810**	2,387,810	**2,387,810**	2,387,810
	13,358,163	13,817,409	**13,572,434**	13,533,572

Movements in reserves:

Available for sale reserve				
Balance at beginning of year	**157,791**	166,578	**157,791**	166,578
Increase/(decrease) due to revaluation of RMBS investments to mark-to-market	**(63,800)**	(12,553)	**(63,800)**	(12,553)
Deferred tax liability adjustment on revaluation of RMBS investments	**19,140**	3,766	**19,140**	3,766
Balance at end of year	**113,131**	157,791	**113,131**	157,791

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

Asset revaluation reserve				
Balance at beginning of year	**3,896,618**	3,418,279	**3,504,433**	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	**(551,493)**	(100,251)	**(159,308)**	(100,251)
Balance at end of year	**3,345,125**	3,896,618	**3,345,125**	3,504,433

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

Cash flow hedge reserve				
Balance at beginning of year	**(1,026,471)**	-	**(1,026,471)**	-
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges				
Interest rate swaps	346,898	(1,466,387)	346,898	(1,466,387)
Deferred tax related to gains/losses recognised in other comprehensive income	**(104,069)**	439,916	**(104,069)**	439,916
Balance at end of year	**(783,642)**	(1,026,471)	**(783,642)**	(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.

21 Reserves (continued)

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		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Share based payments reserve				
Opening balance	**(108,348)**	-	**-**	-
Increase in reserve on acquisition of shares	**(166,359)**	(353,544)	**-**	-
Issue of shares held by entity to employees	**60,436**	245,196	**-**	-
Balance at end of year	**(214,271)**	(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 at the current level. Since this time, there has been no policy of regular transfer.

Total reserves	**13,358,163**	13,817,409	**13,572,434**	13,533,572

22 Non-controlling interest

Reconciliation of non-controlling interest in controlled entities:

	Consolidated	
	2016	2015
	$	$
Opening balance	**-**	(70,625)
Deconsolidation of minority interest	**-**	70,625
Closing balance	**-**	-

23 Cash flow statement

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

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Profit after tax from continuing operations	**11,698,923**	13,261,991	**11,678,371**	12,742,656
Depreciation and amortisation	**2,136,374**	1,670,552	**2,124,432**	1,611,100
Bad debts expense	**(567,620)**	457,948	**(567,620)**	457,948
(Profit)/loss on disposal of non-current assets	**56,183**	(265,557)	**56,183**	(265,557)
Movement in assets				
Accrued interest on investments	**(756,788)**	(388,613)	**(756,788)**	(388,613)
Prepayments and other receivables	**(2,759,423)**	6,696,546	**(2,106,884)**	6,521,240
Deferred tax asset	**462,316**	787,213	**261,665**	724,952
Movement in liabilities				
Creditors and accruals	**10,805,033**	9,937,325	**12,380,760**	10,372,514
Deferred tax payable	**646,501**	(704,568)	**816,717**	(381,716)
Income tax payable	**(154,829)**	(106,491)	**(154,829)**	(106,491)
Employee benefit provisions	**233,733**	(15,979)	**233,733**	(15,979)
Other provisions	**(4,280,527)**	(1,737,277)	**175,390**	(35,820)
Reserves	**(84,929)**	755,980	**(84,929)**	363,795
Net cash generated from operating activities	**17,434,947**	30,349,070	**24,056,201**	31,600,029

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.

24 Expenditure commitments

	Consolidated		Company	
	2016	2015	**2016**	2015
Capital expenditure commitments	**$**	$	**$**	$
Capital expenditure contracted for within one year	**1,288,234**	1,190,694	**1,288,234**	1,190,694

	Consolidated		Company	
	2016	2015	**2016**	2015
Lease expenditure commitments (as Lessee)	**$**	$	**$**	$
Non-cancellable operating leases				
Up to 1 year	**2,448,846**	2,269,360	**2,448,846**	2,269,360
From 1 to 2 years	**1,853,324**	1,573,246	**1,853,324**	1,573,246
From 2 to 5 years	**2,866,605**	1,697,156	**2,866,605**	1,697,156
Later than 5 years	**162,940**	145,552	**162,940**	145,552
	7,331,715	5,685,314	**7,331,715**	5,685,314

Non-cancellable operating leases relate to leases of branches across Queensland and other states of Australia.

25 Contingent liabilities and credit commitments

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Approved but undrawn loans	**53,951,198**	66,969,048	**53,951,198**	66,969,048
Approved but undrawn credit limits	**93,706,495**	92,350,042	**93,706,495**	92,350,042
Bank guarantees	**191,237**	364,316	**191,237**	364,316
	147,848,930	159,683,406	**147,848,930**	159,683,406

26 Earnings per share

	2016 Cents per share	2015 Cents per share
Basic earnings per share		
From continuing operations	**30.28**	35.14
From discontinued operations	**0.92**	0.93
Total basic earnings per share	**31.20**	36.07
Diluted earnings per share		
From continuing operations	**30.28**	35.14
From discontinued operations	**0.92**	0.93
Total diluted earnings per share	**31.20**	36.07

Basic earnings per share

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

	2016 $	2015 $
Profit for the year attributable to owners of the Company	**11,698,923**	13,261,991
Earnings used in the calculation of basic earnings per share	**11,698,923**	13,261,991
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**(344,736)**	(343,216)
Earnings used in the calculation of basic earnings per share from continuing operations	**11,354,187**	12,918,775

	2016 No. of shares	2015 No. of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**37,491,406**	36,768,376

26 Earnings per share (continued)

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2016 **$**	2015 $
Earnings used in the calculation of basic earnings per share	**11,698,923**	13,261,991
Earnings used in the calculation of diluted earnings per share	**11,698,923**	13,261,991
Profit for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	**(344,736)**	(343,216)
Earnings used in the calculation of diluted earnings per share from continuing operations	**11,354,187**	12,918,775

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2016 **No. of shares**	2015 No. of shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**37,491,406**	36,768,376
Shares deemed to be issued for no consideration	**-**	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**37,491,406**	36,768,376

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

27 Key management personnel disclosures

(a) Details of key management personnel

Key management personnel have been taken to comprise the Directors and members of Executive Management who are collectively responsible for the day-to-day financial and operational management of the Group and the Company.

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

(i) Directors

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

(ii) Executives

WR Schafer	Chief Financial Officer, Company Secretary
CA Lonergan	Chief Risk Officer
SM Caville	Chief Information Officer
MS Rasmussen	Chief Operating Officer
CM Nevis	General Manager Third Party & Business Banking
AJ McArdle	General Manager Sales & Distribution (resigned 28 August 2015)

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.

27 Key management personnel disclosures (continued)

(b) Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below.

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Short term benefits				
Cash and salary fees	**2,037,901**	2,075,144	**2,037,901**	2,075,144
Cash bonus	**92,500**	37,500	**92,500**	37,500
Post employment benefits				
Superannuation	**152,053**	158,295	**152,053**	158,295
Share based payments	**37,504**	37,500	**37,504**	37,500
Other long term benefits	**35,583**	39,642	**35,583**	39,642
	2,355,541	2,348,081	**2,355,541**	2,348,081

Remuneration is calculated based on the period each employee was classified as key management personnel. Remuneration to Directors was approved at the previous Annual General Meeting of the Company.

(c) Other transactions with key management personnel

Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the general public.

The Bank's policy for receiving deposits from other related parties and in respect of other related party transactions is that all transactions are approved and deposits are accepted on the same terms and conditions that apply to members of the general public for each type of deposit.

Dividends of $90,697 (2015: $123,583) were paid to key management personnel and associates. These were made on terms no more favourable than those made on dividend payments to other shareholders.

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

28 Remuneration of auditors

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Amounts received or due and receivable by the auditors of Auswide Bank Ltd, Deloitte Touche Tohmatsu, are as follows:				
Audit and review of financial statements	**324,668**	272,470	**324,668**	272,470
Tax advisory services	**61,107**	-	**61,107**	-
Other assurance services	**51,539**	16,414	**51,539**	16,414
	437,314	288,884	**437,314**	288,884

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Amounts received or due and receivable by the previous auditors of Auswide Bank Ltd, Bentleys Brisbane Partnership, are as follows:				
Audit and review of financial statements	**-**	47,797	**-**	47,797
Tax advisory services	**-**	24,741	**-**	24,741
Other assurance services	**-**	6,753	**-**	6,753
Other services	**-**	1,883	**-**	1,883
	-	81,174	**-**	81,174

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
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	**11,433**	22,600	**-**	-
Other regulatory audit services (APRA Return)	**-**	11,300	**-**	-
	11,433	33,900	**-**	-
KPMG related practices:				
Other regulatory services	**-**	41,000	**-**	-
	-	41,000	**-**	-
Total auditors' remuneration	**448,747**	444,958	**437,314**	370,058

29 Events subsequent to balance date

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

30 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.

31 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.

32 Financial instruments

The Group 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 (RMF) including policies and processes to reduce such risks to prudent levels at both a Company and Group level. The Board has established the following committees and delegated responsibilities to develop and monitor risk within their relevant areas and consistent with the Group wide Risk Management Framework:

Risk Committee	Responsible for constructing and reviewing Auswide Bank Ltd's risk management policies and procedures and appraising the adequacy of the Risk Management Framework.
Asset and Liability Management Committee (ALCO)	Responsible for the analysis and management of interest rate risk.
Audit Committee	Responsible for providing an impartial review of internal and external audit and of Auswide Bank Ltd's : . statutory reporting; . prudential reporting required by the Australian Prudential Regulation Authority (APRA); . other financial reporting; and . compliance with laws and regulations.

APRA's Prudential Standard APS 110 *Capital Adequacy* aims to ensure the Authorised Deposit-taking Institutions (ADI's) maintain adequate capital, on both an individual and group basis, to act as a buffer against the risks associated with the group's activities. APRA requires capital to be allocated against credit, market and operational risk, and the group has adopted the 'standard model' approach to measure the capital adequacy ratio.

The Board of Directors takes responsibility to ensure the Company and Group maintain a level and quality of capital commensurate with the type, amount and concentration of risks to which the company and consolidated group are exposed from their activities. The Board has regard to prospective changes in the risk profile and capital holdings.

32 Financial instruments (continued)

(a) Capital risk management (continued)

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 13.5%. During the 2016 and 2015 financial years the capital adequacy ratios of both the Group and Company were maintained above the target ratio, with the exception of the month ended 31 May 2016 where the ratio temporarily fell below the board target due to a delay in issue of a Tier 2 Capital Instrument. At all times the capital ratio was in excess of APRA's Prescribed Capital Ratio (PCR).

The capital adequacy calculations at 30 June 2016 and 30 June 2015 have been prepared in accordance with the revised prudential standards incorporating the Basel III principles.

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

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

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

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

	Consolidated		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Total risk weighted assets	**1,262,860,678**	1,033,792,787	**1,261,386,967**	1,031,499,262
Capital base	**180,694,838**	156,652,308	**178,540,918**	154,647,013
Risk-based capital ratio	**14.31%**	15.15%	**14.15%**	14.99%

(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 Interest Rate Risk 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’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;

32 Financial instruments (continued)

(b) Market risk management (continued)

- 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 $10,955,048 or increase by $10,453,066 (2015: decrease by $10,060,065 or increase by $9,782,054). 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).

The undrawn limits on the securitisation warehouses were as follows:

Securitisation Trust	**2016**	2015
	$	$
WB Trust No. 5	52,688,446	81,553,957
WB Trust No. 6	8,657,495	30,605,288
Total	61,345,941	112,159,245
Maturity Analysis		
Up to 1 year	61,345,941	112,159,245

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 one of the recognised mortgage insurers and by securing the loans by first mortgages of residential property.

The company has a diversified Branch Network consisting of 24 branches and agencies across Queensland, and a business centre in Brisbane city, 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.

32 Financial instruments (continued)

(d) Credit risk management (continued)

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		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
30 days and less than 60 days	**4,400,909**	7,125,543	**4,400,909**	7,125,543
60 days and less than 90 days	**6,713,812**	3,215,709	**6,713,812**	3,215,709
90 days and less than 182 days	**8,222,802**	3,178,019	**8,222,802**	3,178,019
182 days and less than 273 days	**2,265,778**	1,670,694	**2,265,778**	1,670,694
273 days and less than 365 days	**553,023**	2,463,633	**553,023**	2,463,633
365 days and over	**4,405,670**	4,652,942	**4,405,670**	4,652,942
	26,561,994	22,306,540	**26,561,994**	22,306,540

As at 30 June 2016 there were 18 loans totalling $4,023,172 (30 June 2015: 13 loans totalling $3,903,233) 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:

	2016	2015
	%	%
Queensland	**81.1**	83.8
New South Wales	**9.0**	8.0
Victoria	**6.9**	5.9
South Australia	**0.8**	0.9
Western Australia	**1.6**	1.2
Tasmania	**0.1**	0.1
Northern Territory	**0.5**	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.

32 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 1.72% (2015 - 2.53%)
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 2016) (2015 - 0%)
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 3.47% (2015 - 3.01%)
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 3.71% (2015 - 3.13%)
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.

32 Financial instruments (continued)

(e) Terms, conditions and accounting policies (continued)

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 2016 are disclosed in Note 5.
Subordinated capital notes	19	The subordinated capital notes are inscribed debenture stock.	These notes are issued for a period of 10 years non call 5 years, at which time they can be redeemed. Interest is repriced quarterly at a set margin above 90 day BBSW.

32 Financial instruments (continued)

(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:

	2016 **$**	2015 $
WB Trust No.5	**38,739**	-
WB Trust No.6	**-**	-
WB Trust 2006-1 (matured 16 May 2016)	**-**	63,857
WB Trust 2008-1	**754,592**	784,428
WB Trust 2009-1	**109,845**	135,235
WB Trust 2010-1	**51,537**	38,985
WB Trust 2014-1	**267,806**	256,057

In addition, Auswide Bank Ltd holds three interest rate swaps with Westpac Bank (pay variable, receive fixed). These are designated as effective hedges and are accounted for as cash flow hedges. Refer to Note 1(k) for further details.

(g) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow and lend funds at both fixed and variable interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and variable rate assets and liabilities and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost effective hedging strategies are applied. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the risk management section of this note.

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

32 Financial instruments (continued)

(g) Interest rate risk (continued)

			Fixed interest rate maturing in:									
	Variable interest rate		**1 Year or Less**		**From 1 to 5 years**		**Non interest bearing**		**Total carrying amount per balance sheet**		**Weighted average effective interest rate**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Financial instruments	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$	**%**	%
Financial assets												
Cash and cash equivalents	**67,144,715**	49,265,928	**-**	-	**-**	-	**646,882**	2,229,493	**67,791,596**	51,495,421	**1.69**	2.56
Due from other financial institutions	**21,918,903**	9,120,436	**-**	-	**-**	-	**95,000**	95,000	**22,013,903**	9,215,436	**1.94**	2.26
Accrued receivables	**-**	-	**-**	-	**-**	-	**12,765,578**	5,892,559	**12,765,578**	5,892,559	**-**	-
Financial assets	**19,335,457**	22,490,711	**202,297,218**	194,450,500	**3,412,696**	27,965,139	**-**	-	**225,045,371**	244,906,350	**3.36**	3.02
Loans and advances	**2,062,001,513**	1,763,308,322	**264,233,304**	218,272,335	**345,223,032**	350,260,759	**-**	-	**2,671,457,849**	2,331,841,416	**4.75**	5.21
Other investments	**-**	-	**-**	-	**-**	-	**551,980**	434,339	**551,980**	434,339	**-**	-
Total financial assets	**2,170,400,588**	1,844,185,397	**466,530,522**	412,722,835	**348,635,728**	378,225,898	**14,059,440**	8,651,391	**2,999,626,277**	2,643,785,521		
Financial liabilities												
Deposits and short term borrowings	**675,822,631**	517,305,301	**1,485,410,499**	1,255,822,232	**22,668,229**	78,944,162	**-**	-	**2,183,901,359**	1,852,071,695	**2.42**	2.86
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**25,353,444**	24,581,026	**25,353,444**	24,581,026	**-**	-
Securitised loans	**473,786,255**	456,477,996	**60,712,908**	56,505,443	**79,321,924**	90,674,063	**-**	-	**613,821,086**	603,657,502	**3.32**	3.74
Provisions	**-**	-	**-**	-	**-**	-	**2,879,452**	7,159,978	**2,879,452**	7,159,978	**-**	-
Subordinated capital notes	**-**	-	**28,000,000**	28,000,000	**-**	-	**-**	-	**28,000,000**	28,000,000	**6.50**	6.97
Total financial liabilities	**1,149,608,886**	973,783,297	**1,574,123,407**	1,340,327,675	**101,990,153**	169,618,225	**28,232,896**	31,741,004	**2,853,955,341**	2,515,470,201		

32 Financial instruments (continued)

(h) Fair value of financial instruments

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

		Total carrying amount per balance sheet		Aggregate net fair value	
		2016	2015	**2016**	2015
		$	$	**$**	$
	Methods & assumptions used to determine net fair values				
Financial assets					
Cash and cash equivalents	Carrying amount approximates fair value due to short term to maturity	**67,791,596**	51,495,421	**67,791,596**	51,495,421
Due from other financial institutions	Estimated using discounted cash flow analysis based on current lending rates for similar types of investments	**22,013,903**	9,215,436	**22,013,903**	9,215,436
Accrued receivables	Fair value approximates carrying value due to short term nature	**12,765,578**	5,892,559	**12,765,578**	5,892,559
Financial assets	Fair value is quoted market price (if available) adjusted for any realisation costs	**225,045,371**	244,906,350	**226,490,196**	246,199,874
Loans and advances	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans	**2,671,457,849**	2,331,841,416	**2,678,921,656**	2,339,227,326
Other investments	Carrying amount considered to be a reasonable estimate of net fair value	**551,980**	434,339	**551,980**	434,339
Total financial assets		**2,999,626,277**	2,643,785,521	**3,008,534,909**	2,652,464,955
Financial liabilities					
Deposits and short term borrowings	Estimated using discounted cash flow analysis based on current lending rates for similar types of deposits	**2,183,901,359**	1,852,071,695	**2,177,906,040**	1,845,882,158
Payables and other liabilities	For short term liabilities, carrying value approximates fair value. For the liabilities which are long term the fair value is estimated using discounted cash flow analysis, based on current rates for similar types of liability.	**25,353,444**	24,581,026	**25,353,444**	24,581,026
Securitised loans	Estimated using discounted cash flow analysis based on current lending rates for similar types of loans	**613,821,086**	603,657,502	**615,536,046**	605,569,536
Provisions	Carrying amount approximates fair value	**2,879,452**	7,159,978	**2,879,452**	7,159,978
Subordinated capital notes	Carrying amount approximates fair value	**28,000,000**	28,000,000	**28,000,000**	28,000,000
Total financial liabilities		**2,853,955,341**	2,515,470,201	**2,849,674,982**	2,511,192,698

32 Financial instruments (continued)

(h) Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

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

Consolidated entity	**Fair Value**		**FV hierarchy**	**Valuation technique(s) and key input(s)**
	2016 $	2015 $		
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	199,923,930	190,934,302	Level 1	Quoted price
Financial assets held at amortised cost:				
Notes - securitisation program	19,335,457	47,345,388	Level 2	Held at amortised cost
Loans and advances	2,678,921,656	2,339,227,326	Level 3	Held at amortised cost
Financial assets at fair value through profit or loss:				
Investment in floating rate notes	-	3,110,462	Level 2	Mark-to-market value based on consideration, maturity and interest rates
Shares in unlisted companies	512,299	394,658	Level 3	Market approach using recent observable market data including cost value, net present value of future cash flows
Financial assets available for sale:				
External RMBS investments	2,373,288	3,516,198	Level 2	Mark-to-market value based on consideration, maturity and interest rates
MoneyPlace	3,412,696	-	Level 3	Market approach using recent observable market data including cost value, net present value of future cash flows
Total	2,904,479,326	2,584,528,334		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	2,177,906,040	1,845,882,158	Level 3	Held at amortised cost
Securitised loans	615,536,046	605,569,536	Level 2	Held at amortised cost
Total	2,793,442,086	2,451,451,694		

32 Financial instruments (continued)

(h) Fair value of financial instruments (continued)

Company	Fair Value 2016 $	2015 $	FV hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Financial assets held to maturity:				
Certificates of deposit	199,923,930	190,934,302	Level 1	Quoted price
Financial assets held at amortised cost:				
Notes - securitisation program	46,476,398	47,345,388	Level 2	Held at amortised cost
Loans and advances	2,678,921,656	2,339,227,326	Level 3	Held at amortised cost
Financial assets at fair value through profit or loss:				
Shares in unlisted companies	1,771,304	15,653,663	Level 3	Market approach using recent observable market data including cost value, net present value of future cash flows
Financial assets available for sale:				
External RMBS investments	2,373,288	3,516,198	Level 2	Mark-to-market value based on consideration, maturity and interest rates
MoneyPlace	3,412,696	-	Level 3	Market approach using recent observable market data including cost value, net present value of future cash flows
Total	2,932,879,272	2,596,676,877		
Financial liabilities				
Financial liabilities held at amortised cost:				
Deposits and short term borrowings	2,190,218,779	1,872,122,826	Level 3	Held at amortised cost
Securitised loans	615,536,046	605,569,536	Level 2	Held at amortised cost
Total	2,805,754,825	2,477,692,362		

Reconciliation of Level 3 fair value measurements:

Consolidated entity	Shares in unlisted companies 2016 $	2015 $	MoneyPlace 2016 $	2015 $
Opening balance	**394,658**	336,504	-	-
Total gains or losses:				
- in profit or loss	-	-		
- in other comprehensive income	-	-		
Purchases	**117,641**	58,154	3,412,696	
Disposals				
Closing balance	**512,299**	394,658	3,412,696	-

32 Financial instruments (continued)

(h) Fair value of financial instruments (continued)

Company	Shares in unlisted companies		MoneyPlace	
	2016 $	2015 $	**2016 $**	2015 $
Opening balance	**15,653,663**	15,596,450	-	-
Total gains or losses:				
- in profit or loss	-	-		
- in other comprehensive income	-	-		
Purchases	**117,641**	58,374	3,412,696	
Disposals	**(14,000,000)**	(1,161)		
Closing balance	**1,771,304**	15,653,663	3,412,696	-

33 Business combination

On 19 May 2016, the Group acquired 100 per cent of the shares of Queensland Professional Credit Union Ltd trading as Your Credit Union (YCU), via a court approved Scheme of Arrangement which involved the demutualisation of YCU and resulted in Auswide Bank Ltd obtaining control of YCU. All of YCU's assets, liabilities and obligations, whether actual or contingent were transferred to Auswide Bank Ltd. In addition, all duties, obligations, immunities, rights and privileges which apply to YCU, had YCU continued in existence, apply to Auswide Bank Ltd as a continuation of, and the same legal entity as YCU. The acquisition is expected to provide geographic diversification of earnings, cost synergies and revenue opportunities.

Consideration Transferred

	2016 $
Cash	16,584,949
Fully paid ordinary shares in Auswide Bank Ltd	14,233,485
Total	30,818,434

The ordinary shares were issued in part satisfaction of the payment of the consideration under the Scheme of Arrangement between YCU, and its members on the acquisition date of 19 May 2016. The fair value of ordinary shares issued was based on the share price of the Group at 19 May 2016, of $5.0001 per share.

Acquisition related costs amounting to $2.499m have been excluded from the consideration transferred and have been recognised as an expense in profit and loss in the current year, within the 'General and administration expenses' line item.

33 Business combination (continued)

Assets acquired and liabilities assumed at the date of acquisition at fair value

	2016 $
Current assets	
Cash and cash equivalents	107,327
Loans and advances	130,737,042
Trade and other receivables	899,181
Investments	74,246,191
Deferred tax assets	91,644
Non-current assets	
Plant and equipment	349,633
Current liabilities	
Creditors and borrowings	(1,593,496)
Members deposits	(141,785,088)
Term deposits	(36,943,399)
Provision for taxation	453,907
Non-current liabilities	
Provisions	(52,127)
Net assets	26,512,464

No contingent liabilities have been identified from the acquisition of YCU.

Goodwill arising on acquisition

	2016 $
Consideration transferred	30,818,434
Less: fair value of identifiable net assets acquired	26,512,464
Goodwill arising on acquisition	4,305,970

Goodwill arose in the acquisition of YCU, in part due to existing synergies between Auswide Bank Ltd and YCU, which may not have been paid by potential purchasers as opposed to the goodwill inherent in YCU's business on a stand alone basis. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition

	2016 $
Consideration paid in cash	16,574,949
Less: cash and cash equivalent balances acquired	107,327
	16,477,622

Impact of acquisition on the results of the Group

Included in the profit (after tax) for the year is $481,700 attributable to the additional business generated by YCU. Revenue for the year includes $799,021 in respect of YCU.

Had this business combination been in effect at 1 July 2015, the revenue from the Group arising from continuing operations would have been $140.513m, and the profit for the year from continuing operations would have been $11.733m. The directors of the Group consider these 'proforma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provided a reference point for comparison in future periods.

34 Discontinued operation

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.

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Consolidated	
Profit for the year from discontinued operations	**2016** **$**	2015 $
Revenue	**1,798,993**	746,380
Expenses	**(1,306,513)**	(256,071)
Profit/(loss) before income tax	**492,480**	490,309
Income tax expense	**(147,744)**	(147,093)
Profit for the year from discontinued operations (attributable to owners of the Company)	**344,736**	343,216

	2016 **$**	2015 $
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	**(6,035,493)**	(1,570,652)
Net cash inflows/(outflows) from investing activities	**3,953,499**	2,730,836
Net cash inflows/(outflows) from financing activities	**(14,420,000)**	-
Net cash inflows	**(16,501,994)**	1,160,184

For the year ended 30 June 2016

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

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

 (i) give a true and fair view of the financial position of the company and consolidated entity as at 30 June 2016 and of the performance for the year ended on that date; and
 (ii) comply with Australian Accounting Standards (including the Australia Accounting Interpretations) and the *Corporations Regulations 2001*;

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2016.

The declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

JS Humphrey
Chair

SC Birkensleigh
Director

Brisbane
29 August 2016

Deloitte.

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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 2016, 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 as set out on pages 16 to 73.

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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 consolidated entity and Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in page 5 to 12 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jamie C. J. Gatt
Partner
Chartered Accountants
Sydney, NSW
29 August 2016

David Rodgers
Partner
Chartered Accountants
Brisbane, QLD
29 August 2016