Annual Report 2023

AUSWIDE BANK

We acknowledge the Traditional Owners of the lands on which we operate and pay our respects to Elders past and present, and to emerging community leaders. We also acknowledge the important role Aboriginal and Torres Strait Islander peoples continue to play within the communities in which Auswide Bank operates and where our team members reside.


Connections build the foundation for nurturing and sustaining meaningful relationships.

About Auswide Bank

OUR MISSION

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

OUR VISION

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

57 YEARS STRONG
EST. IN 1966

STAFF ENGAGEMENT
SCORE OF 96

CORE OFFERINGS

- Home Loans
- Personal Loans
- Credit Cards
- Payments
- Deposit Solutions
- Insurance
- Internet Banking and App

FINANCIAL STATUS

$3.414b
CUSTOMER DEPOSITS

$4.403b
IN LOAN BOOK ASSETS

MAJOR STRATEGIC PARTNERSHIPS

MAROONS
National Seniors AUSTRALIA

AWARDS

mozo EXPERTS CHOICE 2022 CAR LOAN
CANSTAR 2022
mozo EXPERTS CHOICE AWARD 2023
mozo EXPERTS CHOICE AWARD 2023 CAR LOAN
mozo EXPERTS CHOICE AWARD 2023
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DISTRIBUTION

ONLINE INTERNET BANKING AND APP

STRONG BROKER NETWORK

AUSWIDE BANK PRIVATE BANK | PRIVATE BANKING

16 BRANCHES

FY23 Financial Highlights

Underlying NPAT maintained in a challenging environment

STATUTORY NPAT
$25.067m
↓ 4.1%

LOAN BOOK
$4.403b[2]
↑ 14.2% growth, over 3x system[3]

COST TO INCOME RATIO
65.0%
↑ 3.9%

NET INTEREST MARGIN
188BPS
↓ 6BPS on FY22

UNDERLYING NPAT[1]
$25.067m
↑ 0.4%

CUSTOMER DEPOSITS
$3.414b
↑ 11.6% growth

TOTAL ASSETS EXCEEDED
$5b at 30 June 2023

STATUTORY EPS
55.6CPS
↓ 4.9CPS

STATUTORY ROE
8.7%
↓ from 9.8%

TOTAL DIVIDEND
43.0CPS
↑ 1.0CPS

UNDERLYING ROE[1]
8.7%
↓ from 9.4%

1. Difference between Statutory and Underlying NPAT and ROE in FY22 is due to:
   - Tax credits which the Bank previously underclaimed ($628k)
   - Transition payment received from payments system provider ($318k)
   - Costs of M&A activity which did not proceed $120k
   - Release of COVID overlay in the Collective Provision ($350k)
2. Including investments in Managed Investment Schemes (MISs) reported in Financial Assets in Balance Sheet
3. System growth of 4.5% per RBA Financial Aggregates - total housing growth

Our Board of Directors

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

Ms Birkensleigh was appointed to the Board on 2 February 2015, and was appointed Chairman on 1 January 2021. Ms Birkensleigh was a partner at PricewaterhouseCoopers for 16 years until her retirement in 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 the Tasmanian Finance Corporation, Adore Beauty Limited, Horizon Oil Limited and 7-11 Holdings and its subsidiaries. She is an independent member of the Audit Committee of the Reserve Bank of Australia, and Deputy Chancellor Member of the University of the Sunshine Coast. Ms Birkensleigh is a member of the Board Audit Committee, the Board Risk Committee and is an independent Director.

Gregory Kenny GAICD, GradDipFin | Director

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

Grant Murdoch MCom(Hons) FAICD, FCAANZ | Director

Mr Murdoch was appointed to the Board on 1 January 2021. Mr Murdoch is a Chartered Accountant with over 37 years of experience and has previously served as a partner with both Ernst & Young and Deloitte. Mr Murdoch has extensive experience in providing advice on M&A, corporate restructures, share issues, pre-acquisition due diligence and expert reports for capital raisings and IPOs. Mr Murdoch is currently a non-executive Director of OFX Ltd, Lynas Rare Earths Ltd and serves as a Senator of the University of Queensland where he is also an Adjunct Professor at the School of Business, Economics and Law. Mr Murdoch was appointed as a non-executive Director of the following companies from 1 April 2021 Kiwicare Holdings Ltd, Kiwicare Corporation Ltd, Amalgamated Hardware Merchants Ltd, Burnets Horticulture Ltd, McGregor's Horticulture Ltd, and Amalgamated Hardware Merchants (Australia) Pty Ltd. Mr Murdoch is chairman of the Board Audit Committee, a member of the Board Remuneration Committee, the Board Risk Committee and is an independent Director.

Jacqueline Korhonen BSc, BEng (Hon), GAICD | Director

Ms Korhonen was appointed to the Board on 1 April 2021. Ms Korhonen's career spans more than 35 years and encompasses executive roles with several multi-national technology companies including over 25 years at IBM. Ms Korhonen is an Independent Non-Executive Director of MLC Life Insurance and a Non-Executive Director of Nuix. Ms Korhonen is also on the Board of au.Domain Administration Limited (AuDA), the governing body of the Australian internet domain and a Non- Executive Director of the Civil Aviation Safety Authority (CASA). Ms Korhonen is a member of the Board Remuneration Committee, the Board Audit Committee, the Board Risk Committee and is an independent Director.

Cameron Mitchell BBus, MAppFin | Director

Mr Mitchell was appointed to the Board on 1 February 2023. Mr Mitchell is an experienced business leader with an executive career that spans more than 25 years in Banking and Financial Services, both domestically and internationally. He has significant experience working with regulators to ensure the highest levels of risk management and compliance. Mr Mitchell has partnered with all levels of Banking segmentation including Retail, SME, Business, Private and Institutional banking to deliver customer growth, customer insight, data, transformation, and strategy. Mr Mitchell is the Executive Chairman and Managing Director of FX Risk Solutions. Mr Mitchell is a member of the Board Audit Committee, the Board Risk Committee and the Board Remuneration Committee and is an independent Director.

Lyn McGrath BA, MBA, SFFinsia, GAICD | Director

Ms McGrath was appointed to the Board on 1 March 2023. Ms McGrath has extensive executive experience in the financial services sector throughout her roles as Group Executive Retail Banking at BOQ and Executive General Manager, Retail at CBA. Ms McGrath's experience extends across retail banking, wealth management and retail distribution. Ms McGrath has significant experience in digital transformation and business turnarounds. Ms McGrath is currently a non-executive director of Credit Corp Group Ltd (ASX:CCP) and Challenger Bank Ltd (ASX: CGF). She is also Chair and non-executive Director of togetherAI Pty Ltd, and a non-executive Director and Chair of the Audit and Risk Committee for Australian Digital Health Agency. Ms McGrath is a member of the Board Audit Committee, Board Risk Committee and Board Remuneration Committee and is an independent Director.

Barry Dangerfield | Director

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield served on the Board for a period of eleven years before retiring from the Board on 27 November 2022.

Martin Barrett BA (ECON), MBA | Managing Director

Martin 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. Martin has extensive experience in the banking sector, having previously held the positions of Managing Director (Queensland, Western Australia and National Motor Finance Business) and General Manager NSW/ACT Corporate & Business Bank at St George Bank Ltd. Prior to working at St George Bank, Martin held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Martin is currently a Non-Executive Director of Impact Community Services. Martin is an executive Director.

Our Leadership Team

Managing Director

Martin Barrett

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

Chief Financial Officer & Company Secretary

Bill Schafer

- Group Accounting and Treasury
- Budgeting and financial analysis
- Financial and management reporting
- Statutory, ASX and regulatory reporting
- Capital, funding and liquidity planning strategy
- Investor relations
- Crisis management
- Stress testing and contingency planning
- Company Secretary duties
- Management of external audit services

Chief Risk Officer

Craig Lonergan

- Continued improvement of risk management strategies and practices
- Risk management and compliance framework and control systems
- Managing the risk profile within Board approved risk appetite
- Risk culture awareness
- Anti-Money Laundering (AML) framework (including counter terrorism financing, anti-bribery, corruption and sanctions responsibilities)
- Credit risk management
- Providing management and the Board with risk reporting
- Management of the internal audit function via third party professional services

Chief Customer Officer

Damian Hearne

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

Chief People & Property Officer

Gayle Job

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

Chief Operating Officer

Mark Rasmussen

- Develop and monitor the controls, frameworks, processes and policies governing the Bank's operations.
- Lending services
- Lending origination services
- Support Services operations
- Support Services performance
- Business Continuity Planning (BCP) and Management (BCM)
- Key outsourcing Partnership Management (Support Services functions)
- PEXA management and processing
- Customer Hub – Customer Care
- Customer Hub – Lending Centre

Chief Transformation Officer

Rebecca Stephens

- Lead strategic change
- Deliver organisation wide strategic initiatives
- Proactively monitor strategic performance
- Build capability in areas of organisational priority

Chief Information Officer

Scott Johnson

- Information technology management
- Information technology strategic planning
- Delivery of key technology projects
- Information technology controls and security management
- Information technology vendor and partner management to ensure systems remain relevant and appropriate


Trust, a currency
we invest in.

Chair Report

I am pleased to report that Auswide Bank had a solid result for FY23. We met our commitments to customers and shareholders, drove positive change, all while navigating a challenging operating environment.

This year we faced inflationary pressure on wages and costs, regulatory demand on resources, significant operating cost for technology and cybersecurity, in combination with strong competition for retail deposits and loans. Through appropriate and measured responses to these challenges we were able to deliver our sound result.

Corporate Plan

January 2023 saw the start of a new strategic cycle. The next three years will be a period of growth and development at Auswide Bank.

Our corporate plan reflects the commitment to our mission, core values, and to those we serve. During the formulation of the plan, we sought feedback from staff, customers, and other stakeholders.

The four pillars of focus for our corporate plan are:

> Focus on third party and private banking for loan book and deposit acquisition.

> Actively pursue inorganic growth to improve our ability to scale or step change our capacity.

> Provide exceptional customer experience across all channels to grow and ensure retention of customers.

> Invest to grow and keep the promise by ensuring growth is aligned to financial metrics for stakeholders.

Retirement of Managing Director

In March 2023, our Managing Director Martin Barrett advised the Board of his intention to retire at the end of 2023. During his 10 years as our CEO Martin has been an inspirational leader, transforming the business, sharpening its focus, and creating a platform for sustained growth.

Under Martin's leadership, together with his team, we:

> Increased our loan book over the 10 years from $2.229b to $4.403b, while customer deposits grew from $1.620b to $3.414b over the same period.

> Incrementally grew in profitability and shareholder returns culminating in a record underlying NPAT in FY23 of $25.1m and a total dividend for the year of 43cps, which equated to a fully franked yield of 7.98%.

> Gained our banking licence on the 1st April 2015 and began our journey to rationalise and modernise the branch network to support improved customer service.

> Acquired YCU in 2016, which provided a new customer base in Brisbane and was the first merger between a listed ADI and mutual in over a decade.

> Grew our Private Bank, offering bespoke lending and deposit opportunities, with a portfolio of $428m at 30 June 2023.

On behalf of my fellow board members and staff, I would like to thank Martin for his exemplary leadership, and his relentless focus on the Bank's mission of placing the customer at the heart of everything we do, while at the same time creating value for shareholders. We wish Martin all the best for his future endeavours.

The Board commenced the process to find a new Managing Director in June 2023, with the aim of having a new Managing Director in place by November 2023.

Leadership and Board renewal

The year saw the appointment of two new Directors to the Auswide Bank Board.

In February, the Board appointed Mr Cameron Mitchell. Cameron is an experienced business leader with an executive career that spans more than 25 years in banking and financial services, both domestically and internationally. He has extensive experience working with regulators to ensure the highest levels of risk management and compliance.

In March, Ms Lyn McGrath was appointed to the Board. Lyn has extensive executive experience in the financial services sector, including retail banking, wealth management and retail distribution. Additionally, Lyn has significant experience in digital transformation and business turnarounds.

In November 2022, Board member Mr Barry Dangerfield retired after serving on the Board for a period of eleven years. Barry made a significant contribution to the Board and the Bank, including the appointment of Martin Barrett as CEO. We thank Barry for his guidance and support during his tenure and wish him well.

Acknowledgements

It has been an extraordinary effort from everyone in the Auswide Bank team. Our results are the outcome of hard work, flexibility, and determination. I would like to thank everyone for their contribution.

To my fellow directors, thank you for your commitment and wise counsel.

To our shareholders, customers, and partners, thank you for allowing us to stand with you and for your continued support.

Sandra Birkensleigh
Chair


Connections drive
the growth and trust
that define our future.

Managing Director Report

Despite a year of rapidly changing circumstances and challenges, we have continued to grow our Bank and provide support to our customers. We saw Covid-19 ease and the wider economic recovery accelerated as society opened up.

However, as a consequence of, and inflamed by, the Ukraine conflict, we saw an earlier and more severe elevation in global inflation than expected. This resulted in rapid increases in interest rates in our market and pressure on costs across the industry.

Interest rate increases in financial year 2023 were unprecedented with 10 cash rate adjustments by the Reserve Bank of Australia, lifting the cash rate from 1.35%pa to 4.10%pa. This operating environment presented challenges, not least being the intense competition for home lending and deposits. The major banks cited that they were writing business at below the cost of capital and offered very generous cash back offers to encourage other bank customers to refinance. Profitable home lending growth was difficult and remains difficult. We have started to see some easing in recent months, however, margin pressure will continue into financial year 2024.

Despite the significant rise in interest rates and cost of living pressures, our credit quality remained very strong and reflects our focus over the years on growing with a quality loan book.

Our Customers

Through the outstanding efforts of our staff, including our Bundaberg based contact centre, branch network, and customer support teams, we've maintained a high level of customer advocacy, ending FY23 with an externally measured net promoter score of +31. We are proud of this score which is amongst the highest in the sector. We received industry acknowledgement of our competitive range of banking products by winning MOZO Experts Awards for our car loans, investor home loans, first home buyer loans, low cost home loans, as well as a CANSTAR award for our low cost credit card.

The broker network represents an important distribution channel and with this in mind, we continued to build our broker capability through investment to improve both the broker and customer experience. Our broker relationship managers focus on building a strong rapport with brokers and aggregators, which we believe differentiates us from many of our bigger competitors.

Our Private Bank supports the demand for a high-quality offering for high-net-worth customers. Growth in Private Bank has been achieved by delivering bespoke lending and deposit solutions to targeted clients, quick loan turnaround times and most importantly building enduring relationships.

We are continuing to simplify our products and services, with a focus on meeting customer needs. We have built a culture of innovation that creates value for customers, shareholders and partners.

Financial

Customer numbers, total loan volumes and retail deposits materially grew during the year.

We are pleased to report a strong result with growth across a number of key financial metrics.

- Auswide Bank maintained a Net Profit after Tax (NPAT) of $25.067m, despite the significant margin pressure environment and an increase in operating expenses due to inflation, wage increases, growing regulatory requirements and investment in technology.
- Loan volumes were a highlight with record growth for the Bank. Our home loan portfolio grew at over 3x system, from $3.855b to $4.404b. Our continued efforts in building our broker network and targeting high net worth customers allowed us to achieve an increase of 14.2% on FY22. Maintaining quality lending remains a key focus and underpins our balance sheet strength.
- Customer deposits grew by 11.6% to reach $3.414b at year's end. This growth reflects our strategic focus on raising cost effective funding lines through our branches, deposit partnerships and online capabilities. Customers made up 72.4% of deposits with the gap met by higher cost wholesale funding. Our focus on customer deposits continues to transform our funding mix and reduce reliance on more expensive funding lines, such as securitisation, which represented 8.8% of funding in June 2023.
- Mortgage loan arrears greater than 30 days sat at just 0.10% on 30 June 2023. Our loan book arrears remain industry leading, aided by credit quality and a strong labour market.
- Net Interest Margin (NIM) for the year was 1.88%, a 6bps decline from FY22. This decline is reflective of the rapidly rising interest rate environment and intense market competition. Earnings from NIM for the year was $89.182 in net interest income for the financial year, which was up 8.7% from FY22.

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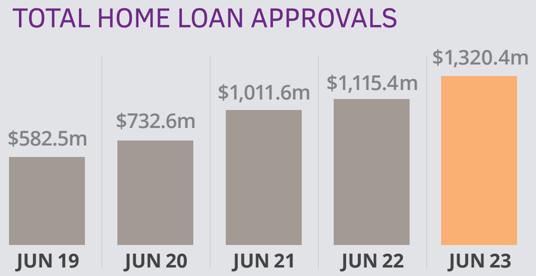
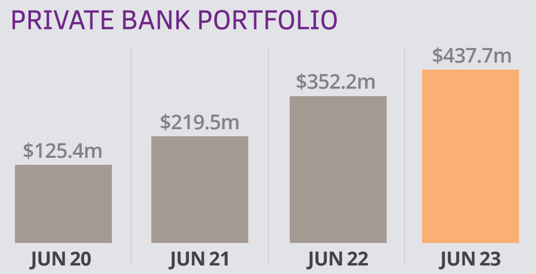
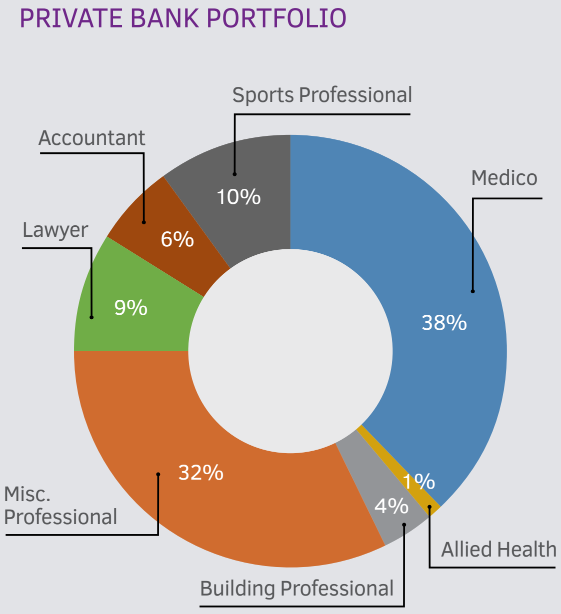
Broker and Private Bank driving growth







- The Cost to Income Ratio was 65.0%, which is an increase of 3.9%. This year we saw an increase in our key operational expenses and investments to support growth, technology, cyber security regulatory requirements and costs associated with increased lending volume. Wage costs increased as labour shortages were experienced and cost of living pressures increased.
- Our capital position remains strong with a capital adequacy ratio of 13.70% and CET1 of 11.43%. The impact of a new capital framework for ADIs that came into effect in January 2023 has had a benefit of 0.77%. The capital position remains above the Board's target and exceeds APRA's minimum requirements.

Dividend

Strong growth and sustained profit allowed the Board to declare a fully franked final dividend of 21.0 cents per share, bringing the total dividend for the financial year to 43.0 cents per share.

The year ahead

The Bank enters financial year 2024 with very low arrears reflecting a high quality loan book. Capital also remains strong.

The year and particularly the first half will be challenging. Net interest margin pressures continue as home lending and deposit competition remain intense. Regulatory demands continue to grow and are the most significant I have seen in my career. Additionally we, along with all businesses, face significant demands on our need to protect our customers. Today it is not hold ups in branches but relentless efforts by cyber criminals and fraudsters seeking to get access to customer data and our customers money. Investment in this area has grown significantly and will need to continue to grow.

Given the challenging year ahead we are focused on:

- Managing our costs and ensuring that we are well capitalised.
- Focusing on loan growth that is quality and is also profitable.
- Remaining vigilant on cyber security and continue to educate customers on the growing risks of scams and fraud.
- Continuing to make improvements in customer experience.
- Progressing our ESG program with a focus on ensuring the Bank is sustainable and contributing to making our community a better place.
- Complying with all regulatory requirements.
- Reviewing acquisition opportunities that can add diversification, capability and profitable growth to our business.

Thank you

This marks my final report to Auswide Bank shareholders, as I will be retiring at the end of December, after nearly 11 years with the Bank. We have come a long way over that time, faced numerous challenges and realised many opportunities. Whilst facing some significant challenges in 2024, the Bank is in good shape and has a great team.

I am humbled and honoured to have worked with our wonderful staff and customers that have contributed to the Bank's success. I am also very grateful for the support our loyal shareholders have provided over the years.

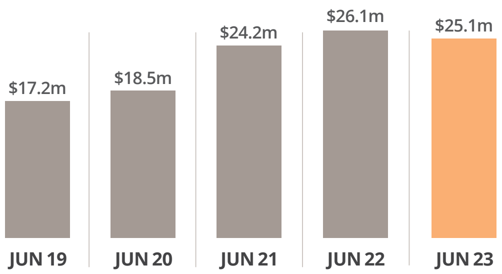
To my fellow Directors, thank you for your commitment and contribution over the past 12 months. To my Auswide Bank team, thanks for your willingness and energy to support our customers. To all our business partners and shareholders, thank you for your trust.

I have thoroughly enjoyed my time at Auswide Bank, and I look forward to continuing to watch the Bank's success. I have appreciated the experience, capability and support of our Board led initially by John Humphrey and in more recent times by Sandra Birkensleigh. We have worked hard together to develop the Bank we have today. I have appreciated the guidance, the necessary challenges and the support.

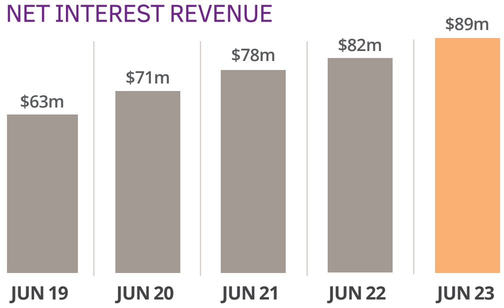
Martin Barrett
Managing Director

Delivering profitable growth

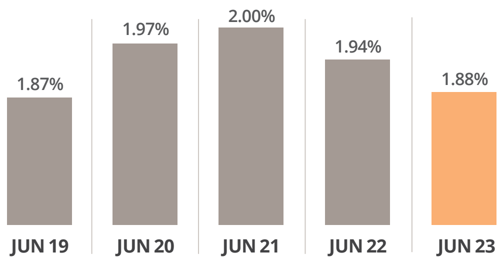
STATUTORY NPAT



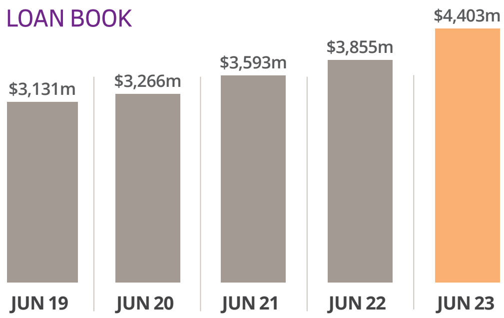
NET INTEREST REVENUE



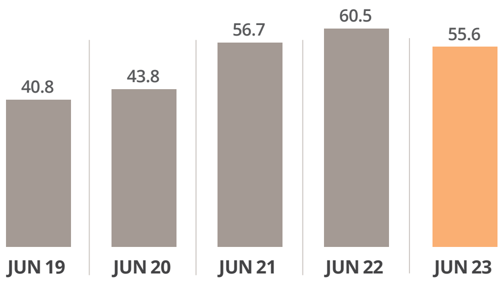
NET INTEREST MARGIN



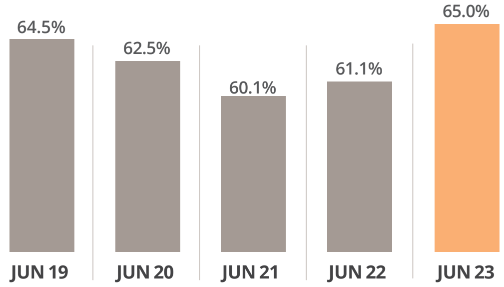
LOAN BOOK



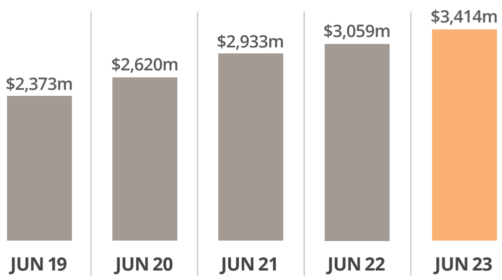
STATUTORY EARNINGS PER SHARE (CPS)



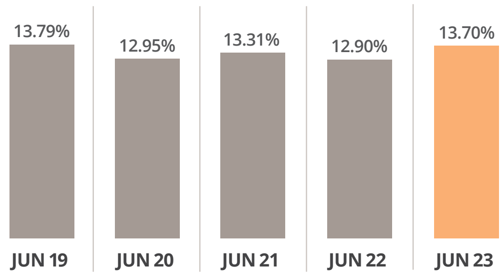
COST TO INCOME RATIO



CUSTOMER DEPOSITS



CAPITAL ADEQUACY RATIO



Broker flows in capital city markets driving diversification

This year we saw:

- Strong broker flows drive growth in SE QLD, NSW and VIC.
- 36.2% of loan book outside Queensland (FY22: 30.4%).
- Significant growth is being seen in the non-core areas.
- In FY23, continued high broker flows contributed to:
    - 18.4% increase on FY22 Home Loan approvals.
    - 27.9% increase on FY22 Home Loan settlements.

	LOAN BOOK			BREAKDOWN	
	JUN 22	JUN 23	GROWTH RATE	JUN 22	JUN 23
SOUTH EAST QUEENSLAND	$1,514.4m	$1,697.2m	12.1%	39.7%	38.9%
QUEENSLAND OTHER	$1,139.0m	$1,084.0m	4.8%	29.9%	24.9%
NEW SOUTH WALES	$566.0m	$660.3m	16.7%	14.8%	15.2%
VICTORIA	$411.9m	$527.8m	28.1%	10.8%	12.1%
AUSTRALIA OTHER	$183.2m	$389.2m	112.5%	4.8%	8.9%
TOTAL	$3,814.5m	$4,358.5m		100%	100%


working together,
achieving results

Our Sustainability Strategy Environmental, Social and Governance (ESG)

We understand the importance of ESG to support the wellbeing of our community.

Last year we reported that the Bank had determined the six focus areas of our Sustainability Strategy. Our sustainability work will be undertaken across these focus areas:

1. Customer
2. Our People
3. Community
4. Environment
5. Financial
6. Technology and Data

This year work in these focus areas has ensured that Auswide Bank continued its ESG journey in meeting its responsibilities and objectives with respect to the environment, health and safety, corporate social responsibility, corporate governance, sustainability and other public policy matters.

Key achievements this year

- We sought external expertise to review our ESG risk management framework as part of the Prudential Standard CPS-220. This process allowed us to develop our approach to managing ESG risk across the organisation.
- Our first Sustainability Report was delivered to customers and shareholders as part of the annual reporting process for FY22.
- Project work focused on scoping our climate change and emission strategy, which is an ongoing process and is scoped to be delivered over a two to three year period.
- Executive score card metrics were established with reporting and measurement indicators embedded into performance requirements.
- We continued to develop key reporting metrics across our six focus areas.

As part of the ESG Committee's ongoing charter we will continue to focus on managing the environmental, social and governance (ESG) impacts of our business.

In addition, we will identify and elevate the issues that matter most to our customers, our communities, and shareholders.

To view Auswide Banks 2023 Sustainability Report, please visit **www.auswidebank.com.au**

Queensland Rugby League partnership

We're extremely proud and honoured to have supported the Queensland Rugby League (QRL), and local football league communities for the last five years. During our tenure as QLD Maroons sponsor, the Maroons won three State of Origin series in 2020, 2022 and 2023, and we enjoyed being part of the team's success!

Key highlights

Apart from increased brand exposure, we have achieved many great things in our five-year partnership, including:

Auswide Bank Regional Road Shows

In association with QRL, the aim of the Regional Roadshows was to give Queensland regional communities the opportunity to interact with Maroons' legends and National Rugby League development and wellness officers. During these roadshows over $45,000 was raised and given back to local communities.

Murgon Mustangs – Domestic Violence Awareness program

Auswide Bank partnered with the Murgon Mustangs to provide funds to support the club to continue their work advocating, 'no excuse for domestic abuse'.

Coaching clinics

Clinics were held across a number of community clubs with over 450 children in attendance and as many sausages cooked along the way. These training clinics provided QRL community club players the opportunity to engage with former State of Origin greats and enhance their own skills via a training clinic.

Auswide Bank Mal Meninga Cup

Our support of this regional competition allowed young regional Queensland footballers to play in a competition that gives them an opportunity to progress their football careers, helping to achieve their sporting dreams.

Customer engagement

Over the five years we took many of our customers, brokers and partners to QRL events, giving them an opportunity to share in the joy of our partnership, whilst allowing us to develop better relationships with them along the way.

Refer to Auswide Banks Sustainability Report for our full community and support involvement.

coaching clinics

mates date

mates date

Corporate Plan 2023-2025

January 2023 saw the start of a new strategic cycle. The next three years will be a period of growth and development at Auswide Bank.

Our corporate plan reflects the commitment to our mission, core values, and to those we serve. During the formulation of the plan, we sought feedback from staff, customers, and other stakeholders.

2023 - 2025

Our Goals

13%	60%	10%	>70%
Capital adequacy retained throughout the strategy	Cost to income ratio by end of December 2025	ROE by end of December 2025	Customer deposit funding ratio retained throughout the strategy

$6-10bn in loan book assets — Up to $6bn driven by organic growth in home lending, with inorganic growth contributing up to $4bn to the lending book.

December 2025 Target Metrics

What are we doing

Focus on third party and private bank for acquisition

WHY Loan book growth and deposit book growth

HOW Grow partnerships to grow our geographic reach and access new customers

Actively pursue inorganic growth up to $4bn

WHY Improve our ability to scale or step change our capacity

HOW
- Merger and acquisitions and/or alliances
- Partnerships

Roll out exceptional customer experience across all channels

WHY
- Customer growth and retention
- Brand and community development

HOW
- Replicate the strengths of our in branch customer experience across all channels
- Build customer relationships and meet their financial needs through preferred service channels

Invest to grow and keep the promise

WHY Return growth aligned to financial metrics for stakeholders

HOW
- Technology and digital investment
- Operational investment

Our future state

1. Exceptional customer centricity.
2. Growing efficiently above system.
3. Profitable, growing, and a sound investment.
4. Forward looking, focused and responsive.
5. A place where our people are our advocates.
6. Integrating a great acquisition or alliance.

FINANCIAL REPORT

Directors' statutory report

REVIEW AND RESULTS OF OPERATIONS

Auswide Bank has delivered record loan book growth and materially improved market share during the 2022/23 financial year. Loan growth at 14.23% was over 3 times mortgage system growth. Investment and ongoing capacity improvement has demonstrated the bank's capability to accelerate growth. Expansion of the Private Bank service model and ongoing success in generating loans via the broker channel have elevated the bank's capacity to grow.

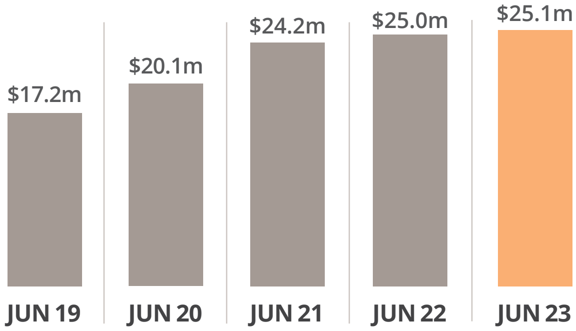
The net interest margin and expenses were under pressure across H2 of the financial year as the effects of intense competition in the lending and deposit market were experienced. The economic environment presented several challenges, including the increasing interest rates, maturity of fixed loans and escalating personnel, technology/cyber, fraud management/ detection and compliance costs.

Despite the volatile macroeconomic environment and intense market competition, the bank was able to deliver a record underlying NPAT of $25.067m. Auswide Bank's underlying NPAT has seen ten years of continuous improvement.

Results

Auswide Bank has performed strongly in a highly competitive market, again returning favourable financial results.

UNDERLYING NPAT

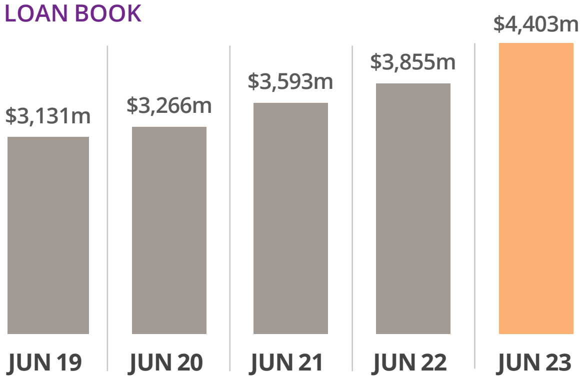


The record underlying consolidated NPAT for the year ended 30 June 2023 was $25.067m, an increase on the prior year's underlying NPAT of $24.956m, representing an increase of 0.44%.

The statutory consolidated NPAT for the year ended 30 June 2023 was $25.067m, a decrease of 4.08% when compared to the result of $26.132m achieved in the prior year. FY22 contained one off items, net of tax of $1.176m which were disclosed in the prior year.

The loan book grew from $3.855b at 30 June 2022 to $4.403b at 30 June 2023, an increase of $548.462m or 14.23%. This compares very favourably to the Reserve Bank of Australia (RBA) Financial Aggregates data which discloses credit provided to the private sector as having increased by 5.5% over the 12 months to June 2023.

LOAN BOOK



Home loan settlements across the financial year totalled $1.362b, a gain of 27.90% on the $1.065b achieved for home loan settlements in the 2021/22 year. This substantial increase demonstrated the capacity increase and volume capability Auswide Bank has been able to build over several years of investment and focus.

Net Interest Margin

The second half of the year saw a substantial elevation in mortgage and deposit competition, as well as a substantial rise in wholesale funding costs. The impact of rapid escalation in funding costs and intense home loan competition exerted pressure on the NIM. Auswide Bank has an ongoing focus on the management of the funding mix and pricing to ensure that the loan book growth is reflected in the net interest revenue.

The net interest margin for the 2022/23 financial year was 1.88% compared to 1.94% in the prior financial year, a decline of 6 bps.

We expect further pressure on the NIM through the first half of FY24 with recovery occurring in the second half.

Deposits and funding

Retail deposits continue to be Auswide Bank's largest source of funding, increasing from $3.059b at 30 June 2022 to $3.414b at June 2023, an uplift of $354.842m or 11.60%. The growth in retail deposits was supplemented by sales into securitisation warehouses to fund the significant increases in the loan book. The level of customer deposits as a percentage of total funds has reduced from 73.16% at 30 June 2022 to 72.37% at 30 June 2023.

Customers

The bank grew its customer base by over 5% across FY23. Over the past financial year Auswide Bank has maintained an emphasis on enhancing customer experience and delivering on the digital strategy. This was achieved by prioritising home loan support coupled with retention for existing customers. Technology was utilised to provide an improved loan experience, including auto decisioned loans, digital documentation and automated processes to ensure a positive banking experience for customers, whether it's face-to-face, on the phone via the Customer Hub or through digital channels.

During the year the bank undertook it's first industry aligned customer satisfaction survey and achieved outstanding results compared to the industry, with customer net promoter score of 31 and customer satisfaction of 97%.

Mortgage brokers continue to represent an important distribution channel and significant growth opportunity for Auswide Bank, as third-party loans account for a larger portion of the home loan market, however, competition in the marketplace is intense. Strong broker flows were a key driver behind growth in Southeast Queensland, which remains the largest contributor to the loan book by region and experienced a 12.1% uplift in the portfolio. The loan book outside of Queensland continues to diversify as portfolios across New South Wales and Victoria increased by 16.7% and 28.1% respectively.

A significant demand for the quality offering provided by Private Bank continued amongst high-net-worth customers. Growth in Private Bank has been achieved by delivering bespoke lending and deposit solutions to targeted clients, quick loan turnaround times and building enduring relationships to create an experience that is aligned with the needs of these customers. Material growth during the financial year has increased the portfolio from $352m at 30 June 2022 to $438m at 30 June 2023.

Transformation and Technology

During the year Auswide has continued to accelerate growth through investment in digital capabilities with proactive investments to improve the broker digital experience and the development of a new retail website for customers. Elula, an artificial intelligence machine possessing learning capabilities was successfully implemented to improve customer home loan retention. Investment in data and robotics capabilities is ongoing.

The adoption of the new corporate strategy targets significant investment in the digital framework to enhance capabilities across acquisition through partners, customer choice, digital uplift, and automation in the coming years.

Cyber resilience, customer fraud management, data protection and cloud governance will continue to be at the forefront of the technology strategy with increased investment to manage cyber and data risk.

Capital

The capital adequacy ratio for the Group has continued to strengthen and as at 30 June 2023 was 13.70% (2022: 12.90%). The tier 1 capital ratio at 30 June 2023 was 11.43% (2022: 10.63%). Capital remains strong and meets APRA's "unquestionably strong" minimums.

During the year APRA introduced its new capital framework for ADIs. This change in calculation methodology resulted in a benefit to the ratio, however, the benefit was negated by a similar increase to minimum capital levels mandated by APRA.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES

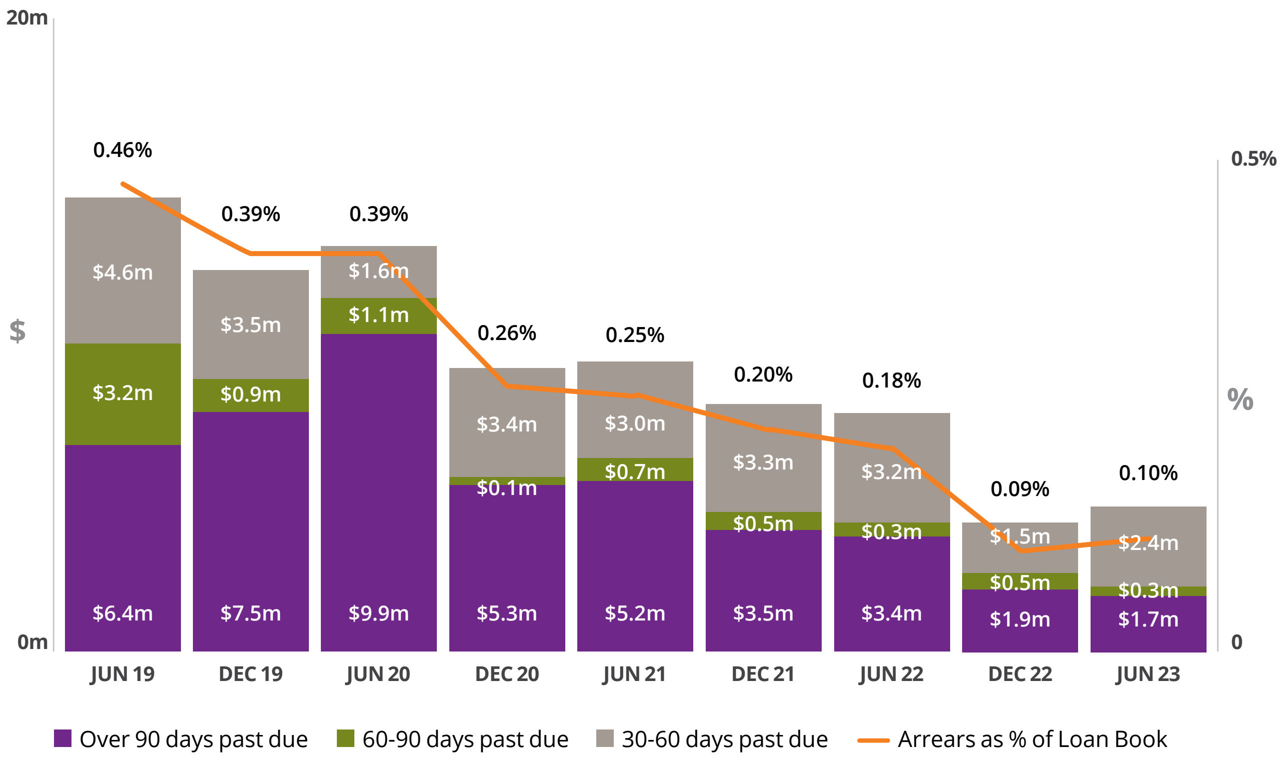
Auswide Bank Ltd is an approved deposit-taking institution and licensed credit and financial services provider. Auswide Bank provides deposit, credit and banking services to personal and business customers across Australia, principally in Queensland, Sydney and Melbourne. The majority of the company's loan book is comprised of residential mortgage loans. Auswide Bank also offers personal loans and credit cards although these portfolios are not a material part of the loan book.

Branch network

Auswide Bank has a diversified branch network consisting of 16 branches across Queensland, including a business centre in Brisbane. In addition, Auswide's Business Development Managers located in Sydney and Melbourne assist to conduct interstate business. All regional loan staff and panel valuers are locally based ensuring an in-depth knowledge of the local economy and developments in the real estate market.

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

LOAN BOOK ARREARS



Arrears and collections

Auswide Bank's loan book continues to be of high quality with amongst the lowest arrears in the industry. Total arrears greater than 30 days past due decreased from $6.976m at 30 June 2022 to $4.232m at 30 June 2023. Arrears past due 30 days have decreased as a percentage of the Group's total loan book from 0.18% at 30 June 2022 to 0.10% at 30 June 2023.

Environmental, Social and Governance (ESG)

Auswide Bank's ESG Committee assists the bank in fulfilling its responsibilities and objectives with respect to environmental, health and safety, corporate social responsibility, corporate governance, sustainability and other public policy matters. During the year the ESG Committee continued to evolve and develop the bank's Sustainability Strategy, which is focused on the six foundational pillars of Customer, Our People, Community, Environment, Financial and Technology and Data.

During the year Auswide Bank reviewed the ESG risk management framework as part of the Prudential Standard CPS 220 Risk Management. This process contributed to an alignment of the approach to ESG risk throughout the organisation.

The Sustainability Strategy is supported through the establishment of metrics introduced into Executive score cards with reporting and measurement indicators embedded into performance.

Going forward, the ESG Committee will focus on scoping climate change and emission strategies which is an ongoing project and expected to be delivered over a 2-3 year period. In the meantime, the ESG Committee will continue to monitor, identify and elevate the ESG issues that impact the business and matter most to our stakeholders.

Risk

Auswide Bank has demonstrated and maintained a proactive approach to risk management, which has been reflected in the bank's adoption of policies to monitor and curtail excessive exposures to higher risk locations, products or services. Initiatives have included those relating to high LVRs and interest only lending together with a continued review of underwriting, debt to income ratios and serviceability assessments ensures that Auswide Bank is well placed to manage the risks associated with its lending portfolio.

The Board Risk Committee provides strong oversight of the risk framework across the organisation. The

Board remains focused on the portfolio quality as the loan book grows and this is highlighted by the continuing positive trend in relation to loan arrears.

LENDING OUTLOOK

The current lending environment is highly challenging with new originations slowing in response to the interest rate environment. Additionally, competition has driven margins to below the cost of capital for many home loan providers. Since July there has been some easing in competition and most have stopped cashback offers (Auswide Bank did not offer cashback at anytime). While the bank experienced record loan book growth during the 2022/23 financial year, the Board has resolved to target more subdued growth for 2023/24. The competition for both loans and deposits, in conjunction with further interest rate uncertainty, has resulted in a budget which provides for modest growth, NIM protection and control of expenses.

It is expected that the Private Bank and broker channel will continue to provide growth opportunities as the industry experiences declining system growth and the maturity of a material volume of fixed rate loans.

The Board and management will continue to focus on profitable high-quality lending, managing funding and pricing to ensure the loan book growth flows through to the net interest revenue of the bank. We will continue to monitor competition and have the capacity and capability to respond quickly to the emergence of improved profitable loan growth.

ACQUISITIONS

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

DIVIDENDS

A fully franked interim dividend of 22.0 cents per ordinary share was declared and paid on 24 March 2023 (18 March 2022: 21.0 cents).

A fully franked final dividend of 21.0 cents per ordinary share has been declared by the Board and will be paid on 22 September 2023 (30 September 2022: 21.0 cents).

GOING CONCERN

The strength of the financial result for FY23 reflects expanding operations. Access to liquidity and capital have also been considered, with no indications of stress and facilities being available to provide for contingencies. The Board of Directors have assessed that Auswide Bank remains a going concern.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no other matter or circumstance since the end of the financial year that will significantly affect the results of operations in future years or the situation of the Company. However, the Board of Directors continues to remain vigilant of any unforeseen risks which may arise as a result of rapidly evolving situations.

DIRECTORS

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

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

Ms Birkensleigh was appointed to the Board on 2 February 2015, and was appointed Chairman on 1 January 2021. Ms Birkensleigh was a partner at PricewaterhouseCoopers for 16 years until her retirement in 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 the Tasmanian Finance Corporation, Adore Beauty Limited, Horizon Oil Limited and 7-11 Holdings and its subsidiaries. She is an independent member of the Audit Committee of the Reserve Bank of Australia, and Deputy Chancellor Member of the University of the Sunshine Coast. Ms Birkensleigh is a member of the Board Audit Committee, the Board Risk Committee and is an independent Director.

Mr Gregory N Kenny GAICD, GradDipFin

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

Mr Grant B Murdoch MCom(Hons) FAICD, FCAANZ

Mr Murdoch was appointed to the Board on 1 January 2021. Mr Murdoch is a Chartered Accountant with over 37 years of experience and has previously served as a partner with both Ernst & Young and Deloitte. Mr Murdoch has extensive experience in providing advice on M&A, corporate restructures, share issues, pre-acquisition due diligence and expert reports for capital raisings and IPOs. Mr Murdoch is currently a non-executive Director of OFX Ltd, Lynas Rare Earths Ltd and serves as a Senator of the University of Queensland where he is also an Adjunct Professor at the School of Business, Economics and Law. Mr Murdoch was appointed as a non-executive Director of the following companies from 1 April 2021 Kiwicare Holdings Ltd, Kiwicare Corporation Ltd, Amalgamated Hardware Merchants Ltd, Burnets Horticulture Ltd, McGregor's Horticulture Ltd, and Amalgamated Hardware Merchants (Australia) Pty Ltd. Mr Murdoch is chairman of the Board Audit Committee, a member of the Board Remuneration Committee, the Board Risk Committee and is an independent Director.

Ms Jacqueline Korhonen BSc, BEng (Hon), GAICD

Ms Korhonen was appointed to the Board on 1 April 2021. Ms Korhonen's career spans more than 35 years and encompasses executive roles with several multi-national technology companies including over 25 years at IBM. Ms Korhonen is an Independent Non-Executive Director of MLC Life Insurance and a Non-Executive Director of Nuix. Ms Korhonen is also on the Board of au.Domain Administration Limited (AuDA), the governing body of the Australian internet domain and a Non- Executive Director of the Civil Aviation Safety Authority (CASA). Ms Korhonen is a member of the Board Remuneration Committee, the Board Audit Committee, the Board Risk Committee and is an independent Director.

Mr Cameron Mitchell BBus, MAppFin

Mr Mitchell was appointed to the Board on 1 February 2023. Mr Mitchell is an experienced business leader with an executive career that spans more than 25 years in Banking and Financial Services, both domestically and internationally. He has significant experience working with regulators to ensure the highest levels of risk management and compliance. Mr Mitchell has partnered with all levels of Banking segmentation including Retail, SME, Business, Private and Institutional banking to deliver customer growth, customer insight, data, transformation, and strategy. Mr Mitchell is the Executive Chairman and Managing Director of FX Risk Solutions. Mr Mitchell is a member of the Board Audit Committee, the Board Risk Committee and the Board Remuneration Committee and is an independent Director.

Ms Lyn T McGrath BA, MBA, SFFinsia, GAICD

Ms McGrath was appointed to the Board on 1 March 2023. Ms McGrath has extensive executive experience in the financial services sector throughout her roles as Group Executive Retail Banking at BOQ and Executive General Manager, Retail at CBA. Ms McGrath's experience extends across retail banking, wealth management and retail distribution. Ms McGrath has significant experience in digital transformation and business turnarounds. Ms McGrath is currently a non-executive director of Credit Corp Group Ltd (ASX:CCP) and Challenger Bank Ltd (ASX: CGF). She is also Chair and non-executive Director of togetherAI Pty Ltd, and a non-executive Director and Chair of the Audit and Risk Committee for Australian Digital Health Agency. Ms McGrath is a member of the Board Audit Committee, Board Risk Committee and Board Remuneration 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 served on the Board for a period of eleven years before retiring from the Board on 27 November 2022.

Mr Martin J Barrett BA(ECON), MBA

Martin 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. Martin has extensive experience in the banking sector, having previously held the positions of Managing Director (Queensland, Western Australia and National Motor Finance Business) and General Manager NSW/ACT Corporate & Business Bank at St George Bank Ltd. Prior to working at St George Bank, Martin held senior roles at regional financial institutions in the United Kingdom and at National Australia Bank. Martin is currently a Non-Executive Director of Impact Community Services. Martin is an executive 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, 11 meetings of the Directors, 5 meetings of the Audit Committee, 3 meetings of the Remuneration Committee and 4 meetings of the Risk Committee were held, in respect of which each Director attended the following number:

	Board	Audit	Remuneration	Risk
	Attended	Attended	Attended	Attended
S Birkensleigh*	11	5	1	4
G Kenny	10	5	3	3
G Murdoch	10	4	3	3
J Korhonen	10	5	3	4
C Mitchell	5	3	1	2
L McGrath	3	2	1	2
B Dangerfield	4	2	2	1
M Barrett*	11	5	1	4

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

Directors' shareholdings

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

	Ordinary Shares
S Birkensleigh	Nil holding
G Kenny	15,000
G Murdoch	14,000
J Korhonen	Nil holding
C Mitchell (appointed 1 February 2023)	Nil holding
L McGrath (appointed 1 March 2023)	Nil holding
B Dangerfield (ceased 27 November 2022)	43,291
M Barrett	324,659

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 Ms Jacqueline Korhonen, Mr Greg Kenny, Mr Grant Murdoch, Mr Cameron Mitchell after his appointment to the Board on 1 February 2023 and Ms Lyn McGrath after her appointment to the Board on 1 March 2023. Mr Barry Dangerfield was a member and Chairman of the Committee until his retirement from the Board in November 2022, subsequently Ms Jacqueline Korhonen was appointed to the Chair.

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

> appropriately balanced measures of performance weighted KPIs towards long-term shareholder interests;
> variable performance based pay for Senior Executives including a short-term incentive and a long-term incentive plan subject to an extended period of performance assessment. Short-term and long-term incentives performance criteria are aligned to performance measures and targets based on a number of differently weighted criteria including financial, sustainability including risk and compliance gateways, staff and customer focused and satisfaction of the Banking Executive Accountability Regime (BEAR) obligations;
> recognition and reward for strong performance;
> a considered balance between the capacity to pay and the need to pay to attract and retain capable staff; and
> the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable remuneration and to preserve the interests of shareholders.

Remuneration of Non-Executive Directors

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

Remuneration of Key Management Personnel

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Senior Executive or otherwise) of the entity. As such, the KMP comprises of the Non-Executive Directors, the Managing Director and directly reporting Senior Executives.

Managing Director

The Managing Director's remuneration package includes fixed annual remuneration, variable remuneration in short-term and long-term incentives, benefits, superannuation, retirement and termination compensation as determined by the Board on the advice of the Board Remuneration Committee (the Committee). At its discretion, the Committee will seek external advice on the appropriate level and structure of the Managing Director's total remuneration package.

On an annual basis, a review will be performed of the remuneration arrangements for the Managing Director with due consideration to the law and corporate governance provisions to ensure that:

> there are sufficiently robust performance measures and targets that encourage superior performance and ethical accountable behaviour;
> that the performance of the Managing Director is measured against individual and company targets; and
> any new or varied contract is disclosed in accordance with any governance, accounting and legal requirements.

Remuneration of the Managing Director for 2022/23 was subject to review and recommendation of the Remuneration Committee and ratification by the Board.

Senior Executives / Key Personnel

The remuneration packages of the Senior Executives who report directly to the Managing Director, including Executive Directors, and any other Responsible Persons (as defined by APRA's Prudential Standards), Accountable Persons (as defined by BEAR) and any other key persons considered by Auswide Bank to be in a role with material influence, are reviewed and recommended to the Board on the recommendations of the Committee and the Managing Director.

Similarly, the Committee and Managing Director may seek external advice on the appropriate level and structure of the Senior Executives remuneration packages.

An annual review and recommendations to the Board in relation to the remuneration structure will apply to Senior Executives to:

> establish and maintain a process to set robust performance measures and targets that encourage superior executive performance and ethical behaviour; and
> oversee the process for the measurement and assessment of performance.

The remuneration for Senior Executives in 2022/23 was subject to ratification by the Remuneration Committee.

Remuneration Reward framework

Auswide Bank's Remuneration Reward framework includes a range of components to focus the Managing Director and Senior Executives on achieving Auswide Bank's strategy and business objectives. Auswide Bank's overall philosophy is to adopt, where possible, a performance based methodology using a balanced scorecard which links remuneration to the Bank's financial results and non-financial criteria.

The Remuneration Reward framework is designed to:

- reward those who deliver the highest relative performance consistent with Auswide Bank's incentive programs;
- attract, recognise, motivate and retain high performers;
- provide competitive, fair and consistent rewards, benefits and conditions; and
- align the interests of Senior Executives and shareholders through variable remuneration - short-term incentives (STI) and long-term incentives (LTI) performance rights with deferred vesting.

In setting an individual's Remuneration Reward framework, the Committee considers:

- input from Auswide Bank's Managing Director on the balanced scorecard for Senior Executives who report directly to the Managing Director;
- market data from comparable roles in the financial services industry;
- individual and Auswide Bank's performance; and
- external remuneration advice, where necessary.

Each individual's actual remuneration will reflect:

- the degree of individual achievement in meeting key performance measures under the performance management framework and balanced scorecard;
- parameters approved by the Board based on Auswide Bank's financial and risk performance and other qualitative factors;
- satisfaction of accountability obligations under section 37CA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 for the vesting of any Performance Rights;
- Auswide Bank's Earnings per Share (EPS) and Return on Equity (ROE) over a defined period; and
- the timing and level of vesting of Performance Rights and deferral of shares.

Components of the Remuneration Reward framework

The components of the Remuneration Reward framework consist of the following:

- Fixed Annual Remuneration (FAR) provided as cash and any contracted additional benefits (including employer superannuation);
- variable remuneration in cash based STIs reflecting both individual and business performance for the current financial year that supports the longer term strategic objectives of Auswide Bank; and
- variable remuneration in equity based LTIs provided to drive management decisions focused on the long-term prosperity of Auswide Bank through the use of challenging long-term performance hurdles (EPS & ROE) and satisfaction of accountability obligations under BEAR.

Variable Remuneration - Short-term Incentives (STI)

Each year, Key Performance Indicators (KPIs) including financial and non-financial measures for the Managing Director are set by the Board Remuneration Committee and approved by the Board. The Managing Director sets KPIs for the Senior Executives which is presented to the Board Remuneration Committee for approval.

The STI is a maximum fixed contracted amount or the maximum value calculated as a percentage of the FAR and is payable annually in respect of each financial year as cash. Maximum STI awards, expressed as follows: Chief Executive Officer up to a maximum contracted value and Senior Executives up to the contracted percentage ranging from 15% to 25%. Payment of STI is conditional upon the achievement of key performance measures tailored to the respective role.

The performance measures and objectives are selected to provide a robust link between Senior Executive reward and the key business drivers of long-term shareholder value. The KPIs are measured relating to the Bank's financial performance and non-financial performance accountabilities and objectives. The measures are chosen and weighted to best align the individual's role to the KPIs of the Company and its overall performance. KPIs are weighted towards the achievement of profit growth targets.

When setting the annual performance objectives, there will be a balance of material weighting to financial and non-financial measures with the assessment of risk a critical input. The financial performance objectives are determined in line with the yearly financial budget set and approved by the Board. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, customer results, sustainability which includes compliance and support of the Company's risk management policies and culture, customer satisfaction, communication and staff development.

Impact of individual performance on STI rewards

At the end of the financial year, the Board Remuneration Committee assesses the actual performance of the Bank and the Managing Director against the KPI balanced scorecard set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the Board Remuneration Committee as to the STI payment.

After individual assessment of their performance measures, the Managing Director will recommend to the Committee the STI payments for Senior Executives for approval by the Board Remuneration Committee and ratified by the Board.

Impact of business performance on STI rewards

Payment of an STI to the Managing Director and Senior Executives is at the complete discretion of the Board and can be adjusted downwards to zero, if necessary, to protect the financial soundness of the Company and taking into account a qualitative overlay that reflects Auswide Bank's management of business risks, shareholder expectations and quality of the financial results - e.g. at a minimum to ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

For the purposes of calculating the STI pool each year, the financial performance of Auswide Bank is determined by a mix of targeted financial earnings, NPAT and ROE. These measures reasonably capture the effects of a number of material risks and minimise actions that promote short-term results at the expense of longer-term business growth and success.

STI risk adjustment

STI reward outcomes can be adjusted for risk at a number of levels.

Individual Scorecards - Senior Executives will have specific risk related measures related to their role included in their scorecard and are aligned with the Risk Appetite Statement where appropriate.

Compliance Gateway - Senior Executives must support Auswide Bank's risk and compliance culture. Individuals who do not pass the compliance expectations of their role will have their STI reduced in part, or in full, depending on the severity of the breach.

Risk adjustment of business outcomes - whilst performance is assessed against compliance with the agreed risk measures and risk appetite, the Board Remuneration Committee may recommend to the Board an adjustment of the financial outcomes upon which STI rewards are determined based on a qualitative overlay that reflects Auswide Bank's management of business risks, shareholder expectations and the quality of the financial results.

Serious breach of duty

The Board also has discretion to adjust the STI payment down (potentially to zero) in the event that the Managing Director or a Senior Executive commits a serious breach of duty including their accountability obligations under BEAR.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

Non-payment of STI on resignation

The payment of an STI will not apply if formal notice of resignation has been provided by the employee.

Note: This clause does not apply where a Senior Executive has provided formal notice of retirement. Martin Barrett, Managing Director has provided the Board with his intention to retire from the workforce at 31 December 2023 which has been accepted.

Short-term Incentive (STI) payments

Performance based payments were made to Senior Executives under the STI scheme as an incentive payment to recognise and reward the achievement of KPI targets relating to the financial year ended 30 June 2022, and were paid on 15 September 2022. The Board Remuneration Committee have provided the performance-based payments under the STI scheme for the year ended 30 June 2023. These payments are conditional upon the achievement of financial and non-financial performance objectives during the financial year under review and are expected to be paid in September 2023.

KMP	Position	STI award FY23 (to be paid Sept 2023) $	STI award FY22 (paid 15 Sept 2022) $
M Barrett	Managing Director	171,600	180,000
W Schafer	Chief Financial Officer	60,969	51,727
D Hearne	Chief Customer Officer	58,498	66,923
G Job	Chief People and Property Officer	43,802	33,443
S Johnson	Chief Information Officer	36,456	32,052
C Lonergan	Chief Risk Officer	45,113	35,751
M Rasmussen	Chief Operating Officer	41,681	35,612
R Stephens	Chief Transformation Officer	41,823	34,109

Long Term Incentive (LTI) - Performance Rights Plan (PRP)

The Auswide Bank Performance Rights Plan (PRP) was established by the Board to encourage the Executive Management Team, comprising of the Managing Director and Senior Executives, to drive the long-term prosperity of Auswide Bank and have a greater involvement in the achievement of the Bank's objectives.

Offers under the Performance Rights Plan

Under the PRP invitation, an offer may be made to members of the Executive Management Team each year as determined by the Board. The maximum value of the offer is determined in the executive's contract. The maximum value of the LTI is up to the maximum contracted amount for the Managing Director and up to the contracted percentage or fixed amount for the Senior Executives.

The number of performance rights granted will be calculated based on the volume weighted average price of Auswide Bank shares over the first five trading days following the release of Auswide Bank's annual results announcement (exclusive of announcement date).

Each performance right will entitle the Senior Executive to receive one Auswide Bank share upon vesting (or the cash equivalent value), subject to the satisfaction of the vesting conditions over the three year vesting period. To the extent that performance rights vest, the relevant number of shares will be allocated. Shares allocated following vesting will be subject to a disposal and trading restriction until the fourth anniversary of the grant date (the restriction period).

Performance rights do not give the Senior Executive any legal or beneficial interest in any shares unless and until they are vested and shares are delivered or allocated. They will not receive any dividends or other shareholder benefits, including voting in respect of their performance rights.

The PRP provides for the Trustee of the Auswide Bank Ltd employee share trust to acquire, allocate and hold shares, as relevant. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company.

Upon vesting, the Trustee will allocate shares to each member of the Senior Executive Team. Any shares to be allocated to the Managing Director under this Plan may require prior shareholder approval in accordance with ASX Listing Rules.

Vesting of performance rights

In general, performance rights will vest on the vesting date based on satisfaction of the following vesting conditions:

> achievement of the applicable performance measurements and conditions over the vesting period; and

> continued employment with a Group member until the vesting date (provided the Senior Executive has not given notice of resignation and has not received a notice of termination of employment).

The PRP invitation offer letter provides for the allocation of fully paid ordinary shares in the Bank upon vesting of performance rights where accountability obligations, performance and vesting conditions specified by the Board are satisfied over a set vesting period. In addition, a further restriction period will apply to the shares following vesting and during this period, the accountability obligation must be satisfied, otherwise shares may be clawed back. The vesting period and restriction period will be outlined in the PRP invitation offer letter and will be in line with any deferred remuneration obligations under BEAR for accountable persons.

Both the vesting period and restriction period are set by the Board at the time of offer and are at its absolute discretion.

Satisfaction of performance measurements and conditions

The performance measurements and conditions that will apply to Performance Rights granted from the 2019 PRP Offer are:

> Earnings per Share (EPS): half (50%) of the Performance Rights will be subject to an EPS hurdle, based on the Company's average EPS over the vesting period compared to a pre-determined target set by the Board (EPS hurdle);

> Return on Equity (ROE): half (50%) of the Performance Rights will be subject to an ROE hurdle, based on the Company's average ROE performance over the vesting period compared to a pre-determined target set by the Board (ROE hurdle); and

> Satisfaction of conditions based on your 'Accountability Obligations': vesting of any Performance Rights will also be subject to meeting the obligations that apply to 'accountable persons' under section 37CA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018.

Further detail regarding each of these performance measurements and conditions is provided below.

Earnings per Share

EPS measures the earnings generated by the Company attributable to each share on issue. The EPS hurdle compares the Company's average actual EPS over the vesting period to the Company's averaged budgeted EPS target over the vesting period.

For the purpose of the EPS hurdle, EPS for a financial year will be calculated as:

$$\text{EPS} = \frac{\text{Net Profit After Tax (NPAT)}}{\text{Average number of ordinary Shares on issue during the financial year}}$$

The Company's average EPS over the vesting period will be calculated as:

$$\text{Average EPS} = \frac{\text{(Year 1 EPS + Year 2 EPS + Year 3 EPS)}}{3}$$

The percentage of Performance Rights subject to the EPS hurdle that vest, if any, will be determined by reference to the Company's average actual EPS achieved compared to the Company's average budgeted EPS target over the vesting period, as follows:

Average actual EPS over the vesting period compared as a percentage to the average budgeted EPS target	Rights subject to EPS hurdle that vest (%)
At average budgeted target EPS or above	100%
Between 97.5% - 100% of average budgeted target EPS	Vesting between 50% to 100% at Board's discretion
Between 95% - >97.5% of average budgeted target EPS	Vesting between 0% to 50% at Board's discretion
Below 95% of average budgeted target EPS	0%

The number of Performance Rights subject to the EPS hurdle that vest at each level of performance will be determined by the Board at its discretion. The Board retains discretion to adjust the EPS hurdle (including the approach to calculating EPS, Target EPS, and the vesting schedule) to ensure that there is neither advantage nor disadvantage by matters outside management's control that affect the EPS hurdle.

Any Performance Rights subject to the EPS hurdle that do not vest on testing of the EPS hurdle will lapse immediately and will not be re-tested.

Return on Equity

ROE measures the amount of cash earnings generated as a percentage of shareholders' equity. The ROE hurdle compares the Company's average ROE over the vesting period to the Company's averaged budgeted target over the vesting period.

For the purpose of the ROE hurdle, ROE for a financial year will be calculated as:

$$\text{ROE} = \frac{\text{Net Profit After Tax (NPAT)}}{\substack{\text{Shareholders' equity} \\ \text{(total assets - total liabilities)}}}$$

The Company's average ROE over the vesting period will be calculated as:

$$\text{Average ROE} = \frac{\text{(Year 1 ROE + Year 2 ROE + Year 3 ROE)}}{3}$$

The percentage of Performance Rights subject to the ROE hurdle that vest, if any, will be determined by reference to the average actual ROE achieved compared to the Company's average budgeted target ROE over the vesting period, as follows:

Average actual ROE over the vesting period compared as a percentage to the average budgeted ROE target	Rights subject to ROE hurdle that vest (%)
At average budgeted target ROE or above	100%
Between 97.5% - 100% of average budgeted target ROE	Vesting between 50% to 100% at Board's discretion
Between 95% - >97.5% of average budgeted target ROE	Vesting between 0% to 50% at Board's discretion
Below 95% of average budgeted target ROE	0%

The number of Performance Rights subject to the ROE hurdle that vest at each level of performance will be determined by the Board at its discretion. The Board retains discretion to adjust the ROE hurdle (including the approach to calculating ROE, Target ROE, and vesting schedule) to ensure that there is neither advantage nor disadvantage by matters outside management's influence that materially affect achievement of the ROE hurdle.

Any Performance Rights that do not vest on testing of the ROE hurdle will lapse immediately and will not be re-tested.

Satisfaction of conditions - accountability obligations

Vesting of performance rights will be subject to obligations that apply to 'Accountable Persons' under section 37CA of the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018, which are to:

> act with honesty, integrity, and with due skill, care and diligence;
> deal with APRA in an open, constructive and cooperative way; and
> take reasonable steps in conducting business to prevent matters from arising that would adversely affect the ADI's prudential standard or reputation.

In addition, during the Restriction Period, the obligations must also be satisfied, otherwise shares may be clawed back.

Testing of vesting performance measurements and conditions on PRP offers from 2019

Testing of the performance measurements and conditions will occur shortly after the end of the vesting period (which will normally occur once the full year annual results have been finalised). Based on the testing results, and provided the Senior Executive remains employed with the Bank until vesting date (being the date on which the Board determines that the vesting conditions are met), the number of rights that will be eligible to vest (if any) will be determined by the Board.

Upon vesting of performance rights, the Senior Executive will be allocated the relevant number of shares in respect of vested performance rights (or receive the cash equivalent value). The number of shares received may be adjusted in certain circumstances (such as if the Company undertakes a consolidation, bonus issue or capital reconstruction) as set out in the PRP rules.

The Board retains discretion to adjust the number of performance rights which vest down (including to zero) to protect the financial soundness of the Company, including to ensure that breaches of capital adequacy or liquidity policy thresholds do not occur. In addition, any reward payable to any member of the Senior Executive Team under any PRP offer is subject to reassessment and possible forfeiture, if the results on which the LTI reward was based, are subsequently found to have been the subject of deliberate management misstatement.

Restriction period for sale of shares once vested on PRP offers from 2019

Shares allocated upon vesting of the performance rights will be subject to trading restrictions until the end of the restriction period which is generally the fourth anniversary of the grant date.

However, the restriction period may end earlier in certain circumstances including:

> the date on which the Board determines an Event has occurred (refer rule 11 of the PRP rules), subject to the requirements of the BEAR accountability obligations; and

> any other date determined by the Board, subject to the requirements of BEAR.

Senior Executives cannot sell, transfer or otherwise deal with their shares until the end of the restriction period. During this period, Senior Executives will still be entitled to receive dividends and exercise their voting rights along with other shareholders.

The trading restriction may be enforced during the restriction period by either imposing a holding lock on the shares held by the Senior Executive or by the shares being held in the employee share trust on behalf of the Senior Executive.

Shares will remain subject to the requirements of the BEAR throughout the restriction period, including the ability for the Board to clawback shares if there is a failure to meet accountability obligations.

Prohibition from hedging

The Board Remuneration Policy prohibits persons covered by paragraph 59(b) of APRA Prudential Standard CPS511 - Remuneration who receive equity or equity-linked deferred remuneration from hedging their economic exposures to the resultant equity price risk before the equity-linked remuneration is fully vested and able to be sold for cash by the recipient.

Any person who breaches this requirement will constitute a breach of duty and as such will involve disciplinary action and the risk of dismissal under the terms of the executive's contract.

Treatment of performance rights in other circumstances in PRP offers from 2019

If a Senior Executive ceases employment prior to the vesting date, the treatment of unvested performance rights will depend on the circumstances of cessation.

Where employment is ceased prior to the relevant vesting date due to resignation, termination for cause or gross misconduct, all of the unvested performance rights will lapse at cessation (subject to the Board's discretion to apply a different treatment, in accordance with the PRP rules).

Where employment is ceased for any other reason before performance rights vest, a pro-rata number of unvested performance rights (based on the vesting period elapsed) will continue "on-foot", and will be tested at the original vesting date and vest to the extent that the relevant vesting conditions have been satisfied (ignoring any service-related conditions). Note that the PRP rules provide the Board with discretion to determine that a different treatment should apply in respect of performance rights.

The PRP rules also contain provisions in relation to:

> treatment of awards in the event of a variation of capital or a change of control;

> treatment of awards due to fraud, gross misconduct or material misstatement; and

> treatment of awards under the PRP rules will be subject to the requirements of the BEAR.

Actual and potential LTI allocations

Share based payment arrangements affecting remuneration of key management personnel in the current year or future financial years are detailed in the following table.

	No. shares	Vesting date	Vested in 22/23 year	Lapsed/ forfeited in 22/23 year	Not yet assessed for vesting
M Barrett					
2018 offer	5,812	1/7/2022	5,812	-	-
2019 offer	21,154	1/7/2022	21,154	-	-
2020 offer	20,576	1/7/2023	-	-	20,576
2021 offer	17,613	1/7/2024	-	-	17,613
2022 offer	18,338	1/7/2025	-	-	18,338
W Schafer					
2018 offer	1,221	1/7/2022	1,221	-	-
2019 offer	5,288	1/7/2022	5,288	-	-
2020 offer	5,202	1/7/2023	-	-	5,202
2021 offer	4,404	1/7/2024	-	-	4,404
2022 offer	4,585	1/7/2025	-	-	4,585
D Hearne					
2018 offer	1,313	1/7/2022	1,313	-	-
2019 offer	7,040	1/7/2022	7,040	-	-
2020 offer	6,451	1/7/2023	-	-	6,451
2021 offer	6,024	1/7/2024	-	-	6,024
2022 offer	6,137	1/7/2025	-	-	6,137
G Job					
2018 offer	1,221	1/7/2022	1,221	-	-
2019 offer	5,288	1/7/2022	5,288	-	-
2020 offer	5,251	1/7/2023	-	-	5,251
2021 offer	4,404	1/7/2024	-	-	4,404
2022 offer	4,585	1/7/2025	-	-	4,585
S Johnson					
2021 offer	4,424	1/7/2024	-	-	4,424
2022 offer	4,898	1/7/2025	-	-	4,898
C Lonergan					
2018 offer	1,221	1/7/2022	1,221	-	-
2019 offer	5,288	1/7/2022	5,288	-	-
2020 offer	4,728	1/7/2023	-	-	4,728
2021 offer	4,404	1/7/2024	-	-	4,404
2022 offer	4,585	1/7/2025	-	-	4,585
M Rasmussen					
2018 offer	1,221	1/7/2022	1,221	-	-
2019 offer	5,288	1/7/2022	5,288	-	-
2020 offer	4,675	1/7/2023	-	-	4,675
2021 offer	4,404	1/7/2024	-	-	4,404
2022 offer	4,585	1/7/2025	-	-	4,585
R Stephens					
2021 offer	2,202	1/7/2024	-	-	2,202
2022 offer	4,585	1/7/2025	-	-	4,585

The Board Remuneration Committee have provided the allocation of performance rights under the LTI scheme for the financial year under review which are expected to be awarded in September 2023. The number of performance rights granted will be calculated based on the volume weighted average price of Auswide Bank shares over the first five trading days following the release of Auswide Bank's annual results announcement (exclusive of announcement date).

KMP	Position	LTI award 2023 offer (Vesting date 1/7/2026) $
M Barrett	Managing Director	124,800
W Schafer	Chief Financial Officer	60,969
D Hearne	Chief Customer Officer	58,498
G Job	Chief People and Property Officer	43,802
S Johnson	Chief Information Officer	36,456
C Lonergan	Chief Risk Officer	45,113
M Rasmussen	Chief Operating Officer	41,681
R Stephens	Chief Transformation Officer	41,823

Details of the remuneration of each Director and each of the named Officers of the Company and the key management personnel are as follows;

	SHORT-TERM EMPLOYEE BENEFITS											
	Cash salary and fees $		Cash bonus $ *Performance based*		Superannuation $		Other long term benefits $		Share based payments $ *Performance based*		Total remuneration $	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
SPECIFIED DIRECTORS												
S Birkensleigh Chairman (non-exec)	166,941	167,694	-	-	17,529	16,769	-	-	-	-	184,470	184,463
G Kenny Director (non-exec)	104,338	104,829	-	-	10,956	10,483	-	-	-	-	115,294	115,312
G Murdoch Director (non-exec)	104,338	104,829	-	-	10,956	10,483	-	-	-	-	115,294	115,312
J Korhonen Director (non-exec)	104,338	104,829	-	-	10,956	10,483	-	-	-	-	115,294	115,312
C Mitchell Director (non-exec (appointed 1 February 2023)	43,341	-	-	-	4,551	-	-	-	-	-	47,892	-
L McGrath Director (non-exec) (appointed 1 March 2023)	35,315	-	-	-	3,708	-	-	-	-	-	39,023	-
B Dangerfield Director (non-exec (ceased 27 November 2022)	42,137	104,829	-	-	4,424	10,483	-	-	-	-	46,561	115,312
M Barrett Managing Director	633,262	606,191	180,000	186,390	25,292	23,568	17,511	14,465	163,414	53,099	1,019,479	883,713
Total remuneration - Specified Directors	1,234,010	1,193,201	180,000	186,390	88,372	82,269	17,511	14,465	163,414	53,099	1,683,307	1,529,424
OTHER KEY MANAGEMENT PERSONNEL												
W Schafer Chief Financial Officer	373,718	346,461	51,727	51,476	25,292	23,568	13,396	10,507	39,445	14,558	503,578	446,570
D Hearne Chief Customer Officer	330,921	315,245	66,924	69,420	25,292	25,381	7,462	6,602	50,619	16,454	481,218	433,102
G Job Chief People and Property Officer	232,835	222,857	33,443	32,800	23,937	22,735	11,713	9,727	39,445	14,558	341,373	302,677
S Johnson Chief Information Officer	228,250	216,200	32,052	30,137	23,688	22,664	7,965	9,532	-	-	291,955	278,533
C Lonergan Chief Risk Officer	252,821	244,384	35,751	35,147	25,292	23,568	6,475	5,707	39,445	14,558	359,784	323,364
M Rasmussen Chief Operating Officer	254,324	241,058	35,612	35,096	25,292	23,568	6,668	5,688	39,445	14,558	361,341	319,968
R Stephens Chief Transformation Officer	237,473	227,302	34,110	16,438	24,162	22,924	4,888	6,321	-	-	300,633	272,985
Total remuneration - Other Key Management Personnel	1,910,342	1,813,507	289,619	270,514	172,955	164,408	58,567	54,084	208,399	74,686	2,639,882	2,377,199

Employment contracts

All named KMP and the Managing Director have employment contracts. Major provisions of those agreements are summarised below:

KMP	Title	Contract Date	Amended Date	Contract Term	Notice Period	Redundancy Provisions	Short-term[1] Incentives	Long-term[2] Incentives
M Barrett	Managing Director	04/02/2013	15/07/2016 31/05/2019 09/11/2022	No fixed term	Six months	Six months notice plus six months redundancy pay	$220,000	$160,000
W Schafer	Chief Financial Officer	28/05/2007	06/12/2016 09/11/2022	No fixed term	Four months	Payment on early termination due to a takeover equal to six months salary plus two weeks salary per year of service (minimum 20 weeks/maximum 104 weeks)	20%	20%
D Hearne	Chief Customer Officer	20/06/2016	22/08/2016 09/11/2022	No fixed term	Four months	Four months notice plus six months redundancy pay	25%	25%
G Job	Chief People & Property Officer	04/06/2007	06/12/2016 09/11/2022	No fixed term	Three months	Payment on early termination due to a takeover equal to four months salary plus two weeks salary per year of service (minimum 16 weeks/maximum 104 weeks)	20%	20%
S Johnson	Chief Information Officer	01/11/2010	23/03/2020 09/11/2020 09/11/2022	No fixed term	Three months	Payment on early termination due to a takeover equal to four months salary plus two weeks salary per year of service (minimum 16 weeks/maximum 104 weeks)	20%	20%
C Lonergan	Chief Risk Officer	10/02/2014	01/07/2014 29/11/2016 09/12/2016 09/11/2022	No fixed term	Three months	Three months notice plus six months redundancy pay	20%	20%
M Rasmussen	Chief Operations Officer	03/02/2014	29/01/2015 12/12/2016 09/11/2022	No fixed term	Three months	Three months notice plus six months redundancy pay	20%	20%
R Stephens	Chief Transformation Officer	04/11/2020	09/11/2022	No fixed term	Three months	Three months notice plus six months redundancy pay	20%	20%

[1]**Short term incentives** - are subject to the Company's performance as well as the individual's performance in accordance with KPIs determined by the Company and advised on an annual basis. The STI will be calculated up to a fixed contracted amount or the maximum percentage value of base salary (as disclosed above) as at the 30th June each year upon satisfaction of KPIs and assessed and determined at the absolute discretion of the Board Remuneration Committee.

[2]**Long term incentives** - The grant of performance rights, under the terms and conditions of the Auswide Performance Rights Plan Rules, is subject to the Company's performance and the individual's own performance in accordance with KPIs agreed between the individual and the Company on an annual basis. LTIs will be calculated up to a maximum value of base salary (as disclosed above) as at the 30th June each year (or as determined by the Board Remuneration Committee). The right to participate and awards made under the scheme are at the absolute discretion of the Board. The granting of an award under the LTI plan in one year does not guarantee that similar awards will be made in the future.

Loans to key management personnel

The following table outlines the aggregate of loans to key management personnel. Details are provided on an individual basis for each of the key management personnel whose indebtedness exceeded $100,000 at any time during this reporting period.

Loans have been made in accordance with the normal terms and conditions offered by the Company and charged at rates available to the general public; therefore, this interest rate would approximate an arm's length interest rate offered by the Company.

In addition, loans to staff are also made in accordance with the Staff Share Plan approved by shareholders in 1992. The loans are repayable over three or five 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 2023	Balance 30 June 2022	Interest* charged $	Write-off $	Balance 30 June 2023	Number in Group 30 June 2023
Directors	(629,183)	18,239	-	(813,367)	1
Executives	(3,562,533)	69,026	-	(3,624,107)	6
Total: Key management personnel	(4,191,716)	87,265	-	(4,437,474)	7

Loans for the year ended 30 June 2022	Balance 30 June 2021	Interest* charged $	Write-off $	Balance 30 June 2022	Number in Group 30 June 2022
Directors	(622,459)	1,026	-	(629,183)	1
Executives	(3,390,702)	70,595	-	(3,562,533)	6
Total: Key management personnel	(4,013,161)	71,621	-	(4,191,716)	7

Individuals with loans above $100,000 in reporting period	Balance 30 June 2022	Interest* charged $	Write-off $	Balance 30 June 2023	Highest in period $
Directors					
M Barrett	(629,183)	18,239	-	(813,367)	(1,034,372)
Executives					
W Schafer	(310,062)	1,599	-	(311,689)	(347,067)
D Hearne	(1,224,433)	25,151	-	(1,193,453)	(1,224,433)
C Lonergan	(726,309)	14,543	-	(867,677)	(867,877)
M Rasmussen	(1,015,982)	24,361	-	(982,978)	(1,023,413)
S Johnson	(211,694)	3,372	-	(185,169)	(211,694)

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

Does not include G Job as the loan amount was under the $100,000 threshold.

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 2022	Received as remuneration	Net change other	Balance 30 June 2023
Directors				
G Kenny	15,000	-	-	15,000
G Murdoch	14,000	-	-	14,000
B Dangerfield* (ceased 27 November 2022)	43,291	-	-	43,291
M Barrett	285,080	26,966	12,613	324,659
Executives				
W Schafer	62,000	6,509	4,000	72,509
D Hearne	-	8,353	-	8,353
G Job	149,006	6,509	10,619	166,134
S Johnson	64,217	-	5,000	69,217
C Lonergan	35,462	6,509	7,554	49,525
M Rasmussen	5,500	6,509	-	12,009
Total	673,556	61,355	39,786	774,697

* Balance at cease date

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 2023:

	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000
Net profit before tax	35,917	37,484	34,702	26,498	24,638
Net profit after tax	25,067	26,132	24,155	18,504	17,201

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Share price at start of year	$6.09	$6.49	$4.84	$5.13	$5.63
Share price at end of year	$5.39	$6.09	$6.49	$4.84	$5.13
Interim dividend	22.00 cps	21.00 cps	19.00 cps	17.00 cps	16.00 cps
Final dividend	21.00 cps	21.00 cps	21.00 cps	10.75 cps	18.50 cps
Basic earnings per share	55.64 cps	60.48 cps	56.66 cps	43.80 cps	40.81 cps
Diluted earnings per share	55.64 cps	60.48 cps	56.66 cps	43.80 cps	40.81 cps

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

Indemnities and insurance premiums for officers and auditors

During the financial year the Company has paid premiums to cover Directors and officers for losses arising from claims or allegations made against them for wrongful acts committed or alleged to have been committed by them in their capacities as Directors or officers of the Company. The policy will also reimburse the Company where it is permitted by law to indemnify Insured Persons in relation to such claims or allegations. Cover is provided for the costs of defending such claims or allegations. During the reporting period and subsequent to 30 June 2023, no amounts have been paid pursuant to the policy.

Non-audit services

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

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

> All non-audit services were subject to the Corporate Governance procedures adopted by the Company and have been reviewed by the Board Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor, and

> The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

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

	2023 $	2022 $
Services provided in connection with:		
Tax advisory services	79,749	24,669
	79,749	24,669

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

SC Birkensleigh
Director

Brisbane
28 August 2023

GB Murdoch
Director

Brisbane
28 August 2023

Deloitte Touche Tohmatsu
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28 August 2023

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

Dear Board Members

Auditor's Independence Declaration to Auswide Bank Ltd

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

As lead audit partner for the audit of the financial report of Auswide Bank Ltd for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Interest revenue	2.1	189,562	105,967	189,562	105,967
Interest expense	2.1	(100,380)	(23,923)	(100,380)	(23,923)
Net interest revenue		89,182	82,044	89,182	82,044
Other non-interest income	2.2	11,342	12,388	11,342	12,388
Total operating income		100,524	94,432	100,524	94,432
Employee benefits expense		27,205	23,924	27,205	23,924
Depreciation expense		3,193	3,011	3,193	3,011
Amortisation expense		822	486	822	486
Occupancy expense		1,516	1,454	1,516	1,454
Fees and commissions		16,728	14,255	16,728	14,255
General and administration expenses		15,461	13,855	15,461	13,855
Other expenses		410	677	410	677
Operating expenses less loan impairment expense		65,335	57,662	65,335	57,662
Expected credit loss on financial assets at amortised cost	4.5.5	(728)	(714)	(728)	(714)
Total operating expenses		64,607	56,948	64,607	56,948
Profit before income tax expense		35,917	37,484	35,917	37,484
Income tax expense	2.3	10,850	11,352	10,848	11,341
Net profit after tax		25,067	26,132	25,069	26,143
Profit for the year attributable to:					
Owners of the Company		25,067	26,132	25,069	26,143
Earnings per share					
From continuing operations					
Basic (cents per share)	2.4	55.64	60.48		
Diluted (cents per share)	2.4	55.64	60.48		

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Profit for the year		25,067	26,132	25,069	26,143
Other comprehensive income, net of income tax					
Items that may subsequently be reclassified to profit or loss:					
Cash flow hedges:					
Fair value gain/(loss) arising on hedging instruments during the period		1,785	17,074	1,785	17,074
Less: cumulative (gain)/loss arising on hedging instruments reclassified to profit or loss		(10,376)	1,120	(10,376)	1,120
Income tax relating to items that may be reclassified subsequently to profit or loss		2,577	(5,458)	2,577	(5,458)
		(6,014)	12,736	(6,014)	12,736
Other comprehensive income/(loss) for the year, net of income tax		(6,014)	12,736	(6,014)	12,736
Total comprehensive income for the year		19,053	38,868	19,055	38,879
Total comprehensive income attributable to:					
Owners of the Company		19,053	38,868	19,055	38,879

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
ASSETS					
Cash and cash equivalents	4.1.1	203,247	178,537	203,247	178,491
Due from other financial institutions	4.1.2	3,000	11,773	3,000	11,773
Other financial assets	4.1.3	402,432	412,058	443,856	437,095
Loans and advances	4.1.4	4,377,803	3,827,565	4,377,803	3,827,564
Other investments	4.1.5	1,488	1,414	2,179	2,486
Property and equipment	3.1	18,914	20,648	18,914	20,648
Other intangible assets	3.2	2,975	2,839	2,975	2,839
Other assets	6.5	3,315	3,367	3,311	3,366
Goodwill	3.3	46,363	46,363	46,363	46,363
Total assets		5,059,537	4,504,564	5,101,648	4,530,625
LIABILITIES					
Deposits and short term borrowings	4.1.6	4,042,906	3,617,342	4,043,323	3,617,342
Other borrowings	4.1.7	101,013	150,806	101,013	150,806
Payables and other liabilities	4.1.8	43,283	33,128	43,221	33,072
Loans under management	4.1.4	530,755	370,761	572,179	395,798
Current tax liabilities	2.3.4	46	613	46	602
Deferred tax liabilities - net	2.3.5	1,627	3,896	1,627	3,896
Provisions	6.4	4,029	3,956	4,029	3,956
Subordinated capital notes	4.1.9	42,000	42,000	42,000	42,000
Total liabilities		4,765,659	4,222,502	4,807,438	4,247,472
Net assets		293,878	282,062	294,210	283,153
EQUITY					
Contributed equity	3.4	211,818	199,784	212,135	200,388
Reserves	3.5	22,271	28,435	22,296	28,934
Retained profits		59,789	53,843	59,779	53,831
Total equity		293,878	282,062	294,210	283,153

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to owners of Auswide Bank Ltd								
Consolidated entity	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
Balance at 1 July 2022	199,784	53,843	5,944	5,834	2,676	2,388	10,908	685	282,062
Change in accounting policy for Auswide Performance Rights	-	43	-	-	-	-	-	-	43
Restated total equity at the beginning of the financial year	199,784	53,886	5,944	5,834	2,676	2,388	10,908	685	282,105
Total comprehensive income for the year:									
Profit attributable to owners of parent company	-	25,067	-	-	-	-	-	-	25,067
Share-based payments expensed during the year	-	-	-	-	-	-	-	446	446
Share-based payments vested during the year	-	-	-	-	-	-	-	(596)	(596)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	(8,591)	-	(8,591)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	2,577	-	2,577
Sub-total	199,784	78,953	5,944	5,834	2,676	2,388	4,894	535	301,008
Issue of share capital for staff share plan	492	-	-	-	-	-	-	-	492
Issue of share capital for dividend reinvestment plan	11,448	-	-	-	-	-	-	-	11,448
Share issue costs	(193)	-	-	-	-	-	-	-	(193)
Dividends provided for or paid	-	(19,164)	-	-	-	-	-	-	(19,164)
Movement in treasury shares	266	-	-	-	-	-	-	-	266
Gain/(loss) in share capital due to employee incentive scheme	21	-	-	-	-	-	-	-	21
Balance at 30 June 2023	211,818	59,789	5,944	5,834	2,676	2,388	4,894	535	293,878

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to owners of Auswide Bank Ltd								
Consolidated entity	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
Balance at 1 July 2021	195,218	45,823	5,944	5,834	2,676	2,388	(1,828)	482	256,537
Total comprehensive income for the year:									
Profit attributable to owners of parent company	-	26,132	-	-	-	-	-	-	26,132
Share-based payments expensed during the year	-	-	-	-	-	-	-	326	326
Share-based payments vested during the year	-	-	-	-	-	-	-	(123)	(123)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	18,194	-	18,194
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	(5,458)	-	(5,458)
Sub-total	195,218	71,955	5,944	5,834	2,676	2,388	10,908	685	295,608
Issue of share capital for staff share plan	549	-	-	-	-	-	-	-	549
Issue of share capital for dividend reinvestment plan	3,718	-	-	-	-	-	-	-	3,718
Dividends provided for or paid	-	(18,112)	-	-	-	-	-	-	(18,112)
Movement in treasury shares	255	-	-	-	-	-	-	-	255
Gain/(loss) in share capital due to employee incentive scheme	44	-	-	-	-	-	-	-	44
Balance at 30 June 2022	199,784	53,843	5,944	5,834	2,676	2,388	10,908	685	282,062

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Company	Attributable to owners of Auswide Bank Ltd								
	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
Balance at 1 July 2022	200,388	53,831	5,944	5,834	2,676	2,388	10,908	1,184	283,153
Change in accounting policy for Auswide Performance Rights	-	43	-	-	-	-	-	(1,070)	(1,027)
Restated total equity at the beginning of the financial year	200,388	53,874	5,944	5,834	2,676	2,388	10,908	114	282,126
Total comprehensive income for the year:									
Profit attributable to owners of parent company	-	25,069	-	-	-	-	-	-	25,069
Share-based payments expensed during the year	-	-	-	-	-	-	-	446	446
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	(8,591)	-	(8,591)
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	2,577	-	2,577
Sub-total	200,388	78,943	5,944	5,834	2,676	2,388	4,894	560	301,627
Issue of share capital for staff share plan	492	-	-	-	-	-	-	-	492
Issue of share capital for dividend reinvestment plan	11,448	-	-	-	-	-	-	-	11,448
Share issue costs	(193)	-	-	-	-	-	-	-	(193)
Dividends provided for or paid	-	(19,164)	-	-	-	-	-	-	(19,164)
Balance at 30 June 2023	212,135	59,779	5,944	5,834	2,676	2,388	4,894	560	294,210

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to owners of Auswide Bank Ltd								
Company	Share capital ordinary $'000	Retained profits $'000	Asset revaluation reserve $'000	General reserve $'000	Statutory reserve $'000	Doubtful debts reserve $'000	Cash flow hedging reserve $'000	Share-based payments $'000	Total equity $'000
Balance at 1 July 2021	196,121	45,800	5,944	5,834	2,676	2,388	(1,828)	858	257,793
Total comprehensive income for the year:									
Profit attributable to owners of parent company	-	26,143	-	-	-	-	-	-	26,143
Share-based payments expensed during the year	-	-	-	-	-	-	-	326	326
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	18,194	-	18,194
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	(5,458)	-	(5,458)
Sub-total	196,121	71,943	5,944	5,834	2,676	2,388	10,908	1,184	296,998
Issue of share capital for staff share plan	549	-	-	-	-	-	-	-	549
Issue of share capital for dividend reinvestment plan	3,718	-	-	-	-	-	-	-	3,718
Dividends provided for or paid	-	(18,112)	-	-	-	-	-	-	(18,112)
Balance at 30 June 2022	200,388	53,831	5,944	5,834	2,676	2,388	10,908	1,184	283,153

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Cash flows from operating activities					
Interest received		184,957	105,245	184,957	105,245
Dividends received		20	-	20	-
Other non-interest income received		16,526	14,209	16,526	13,802
Interest paid		(77,497)	(24,843)	(77,497)	(24,843)
Net movement in loans and advances		(549,061)	(271,057)	(549,061)	(270,884)
Net movement in deposits and short term borrowings		375,771	268,053	376,188	268,051
Income tax paid		(11,108)	(10,697)	(11,095)	(10,693)
Cash paid to suppliers and employees (inclusive of goods and services tax)		(73,022)	(37,840)	(73,025)	(37,478)
Net cash used in operating activities	6.1	(133,414)	43,070	(132,987)	43,200
Cash flows from investing activities					
Net movement in investment securities		1,143	3,105	(15,244)	(925)
Net movement in amounts due from other financial institutions		8,773	1,017	8,773	1,017
Net movement in other investments		(74)	(17)	306	(17)
Payments for purchase of property, equipment and intangible assets		(2,305)	(2,743)	(2,305)	(2,743)
Effect of change in accounting policy for Auswide Performance Rights		43	-	43	-
Net cash used in investing activities		7,580	1,362	(8,427)	(2,668)
Cash flows from financing activities					
Principal payment of lease liabilities		(1,780)	(1,502)	(1,780)	(1,502)
Proceeds from share issue		299	548	299	548
Treasury shares		137	503	(624)	327
Dividends paid		(7,715)	(14,394)	(7,715)	(14,394)
Net movement in amounts due to other financial institutions and other liabilities		159,603	36,323	175,990	40,353
Net cash used in financing activities		150,544	21,478	166,170	25,332
Net movement in cash and cash equivalents		24,710	65,910	24,756	65,864
Cash and cash equivalents at the beginning of the financial year		178,537	112,627	178,491	112,627
Cash and cash equivalents at end of the financial year	4.1.1	203,247	178,537	203,247	178,491

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.

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1. General information

1.1 Reporting entity

Auswide Bank Ltd (the Company) is a for-profit listed public company, incorporated and domiciled in Australia. The consolidated financial statements of Auswide Bank Ltd for the year ended 30 June 2023 comprises Auswide Bank Ltd and its subsidiaries (the Group or the Consolidated Entity).

The Company's registered office and principle place of business is Level 3, 16-20 Barolin St, Bundaberg, QLD, 4670.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in Note 2.5 - Business and geographical segment information.

1.2 Statement of compliance

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

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

1.3 Basis of preparation

These financial statements have been prepared on an accrual basis and are based on historical cost, except for land and buildings, hedging instruments, financial instruments held at fair value through profit or loss or other comprehensive income that have been measured at fair value.

The accounting policies and methods of computation in the preparation of these financial statements are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2022, unless otherwise stated.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, being the parent entity and entities controlled by the Company.

Control is achieved when the Company:

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

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

The Company reassesses whether it has control of an investee if facts and circumstances indicate changes to the aforementioned elements have occurred. A list of the controlled entities is provided in Note 5.1.1 Controlled entities.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profits or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

1.5 Rounding of amounts

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

1.6 Goods and Services Tax (GST)

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

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

1.7 Application of new and revised Accounting Standards

1.7.1 Standards and interpretations that are mandatorily effective for the current year

New and revised standards and amendments to standards effective for the current financial year which have been applied in the preparation of these financial statements that are relevant to the Group include:

- AAASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

1.8 Standards and Interpretations on issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period are set out below and have not been early adopted by the Group

Continued over page...

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023	30 June 2024
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2023	30 June 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	30 June 2024
AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023	30 June 2024

The Group has assessed the impact of these accounting standards and does not anticipate the implementation of the above standards to have a material impact on the financial statements.

1.9 Comparative figures

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

1.10 Going concern

The financial statements are prepared on a going concern basis. The group has net assets of $293.878m, recorded positive loan book growth, consistent operating results and has disclosed its liquidity risk management policy in Note 4.4. As a consequence of this, the Directors are of the view that the Group is well placed to manage its business risks successfully despite the current economic climate. Accordingly, they believe the going concern basis is appropriate.

2. Financial performance

2.1 Interest revenue and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate from continuing operations. Month end averages are used as they are representative of the entity's operations during the year. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2023			
Deposits with other financial institutions	166,157	4,845	2.92
Investment securities	335,662	11,573	3.45
Loans and advances	4,187,891	171,332	4.09
Other	41,699	1,812	4.35
	4,731,409	189,562	4.01
Interest expense 2023			
Deposits from other financial institutions	469,448	20,579	4.38
Customer deposits	3,210,040	56,138	1.75
Negotiable certificates of deposit (NCDs)	384,484	12,315	3.20
Floating rate notes (FRNs)	215,385	8,282	3.85
Subordinated capital notes	42,000	2,584	6.15
RBA term funding facility	143,117	270	0.19
Lease liabilities	4,547	212	4.66
	4,469,021	100,380	2.25
Net interest revenue 2023		89,182	

Consolidated entity			
Interest revenue 2022			
Deposits with other financial institutions	90,106	83	0.09
Investment securities	335,578	1,913	0.57
Loans and advances	3,738,811	101,885	2.73
Other	65,762	2,086	3.17
	4,230,257	105,967	2.50
Interest expense 2022			
Deposits from other financial institutions	243,989	5,931	2.43
Customer deposits	3,028,609	13,442	0.44
Negotiable certificates of deposit (NCDs)	308,778	904	0.29
Floating rate notes (FRNs)	173,077	1,672	0.97
Subordinated capital notes	42,000	1,442	3.43
RBA term funding facility	150,806	285	0.19
Lease liabilities	5,310	247	4.65
	3,952,568	23,923	0.61
Net interest revenue 2022		82,044	

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

Consolidated entity	Average balance $'000	Interest $'000	Average interest rate %
Interest margin and interest spread 2023			
Interest revenue	4,731,409	189,562	4.01
Interest expense	4,469,021	100,380	2.25
Net interest spread			1.76
Plus benefit of net interest-free assets, liabilities and equity			0.12
Net interest margin - on average interest earning assets	4,731,409	89,182	1.88
Interest margin and interest spread 2022			
Interest revenue	4,230,257	105,967	2.50
Interest expense	3,952,568	23,923	0.61
Net interest spread			1.90
Plus benefit of net interest-free assets, liabilities and equity			0.04
Net interest margin - on average interest earning assets	4,230,257	82,044	1.94

Accounting policies

Interest income and interest expense

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

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

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

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

2.2 Other non-interest income

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Other non-interest income				
Fees and commissions	9,600	9,729	9,600	9,729
Other income	1,742	2,659	1,742	2,659
	11,342	12,388	11,342	12,388

Accounting policies

Other non-interest income
Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Group's consolidated statement of profit or loss and other comprehensive income include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Income from these sources is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer which is typically at the time when the underlying transaction to which the fee and commission relates is executed as specified in the contract.

2.3 Income taxes

2.3.1 Components of income tax expense

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current income tax	10,650	10,220	10,648	10,172
Deferred income tax	200	1,132	200	1,169
Income tax expense reported in profit or loss	10,850	11,352	10,848	11,341

Accounting policies

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

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

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

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

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

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

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

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Tax on profit before income tax at 30% (2022: 30%)	10,775	11,245	10,775	11,245
Tax effect of permanent differences				
Add non-deductible expenses:				
Depreciation of buildings	71	71	71	71
Less:				
Tax offset for franked dividends	(4)	(7)	(2)	3
Other items - net	8	43	4	22
Income tax expense	10,850	11,352	10,848	11,341

2.3.3 Income tax recognised in other comprehensive income

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current income tax				
Other	-	-	-	-
	-	-	-	-
Deferred income tax				
Arising on items that may be reclassified to profit or loss:				
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(2,577)	5,458	(2,577)	5,458
	(2,577)	5,458	(2,577)	5,458
Arising on items that will not be reclassified to profit or loss:				
	-	-	-	-
Total income tax recognised directly in other comprehensive income	(2,577)	5,458	(2,577)	5,458

2.3.4 Current tax assets and liabilities

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current tax assets/ (liabilities)				
Current tax liabilities	(46)	(613)	(46)	(602)
	(46)	(613)	(46)	(602)

2.3.5 Deferred tax balances

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred tax liabilities	(1,627)	(3,896)	(1,627)	(3,896)
	(1,627)	(3,896)	(1,627)	(3,896)

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred tax assets				
Employee leave provisions	1,136	1,072	1,136	1,072
Expected credit losses	1,221	1,443	1,221	1,443
Capital losses available	754	874	754	874
Premium on loans purchased	95	101	95	101
Subordinated capital notes prepaid expenses	48	22	48	22
Lease liabilities net of right of use assets	219	238	219	238
Other items	311	384	311	384
	3,784	4,134	3,784	4,134

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred tax liabilities				
Property and equipment	737	706	737	706
Asset revaluation reserve	2,547	2,547	2,547	2,547
Prepayments	-	10	-	10
Cash flow hedging reserve	2,098	4,675	2,098	4,675
Performance Rights cash contributions in excess of accounting expense	29	92	29	92
	5,411	8,030	5,411	8,030

In respect of each temporary difference the adjustment was charged to income, except for the revaluations of hedging instruments entered into for cash flow hedges which were charged to the cash flow hedge reserve in equity, and the revaluations of land and buildings which were charged to the asset revaluation reserve in equity.

	Consolidated		Company	
Movement in deferred tax balances	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance at beginning of year	(3,896)	2,834	(3,896)	2,834
Deferred income tax income/(expense) recognised directly in profit or loss	(200)	(1,168)	(200)	(1,168)
Deferred tax recognised in other comprehensive income	2,577	(5,458)	2,577	(5,458)
Deferred tax arising on:				
Reduction in deferred tax asset on capital losses	(120)	(120)	(120)	(120)
Prior period adjustments	12	16	12	16
Balance at end of year	(1,627)	(3,896)	(1,627)	(3,896)

2.4 Earnings per share

	2023 Cents per share	2022 Cents per share
Basic and diluted earnings per share		
From continuing operations	55.64	60.48
Total basic and diluted earnings per share	55.64	60.48

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

	2023 $'000	2022 $'000
Profit for the year attributable to owners of the Company	25,067	26,132
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	25,067	26,132

	2023 Shares No.	2022 Shares No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	45,054,862	43,207,991

2.5 Business and geographical segment information

The Group only has one major business and operating segment being 'Retail Banking'. The principal activities of the Group are confined to the raising of funds and the provision of finance for housing, consumer lending and business banking. For the purpose of performance evaluation, risk management and resource allocation, the decisions are based predominantly on the key performance indicators at the Group level.

The Group operates in one geographical segment which is the Commonwealth of Australia.

3. Investments and financing

3.1 Property and equipment

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property and equipment owned	15,862	16,140	15,862	16,140
Right-of-use assets	3,052	4,508	3,052	4,508
	18,914	20,648	18,914	20,648
Carrying amounts of:				
Freehold land and buildings	10,862	11,104	10,862	11,104
Equipment	5,000	5,036	5,000	5,036
	15,862	16,140	15,862	16,140

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Freehold land and buildings				
At independent valuation - April 2021	11,345	11,345	11,345	11,345
Provision for depreciation	(483)	(241)	(483)	(241)
	10,862	11,104	10,862	11,104
Movement in carrying amount				
Opening net book amount	11,104	11,345	11,104	11,345
Depreciation charge	(242)	(241)	(242)	(241)
Carrying amount at end of year	10,862	11,104	10,862	11,104

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Equipment				
At cost	15,493	14,834	15,493	14,834
Provision for depreciation	(10,493)	(9,798)	(10,493)	(9,798)
	5,000	5,036	5,000	5,036
Movement in carrying amount				
Opening net book amount	5,036	5,442	5,036	5,442
Additions	1,519	1,385	1,519	1,385
Depreciation charge	(1,278)	(1,143)	(1,278)	(1,143)
Disposals	(104)	(165)	(104)	(165)
Reclassification of work in progress	(173)	(483)	(173)	(483)
Carrying amount at end of year	5,000	5,036	5,000	5,036

All land and buildings were revalued as at 13 April 2021 by certified practicing valuers Acumentis Brisbane Pty Ltd. The valuations were independently prepared in accordance with the API's Australian and New Zealand Valuation and Property Standards. The valuations were derived through a reconciliation of the capitalisation of net income and direct comparison approaches. The Company's policy is to engage external experts to comprehensively revalue freehold land and buildings every three years with an assessment performed by the Board of Directors in intervening years. The Board of Directors believe the valuations determined by the independent valuer remain appropriate.

Accounting policies

Property and equipment

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

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

The carrying amount of equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of freehold land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation periods used for each class of depreciable assets are:

- Buildings - 40 years
- Plant and equipment - 4 to 6 years
- Leasehold improvements - 4 to 6 years or the term of the lease, whichever is the lesser.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Equipment is measured on the cost basis less depreciation and impairment losses.

3.1.1 Right-of-use assets

Consolidated entity	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
Balance as at 1 July 2022	4,404	104	4,508
Additions during the year	-	84	84
Modification to lease terms	59	83	142
Variable lease payment adjustments	(11)	1	(10)
Balance as at 30 June 2023	4,452	272	4,724
Accumulated depreciation			
Depreciation charge for the year	(1,548)	(124)	(1,672)
Right-of-use assets as at 30 June 2023	2,904	148	3,052

Consolidated entity	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
Balance as at 1 July 2021	4,436	92	4,528
Additions during the year	1,658	69	1,727
Variable lease payment adjustments	(149)	(2)	(151)
Modification to lease terms	(8)	38	30
Balance as at 30 June 2022	5,937	197	6,134
Accumulated depreciation			
Depreciation charge for the year	(1,533)	(93)	(1,626)
Right-of-use assets as at 30 June 2022	4,404	104	4,508

Company	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
Balance as at 1 July 2022	4,404	104	4,508
Additions during the year	-	84	84
Modification to lease terms	59	83	142
Variable lease payment adjustments	(11)	1	(10)
Balance as at 30 June 2023	4,452	272	4,724
Accumulated depreciation			
Depreciation charge for the year	(1,548)	(124)	(1,672)
Right-of-use assets as at 30 June 2023	2,904	148	3,052

Company	Property $'000	Vehicles $'000	Total $'000
Right-of-use assets at cost			
Balance as at 1 July 2021	4,436	92	4,528
Additions during the year	1,658	69	1,727
Variable lease payment adjustments	(149)	(2)	(151)
Modification to lease terms	(8)	38	30
Balance as at 30 June 2022	5,937	197	6,134
Accumulated depreciation			
Depreciation charge for the year	(1,533)	(93)	(1,626)
Right-of-use assets as at 30 June 2022	4,404	104	4,508

3.1.2 Lease liabilities

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Maturity analysis - contractual undiscounted cash flows				
Less than one year	1,846	1,892	1,846	1,892
One to five years	2,172	3,882	2,172	3,882
Total undiscounted lease liabilities	4,018	5,774	4,018	5,774
Lease liabilities included in statement of financial position				
Current	1,807	1,851	1,807	1,851
Non-current	1,975	3,452	1,975	3,452
	3,782	5,303	3,782	5,303
Amounts recognised in statement of comprehensive income				
Interest on lease liabilities	212	246	212	246
	212	246	212	246
Amounts recognised in statement of cash flows				
Total cash outflow for leases	1,991	1,748	1,991	1,748
	1,991	1,748	1,991	1,748

Accounting policies

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and a corresponding lease liability is recognised with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

> the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

> the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

> the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

> fixed payments, including in-substance fixed payments, less any lease incentive receivable;

> variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

> the amount expected to be payable under a residual value guarantee, if any; and

> the exercise price, if any, under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for all short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.2 Other intangible assets

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Carrying amounts of:				
Software	2,975	2,839	2,975	2,839
	2,975	2,839	2,975	2,839

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Software				
At cost	8,224	7,178	8,224	7,178
Provision for amortisation	(5,249)	(4,339)	(5,249)	(4,339)
	2,975	2,839	2,975	2,839
Movement in carrying amount				
Balance at beginning of year	2,839	1,483	2,839	1,483
Additions	786	1,359	786	1,359
Disposals	-	-	-	-
Amortisation	(822)	(486)	(822)	(486)
Reclassification of work in progress	172	483	172	483
Balance at end of year	2,975	2,839	2,975	2,839

Accounting policies

Intangible assets

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

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

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

No internally generated intangible assets are recognised by the Group.

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

3.3 Goodwill

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Goodwill	46,363	46,363	46,363	46,363
	46,363	46,363	46,363	46,363
Representing goodwill arising on the acquisition of:				
Queensland Professional Credit Union Ltd (YCU)	4,306	4,306	4,306	4,306
Mackay Permanent Building Society Ltd (MPBS)	42,057	42,057	42,057	42,057
	46,363	46,363	46,363	46,363

3.3.1 Queensland Professional Credit Union Ltd (YCU)

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

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

3.3.2 Mackay Permanent Building Society Ltd (MPBS)

Pursuant to a bidder's statement lodged with the Australian Securities and Investments Commission on 15 November 2007, the Company issued an off-market takeover offer for 100% of the ordinary shares in Mackay Permanent Building Society Ltd (MPBS).

On 11 January 2008 the Company announced the fulfilment of conditions pertaining to the off-market takeover offer set out in the bidder's statement and gave notice that the offer was unconditional effective 10 January 2008.

In accordance with APRA's approval for the transfer of business the financial and accounting records of the entities were merged on 1 June 2008.

The financial accounting for this business combination was prepared in accordance with Australian Accounting Standards and recognises the acquisition date as 10 January 2008.

Accounting policies

Goodwill

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

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment testing for goodwill is performed annually, or earlier if there is an impairment indicator.

Key estimates and judgments

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

Impairment testing of goodwill was carried out by comparing the carrying amount of the cash generating unit to the recoverable amount. The recoverable amount is determined based on a value in use calculation using cash flow projections on financial forecasts covering a five-year period. A pre-tax discount rate of 11.25% (2022: 11.25%) is used and calculated from inputs provided by an independent third party.

The key assumptions used by management in setting the financial forecasts for the initial five-year period were as follows:

> Loan growth assumed to be 2.6% in FY24 and 9% for the remaining forecast period.

> Cash flow projections beyond the five-year period have been extrapolated using 2.5% (2022: 2.0%) per annum growth rate which is below the rate of growth in net assets.

Sensitivity to changes in assumptions

The Board of Directors have conducted a sensitivity analysis of the key assumptions within the impairment test. Reasonable changes in the discount rate (increasing the discount rate up to 12.75%) or terminal growth rates (reduced to 0%) do not give rise to an impairment.

A sustained reduction in loan growth rates within the five year financial forecast could result in the carrying value exceeding the recoverable amount. Sensitivity analysis shows a reduction in the loan growth rate by 50%, without adjusting other key assumptions, could lead to an impairment.

Historically, the Group has demonstrated stable performance in the growth rate of the loan portfolio, thus, management believe that growth rate applied in the model is reasonably achievable.

3.4 Contributed equity

Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Notes	2023 Shares No.	2023 Shares $'000	2022 Shares No.	2022 Shares $'000
Fully paid ordinary shares					
Balance at beginning of year		43,524,064	199,784	42,793,034	195,218
Issued during the year					
Staff share plan	3.4.1	94,978	492	93,345	549
Dividend reinvestment plan	3.4.2	2,197,994	11,448	586,840	3,718
Share issue costs		-	(193)	-	-
Gain/ (loss) in share capital on disposal of treasury shares		-	21	-	44
Treasury shares					
Movement in treasury shares	3.4.3	36,193	266	50,845	255
Balance at end of year		45,853,229	211,818	43,524,064	199,784

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

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

3.4.1 Staff Share Plan

On 10 January 2023, 94,978 ordinary shares were issued pursuant to the Company's staff share plan. Shares were issued at a price of 90% of the weighted average price of the Company's shares traded on the Australian Securities Exchange for the 10 days prior to the issue of the invitation to subscribe for the shares.

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

	Consolidated		Company	
	2023 Shares No.	2022 Shares No.	2023 Shares No.	2022 Shares No.
Shares issued to employees since the inception of plan	3,307,382	3,212,404	3,307,382	3,212,404
Shares issued to employees during the financial year	94,978	93,345	94,978	93,345
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total market value at date of issue (10 January 2023)	561	650	561	650
Total amount paid or payable for the shares at that date	492	549	492	549

3.4.2 Dividend Reinvestment Plan (DRP)

The Board of Directors resolved to maintain the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2021/22 financial year, payable on 30 September 2022. The DRP was fully underwritten.

The Board resolved to maintain the DRP for the interim dividend payable on 24 March 2023 for the 2022/23 financial year.

24 March 2023 - 429,903 ordinary shares were issued

30 September 2022 - 1,768,091 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 24 March 2023 were issued at a discount of 3.5% and shares issued under the DRP on 30 September 2022 were issued at a discount of 5% on the weighted sale price of the Company's shares sold during the five trading days immediately following the Record Date.

3.4.3 Treasury shares

As at the reporting date Auswide Performance Rights Pty Ltd holds 53,297 shares, $316,873. (2022: 89,490 shares, $582,407) for the purpose of facilitating the Executive LTI scheme.

3.5 Reserves

		Consolidated		Company	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Asset revaluation reserve	3.5.1	5,944	5,944	5,944	5,944
Cash flow hedge reserve	3.5.2	4,894	10,908	4,894	10,908
Share-based payment reserve	3.5.3	535	685	560	1,184
Statutory reserve	3.5.4	2,676	2,676	2,676	2,676
General reserve	3.5.5	5,834	5,834	5,834	5,834
Doubtful debts reserve	3.5.6	2,388	2,388	2,388	2,388
		22,271	28,435	22,296	28,934

3.5.1 Asset revaluation reserve

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Asset revaluation reserve				
Balance at beginning of year	5,944	5,944	5,944	5,944
Balance at end of year	5,944	5,944	5,944	5,944

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

3.5.2 Cash flow hedge reserve

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash flow hedge reserve				
Balance at beginning of year	10,908	(1,828)	10,908	(1,828)
Fair value gain/(loss) arising on hedging instruments during the period	(8,591)	18,194	(8,591)	18,194
Income tax related to gains/losses recognised in other comprehensive income	2,577	(5,458)	2,577	(5,458)
Balance at end of year	4,894	10,908	4,894	10,908

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

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

3.5.3 Share based payments reserve

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Share based payments reserve				
Balance at beginning of year	685	482	1,184	858
Recognition of vested shares	-	-	(1,070)	-
Expensed during the year	446	326	446	326
Vested during the year	(596)	(123)	-	-
Balance at end of year	535	685	560	1,184

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

3.5.4 Statutory reserve

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

3.5.5 General reserve

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

3.5.6 Doubtful debts reserve

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

3.6 Dividends paid

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Dividends paid during the year				
Interim for current year	10,005	9,096	10,005	9,096
Final for previous year	9,159	9,016	9,159	9,016
	19,164	18,112	19,164	18,112

Dividends paid are fully franked on ordinary shares.

Dividends are provided for as declared or paid. Subsequent to the reporting date, the Board declared a dividend of 21.00 cents per ordinary share ($9.640m), for the six months to 30 June 2023, payable on 22 September 2023.

The final dividend for the six months to 30 June 2022 ($9.159m) was paid on 30 September 2022, and was disclosed in the 2021/22 financial accounts.

The tax rate at which the dividends have been franked is 30% (2022: 30%).

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance as at the end of the financial year	39,958	36,932	33,609	36,932
Credits/(debits) that will arise from the payment of income tax payable per the financial statements	46	602	46	602
Debits that will arise from the payment of the proposed dividend	(4,132)	(3,925)	(4,132)	(3,925)
	35,872	33,609	29,523	33,609
Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	21.00	21.00	21.00	21.00
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	22.00	21.00	22.00	21.00
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	21.00	21.00	21.00	21.00

4. Financial assets, liabilities and related financial risk management

4.1 Categories of financial instruments

	Notes	Classification	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Financial assets						
Cash and cash equivalents	4.1.1	Amortised cost	203,247	178,537	203,247	178,491
Due from other financial institutions	4.1.2	Amortised cost	3,000	11,773	3,000	11,773
Other financial assets;	4.1.3					
- Certificates of deposit		Amortised cost	345,528	351,957	345,528	351,957
- Investments in Managed Investment Schemes		FVTPL	25,159	26,857	25,159	26,857
- Notes – securitisation program and other		Amortised cost	21,819	16,294	63,243	41,331
- Derivative assets		FVTPL	7,916	16,400	7,916	16,400
- Interest receivable		Amortised cost	2,010	550	2,010	550
Loans and advances	4.1.4	Amortised cost	4,377,803	3,827,565	4,377,803	3,827,565
Other investments;						
- Unlisted shares	4.1.5	FVTOCI	918	918	918	918
Total financial assets			4,987,400	4,430,851	5,028,824	4,455,842
Financial liabilities						
Deposits and other short term borrowings	4.1.6	Amortised cost	4,042,906	3,617,342	4,043,323	3,617,342
Other borrowings	4.1.7	Amortised cost	101,013	150,806	101,013	150,806
Payables and other liabilities	4.1.8					
- Payables and creditors		Amortised cost	42,358	32,310	42,296	32,253
- Derivative liabilities		FVTPL	925	818	925	818
Loans under management	4.1.4	Amortised cost	530,755	370,761	572,179	395,798
Subordinated capital notes	4.1.9	Amortised cost	42,000	42,000	42,000	42,000
Total financial liabilities			4,759,957	4,214,037	4,801,736	4,239,017

Accounting policies

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to, or deducted from, the fair value on recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such differences as follows:

> if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss); and

> in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

Financial assets are recognised on the trade date when the purchase is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically;

> debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

> debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

> all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/ designation at initial recognition of a financial asset on an asset-by-asset basis:

> the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, in OCI; and

> the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL
Financial assets at FVTPL are:

> assets with contractual cash flows that are not SPPI; or/and
> assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
> assets designated at FVTPL using the fair value option.

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

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

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

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

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

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

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

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

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

4.1.1 Cash and cash equivalents

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash at bank and in hand	80,747	89,037	80,747	88,991
Deposits on call	122,500	89,500	122,500	89,500
	203,247	178,537	203,247	178,491

4.1.2 Due from other financial institutions

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deposits with Special Service Providers (SSPs)	3,000	11,773	3,000	11,773
	3,000	11,773	3,000	11,773

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

4.1.3 Other financial assets

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Certificates of deposit	345,528	351,957	345,528	351,957
Investments in Managed Investment Schemes (MIS)	25,159	26,857	25,159	26,857
Notes - securitisation program and other	21,819	16,294	63,243	41,331
Derivative assets	7,916	16,400	7,916	16,400
Interest receivable	2,010	550	2,010	550
	402,432	412,058	443,856	437,095

Cash held within securitised trusts at 30 June 2023 of $21.819m (2022: $16.294m) is restricted for use only by the trusts.

4.1.4 Loans and advances

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Term loans	4,322,921	3,768,019	4,322,921	3,768,018
Continuing credit loans	39,598	51,305	39,598	51,305
Interest receivable	8,035	4,447	8,035	4,447
Deferred mortgage broker commissions	11,279	8,612	11,279	8,612
	4,381,833	3,832,383	4,381,833	3,832,382
Expected credit loss	(4,030)	(4,818)	(4,030)	(4,818)
Total loans and advances	4,377,803	3,827,565	4,377,803	3,827,564

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

Loans and advances include an amount of $689.556m of which have been issued under the federal government's First Home Loan Deposit Scheme (FHLDS) by National Housing Finance and Investment Corporation (NHFIC). The scheme provides a guarantee for any loan monies above 80% LVR.

The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The special purpose entities established for the securitisations are considered to be controlled in accordance with Australian Accounting Standards and Australian Accounting Interpretations. The Company is entitled to any residual income of the securitisation program after all payments due to investors and costs of the program have been met; to this extent the economic entity retains credit and liquidity risk.

The impact on the Group is an increase in liabilities - Loans under management of $530.755m (2022: $370.761m). Class B notes of $41.424m (2022: $25.037m) which are owned by the Company and which represent the Group's exposure on the securitised mortgages have been eliminated from the consolidated figures.

4.1.5 Other investments

This represents investments in unlisted shares which have been classified at fair value through other comprehensive income, as well as an equity accounted investment and investment in subsidiary.

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Unlisted shares	918	918	918	918
Equity accounted investment	570	496	570	496
Investment in subsidiary	-	-	691	1,072
	1,488	1,414	2,179	2,486

4.1.6 Deposits and short term borrowings

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Call deposits	1,578,019	1,740,050	1,578,436	1,740,050
Term deposits	1,835,518	1,318,645	1,835,518	1,318,645
Negotiable certificates of deposit (NCDs)	394,369	358,647	394,369	358,647
Floating rate notes (FRNs)	235,000	200,000	235,000	200,000
	4,042,906	3,617,342	4,043,323	3,617,342

4.1.7 Other borrowings

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
RBA Term Funding Facility (TFF)	101,013	150,806	101,013	150,806
	101,013	150,806	101,013	150,806

The Term Funding Facility (TFF) was announced by the RBA in March 2020 as part of a package of measures to support the Australian economy. Under the TFF, the RBA offered three-year funding to ADI's subject to collateral requirements. Auswide Bank utilised $89.766m charged at a rate of 0.25% and $61.040m at a rate of 0.10%. Interest is payable to the RBA at the end of the funding period. Term funding liabilities are initially recognised at fair value and subsequently measured at amortised cost using effective interest method.

4.1.8 Payables and other liabilities

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade creditors	2,422	3,012	2,356	2,956
Derivative liabilities	925	818	925	818
Accrued interest payable	28,560	5,678	28,560	5,678
Other creditors	7,594	18,317	7,598	18,317
Lease liabilities	3,782	5,303	3,782	5,303
	43,283	33,128	43,221	33,072

4.1.9 Subordinated capital notes

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Inscribed debenture stock	42,000	42,000	42,000	42,000
	42,000	42,000	42,000	42,000

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

The Group did not have any defaults of principal or interest or other breaches with respect to its subordinated liabilities during the years ended 30 June 2022 and 2023.

4.2 Capital risk management

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

The Board Risk Committee;

> assists the Board in the effective management of its responsibilities to set and oversee the risk profile and the risk management framework of Auswide Bank;
> ensures management have appropriate risk systems and practices to effectively operate within the Board approved risk profile for Auswide Bank; and
> deals with, and where applicable resolve, determine and recommend, all matters falling within the scope of its purpose and duties as set out in the Charter and other matters that may be delegated by the Board to the Committee from time to time.

The Board Audit Committee;

> overviews the management of the financial reporting and disclosure practices;
> overviews the internal audit functions;
> reviews compliance with APRA reporting and other statutory requirements;
> oversight of financial accounts;
> addresses changes in accounting principles and the application in interim and annual reports;
> reviews reports from the External Auditors; and
> reviews reports from the Internal Auditor, the Internal Audit program and any Management responses to issues raised.

The Asset and Liability Management Committee (ALCO);

> reviews the balance sheet and recommends changes with regard to capital management, funding and securitisation activities (including product related issues); and
> reviews measures of liquidity and capital adequacy position against the policy and guidelines established in the Board policy.

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

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

The Company's management prepares a three year capital plan and monitors actual risk-based capital ratios on a monthly basis to ensure the capital ratio complies with Board targets. During the 2022 and 2023 financial years the capital adequacy ratios of both the Group and Company were maintained above the target ratio.

APRA introduced a revised ADI capital framework effective 1 January 2023. Capital adequacy calculations at 30 June 2023 have been performed in accordance with the revised standard. Calculations at 30 June 2022 have not been recalculated under the new standard.

The capital adequacy calculations at 30 June 2023 and 30 June 2022 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total risk weighted assets	1,950,328	1,953,487	1,951,041	1,954,528
Capital base	267,214	251,970	267,625	253,144
Risk-based capital ratio	13.70%	12.90%	13.72%	12.95%

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

4.3 Market risk management

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

4.3.1 Interest rate risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

			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	
Financial instruments	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 %	2022 %
Financial assets												
Cash and cash equivalents	211,102	177,497	-	-	-	-	(7,855)	1,039	203,247	178,537	2.46	0.12
Due from other financial institutions	2,905	11,678	-	-	-	-	95	95	3,000	11,773	1.80	0.01
Other financial assets	21,819	16,294	347,538	352,508	25,159	26,857	-	-	394,516	395,658	3.40	0.91
Loans and advances	2,479,817	1,824,652	829,018	483,889	1,053,684	1,510,783	15,284	8,241	4,377,803	3,827,565	3.73	2.60
Total financial assets	2,715,643	2,030,121	1,176,556	836,397	1,078,843	1,537,640	7,524	9,375	4,978,566	4,413,533		
Financial liabilities												
Deposits and short term borrowings	1,578,435	1,740,050	2,411,618	1,679,933	52,853	197,359	-	-	4,042,906	3,617,342	1.66	0.43
Payables and other liabilities	-	-	-	-	-	-	42,358	32,310	42,358	32,310	-	-
Other borrowings	-	-	-	-	101,013	150,806	-	-	101,013	150,806	0.19	0.19
Loans under management	302,501	177,546	100,508	46,872	127,746	146,343	-	-	530,755	370,761	4.22	1.22
Subordinated capital notes	-	-	42,000	42,000	-	-	-	-	42,000	42,000	6.15	3.66
Total financial liabilities	1,880,936	1,917,596	2,554,126	1,768,805	281,612	494,508	42,358	32,310	4,759,032	4,213,219		

At the reporting date, if interest rates had been 2.0% higher or 2.0% lower and all other variables were held constant the Group's net profit before tax would increase by $0.638m or decrease by $0.397m respectively (2022: 2.0% higher an increase of $0.165m or 1.0% lower a decrease of $0.081m). This is mainly due to the Company's exposures to variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from the Interest Rate Risk Report which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities.

Derivatives
Derivatives are utilised to manage interest rate risk, along with balance sheet management. Net Interest Impact, Net Present Value and Value at Risk are key interest rate risk measures that are monitored to maintain ratios and risk within policy limits.

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

	2023 $'000	2022 $'000
Wide Bay Trust No. 5	(925)	(814)
WB Trust 2008-1	8,757	2,105
ABA Trust No. 7	(725)	-
ABA Trust 2017-1	-	30
WB Trust 2010-1	-	(3)

Auswide Bank enters into interest rate swaps from time to time and has International Swaps and Derivatives (ISDAs) in place with the ANZ and Westpac Banks. These are designated as effective hedges and are accounted for as cash flow hedges.

Assets and liabilities arising from the mark-to-market valuation of interest rate swaps are $7.916m and $0.925m respectively (2022: $16.400m and $0.818m).

Accounting policies

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

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

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

4.4 Liquidity risk management

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

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

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

The Company holds an additional reserve which is assessed on an ongoing basis 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	2023 $'000	2022 $'000
Wide Bay Trust No. 5	53,501	27,086
ABA Trust No. 7	31,298	67,133
Total	84,799	94,219

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

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

Consolidated entity **30 June 2023**	On call $'000	Up to 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	203,247	-	-	-	-	-	203,247
Due from other financial institutions	-	-	-	-	-	3,000	3,000
Derivative assets	-	390	6,498	2,062	-	-	8,950
Other financial assets	-	118,838	-	137,950	137,727	-	394,515
Loans and advances	-	4,458	5,587	42,378	4,325,380	-	4,377,803
Total	203,247	123,686	12,085	182,390	4,463,107	3,000	4,987,515
Financial liabilities							
Deposits and short term borrowings	1,578,018	1,293,854	1,117,083	53,951	-	-	4,042,906
Other borrowings	-	39,974	61,039	-	-	-	101,013
Payables and other liabilities*	-	23,989	13,900	688	-	-	38,577
Loans under management	-	221,644	309,111	-	-	-	530,755
Subordinated capital notes	-	-	-	42,000	-	-	42,000
Total	1,578,018	1,579,461	1,501,133	96,639	-	-	4,755,251

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

Consolidated entity **30 June 2022**	On call $'000	Up to 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	178,537	-	-	-	-	-	178,537
Due from other financial institutions	-	-	-	-	-	11,773	11,773
Derivative assets	-	-	1,133	332	-	-	1,465
Other financial assets	-	352,508	-	-	43,150	-	395,658
Loans and advances	-	5,410	1,760	38,657	3,781,738	-	3,827,565
Total	178,537	357,918	2,893	38,989	3,824,888	11,773	4,414,998
Financial liabilities							
Deposits and short term borrowings	1,740,050	1,014,191	766,755	96,346	-	-	3,617,342
Other borrowings	-	-	49,793	101,013	-	-	150,806
Derivative liabilities	-	-	1,491	2,653	-	-	4,144
Payables and other liabilities*	-	24,041	2,136	830	-	-	27,007
Loans under management	-	57,867	260,377	52,517	-	-	370,761
Subordinated capital notes	-	-	-	42,000	-	-	42,000
Total	1,740,050	1,096,099	1,080,552	295,359	-	-	4,212,060

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

Company 30 June 2023	On call $'000	Up to 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	203,247	-	-	-	-	-	203,247
Due from other financial institutions	-	-	-	-	-	3,000	3,000
Derivative assets	-	390	6,498	2,062	-	-	8,950
Other financial assets	-	118,838	-	137,950	179,151	-	435,939
Loans and advances	-	4,458	5,587	42,378	4,325,380	-	4,377,803
Total	203,247	123,686	12,085	182,390	4,504,531	3,000	5,028,939
Financial liabilities							
Deposits and short term borrowings	1,578,435	1,293,854	1,117,083	53,951	-	-	4,043,323
Other borrowings	-	39,974	61,039	-	-	-	101,013
Payables and other liabilities*	-	23,926	13,900	688	-	-	38,514
Loans under management	-	236,217	335,962	-	-	-	572,179
Subordinated capital notes	-	-	-	42,000	-	-	42,000
Total	1,578,435	1,593,971	1,527,984	96,639	-	-	4,797,029

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

Company **30 June 2022**	On call $'000	Up to 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	No maturity specified $'000	Total $'000
Financial assets							
Cash and cash equivalents	178,491	-	-	-	-	-	178,491
Due from other financial institutions	-	-	-	-	-	11,773	11,773
Derivative assets	-	-	1,133	332	-	-	1,465
Other financial assets	-	352,508	-	-	68,187	-	420,695
Loans and advances	-	5,410	1,760	38,657	3,782,809	-	3,828,636
Total	178,491	357,918	2,893	38,989	3,850,996	11,773	4,441,060
Financial liabilities							
Deposits and short term borrowings	1,740,050	1,014,191	766,755	96,346	-	-	3,617,342
Other borrowings	-	-	49,793	101,013	-	-	150,806
Derivative liabilities	-	-	1,491	2,653	-	-	4,144
Payables and other liabilities*	-	23,985	2,136	830	-	-	26,951
Loans under management	-	62,295	280,986	52,517	-	-	395,798
Subordinated capital notes	-	-	-	42,000	-	-	42,000
Total	1,740,050	1,100,471	1,101,161	295,359	-	-	4,237,041

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

4.5 Credit risk management

The company has a diversified branch network consisting of 16 branches and agencies across Queensland, and a business centre in Brisbane city. The Company also employs Business Development Managers in Sydney and Melbourne to conduct interstate business. All regional loan staff and panel valuers are locally based ensuring an in depth knowledge of the local economy and developments in the real estate market.

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

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

The past due loans in the portfolio, as well as economic forecasts, and adherence to the credit procedures on a timely and accurate basis is monitored and supervised by management through monthly reports and the Board of Directors through bi-monthly reports.

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

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

Other assets that are subject to credit risk include cash and cash equivalents, amounts due from other financial institutions, receivables, certificates of deposit, securitisation notes and deposits, loan commitments and bank guarantees.

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

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

External securitised notes are subject to low credit risk and negligible probability of default due to securitisation trusts having a structure that utilises an excess income reserve to absorb any losses, reducing the risk of note balances being affected. The securitisation deposits are made with investment grade rated credit institutions.

Credit risk on mortgage lending is minimised by the availability and application of insurances including lenders' mortgage insurance, property insurance and mortgage protection insurance. Credit risk in the mortgage loan portfolio is managed by generally protecting all loans in excess of 80% LVR with one of the recognised mortgage insurers and securing the loans by first mortgages on residential property. This excludes loans issued under the federal government's First Home Loan Deposit Scheme by National Housing Finance and Investment Corporation (NHFIC). The scheme provides a guarantee for any loan monies above 80% LVR.

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

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

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

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

4.5.1 Sources of credit risk

Key sources of credit risk for the Group predominantly emanate from its business activities including loans and advances to customers, debt investments, loan commitments, etc. The Group monitors and manages credit risk by class of financial instrument. The table below outlines such classes of financial instruments identified, their relevant financial statement line item, maximum exposure to credit risk at the reporting date and expected credit loss recognised.

Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	Notes	Financial statement line	Maximum exposure to credit risk 2023 $'000	Expected credit loss 2023 $'000	Maximum exposure to credit risk 2022 $'000	Expected credit loss 2022 $'000
Class of financial instrument						
Cash and cash equivalents	4.1.1	Cash and cash equivalents	203,247	-	178,537	-
Due from other financial institutions	4.1.2	Due from other financial institutions	3,000	-	11,773	-
Certificates of deposit	4.1.3	Other financial assets	345,528	-	351,957	-
Notes – securitisation program and other	4.1.3	Other financial assets	21,819	-	16,294	-
Interest receivable	4.1.3	Other financial assets	2,010	-	550	-
Loans and advances	4.1.4	Loans and advances	4,679,436	3,998	4,108,260	4,705
Total			5,255,040	3,998	4,667,371	4,705
Off-balance sheet exposures						
Loans approved not advanced (LANA)	6.3		84,135	32	184,335	113
Bank guarantees	6.3		1,260	-	640	-
Total			85,395	32	184,975	113

Accounting policies

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

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

All other items measured at amortised cost have been assessed as immaterial for ECL purposes in both the current and comparative periods.

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

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

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

Definition of default

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

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

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

Write off
Loans and advances and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Key estimates and judgements

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. AASB 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Repayment deferral availed by the borrowers as a result of COVID-19 does not in itself constitute a significant increase in credit risk unless the exposure meets the above criteria.

Models and assumptions used
The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward looking scenarios
When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

4.5.2 Measurement of Expected Credit Loss (ECL)

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These figures are derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The Group has developed a PD model for loans and advances based on the likelihood of a default event occurring within the next 12 months, based on the current status of each loan. A lifetime PD is also computed where appropriate. Historical data on loan behaviours is captured to enable projections on loans going into default. This provides statistical data that is used in the PD model for calculating the probability of default.

LGD is an estimate of the loss arising on default. The Group has developed a single LGD model, which includes judgements and estimates based on industry statistics and historical performance of the Bank's portfolio. Given the Group's loan portfolio, market data on LGDs of other institutions has also been applied in management's assessment of LGD.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and principal and interest, and expected drawdowns on committed facilities. The Group has developed a single EAD model to cover all applicable loan exposures.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period. The risk of default is assessed by considering historical data as well as forward-looking information through a macroeconomic overlay and management judgement.

The Group's risk function constantly monitors the ongoing appropriateness of the ECL model and related criteria, where any proposed amendments will be reviewed and approved by the Group's management committees.

Incorporation of forward-looking information
The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses this information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting.

The Group has identified and documented key drivers of credit risk and credit losses for each lending portfolio using a statistical analysis of historical data and has estimated relationships between macroeconomic variables, credit risk and credit losses.

The principal macroeconomic indicators included in the economic scenarios used are GDP, GDP index, GDP index change and unemployment. Management have derived that GDP has economic correlations to inflation and unemployment, which generally have a corresponding impact on loan performance. Scenarios are compiled using

APRA quarterly statistics and ADI Performance Statistics for losses data, ABS statistics for GDP, CPI (as proxy for GDP index) and unemployment rates, along with forecast reports from the market.

The base case scenario is derived from forecasted changes to GDP, CPI and unemployment rates, using management's judgement. Adjustments to these forecasts are made to develop a further two scenarios for less likely but plausible economic expectations. A weighting is applied to each scenario, based on management's judgement as to the probability of each scenario occurring. These economic forecasts are then applied to a statistical model to determine the macroeconomic effects on the expected loss allowance on the lending portfolios.

The incorporation of forward-looking information on the assessment of ECL on other assets required to be assessed for impairment is a qualitative approach. A range of economic outlooks, from an economist, the RBA and OECD, have been considered in making an assessment of whether there are economic forecasts that would indicate a potential impairment on the assets being assessed.

Sensitivity analysis and forward-looking information
The following table shows the reported ECL based on the probability weighting of scenarios, with the sensitivity range reflecting the ECL impacts assuming a 100% weighting is applied to the base case scenario, the downside scenario or the severe downside scenario (with all other assumptions held constant). As at 30 June 2023, the probability weighted ECL is a blended outcome taking into consideration the respective scenarios.

The base case scenario incorporates a reasonable level of portfolio stress driven by forecast macroeconomic factors.

Scenario	ECL Jun 23 $'000	Macroeconomic forecast
Reported ECL	4,030	
100% base case	3,571	Includes a reasonable level of portfolio stress. By the end of 2023 the unemployment rate is expected to be 4.2% with further deterioration beyond that. Unemployment is forecast to be 5.3% by the end of 2024. Forecast GDP growth of between 0.6% and 1.0% due to tightening monetary policies to tackle significant inflation pressures.
100% downside	4,331	Assumes a moderate but reasonable level of portfolio stress.
100% severe downside	5,381	Assumes a more severe and prolonged downturn including elevated levels of unemployment and GDP decline.

Assumptions
The following table summarises the key judgements and assumptions in relation to the model inputs and highlights significant changes during the current period.

The judgements and associated assumptions reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/ Assumption	Description	Changes and considerations during the year ended 30 June 2023
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from stage 1 to stage 2. This is a key area of judgement since transition from stage 1 to stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance.	Unemployment remained steady reflecting a tight labour market.
Measuring both 12-month and lifetime credit losses	ECL is a function of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) which are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 30 June 2023.
Base case economic forecast	The Group derives a forward-looking "base case" economic scenario which reflects Auswide Bank's view of the most likely future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.
Probability weighting of each scenario (base case, downside and severe downside scenarios)	Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case scenario.	Management have assessed the weightings applied to the downside and severe downside scenarios and increased the weighting accordingly in view of inflationary pressures and increasing interest rates.
Management overlays	Management overlays to the ECL allowance are used where it is judged that existing inputs, assumptions and model techniques do not adequately capture the risk factors in the lending portfolio.	An overlay for model error risk continues to be applied. Management has reduced the additional overlay due to the downside and severe downside weightings being increased.

Significant increase in credit risk
The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the expected loss allowance based on lifetime rather than 12-month ECL.

The Group has used the assumption that 30 days past due represents significant increase in credit risk. The Group considers 90 days past due as representative of a default having occurred and a loan being credit impaired.

The Group has identified the following three stages in which financial instruments have been classified in regards to credit risk;

> stage 1 - performing exposure on which loss allowance is recognised as 12 month expected credit loss;
> stage 2 - where credit risk has increased significantly and impairment loss is recognised as lifetime expected credit loss; and
> stage 3 - assets are credit impaired and impairment loss is recognised as lifetime expected credit loss. Interest is accrued on a net basis, on the amortised cost of the loans after the ECL is deducted.

The table below shows analysis of each class of financial asset subject to impairment requirements by stage at the reporting date. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

	Maximum exposure to credit risk				Expected credit loss			
Consolidated entity Balance at 30 June 2023	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Class of financial instrument								
Cash and cash equivalents	203,247	-	-	203,247	-	-	-	-
Due from other financial institutions	3,000	-	-	3,000	-	-	-	-
Certificate of deposit	345,528	-	-	345,528	-	-	-	-
Notes – securitisation program and other	21,819	-	-	21,819	-	-	-	-
Total	573,594	-	-	573,594	-	-	-	-
Loans and advances*								
- Mortgage lending	4,583,706	5,089	4,949	4,593,744	3,110	218	592	3,920
- Personal lending	36,688	-	1	36,689	62	-	1	63
- Commercial lending	48,973	30	-	49,003	14	1	-	15
Total	4,669,367	5,119	4,950	4,679,436	3,186	219	593	3,998
Off-balance sheet exposures								
Loans approved not advanced (LANA)	84,135	-	-	84,135	32	-	-	32
Bank guarantees	1,260	-	-	1,260	-	-	-	-
Total	85,395	-	-	85,395	32	-	-	32

** Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2023 is $4.378b.*

Consolidated entity Balance at 30 June 2022	Maximum exposure to credit risk Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Expected credit loss Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Class of financial instrument								
Cash and cash equivalents	178,537	-	-	178,537	-	-	-	-
Due from other financial institutions	11,773	-	-	11,773	-	-	-	-
Certificate of deposit	351,957	-	-	351,957	-	-	-	-
Notes – securitisation program and other	16,294	-	-	16,294	-	-	-	-
Total	558,561	-	-	558,561	-	-	-	-
Loans and advances*								
- Mortgage lending	3,999,108	8,648	5,917	4,013,673	3,235	363	893	4,491
- Personal lending	31,678	8	12	31,698	144	6	6	156
- Commercial lending	62,766	123	-	62,889	40	18	-	58
Total	4,093,552	8,779	5,929	4,108,260	3,419	387	899	4,705
Off-balance sheet exposures								
Loans approved not advanced (LANA)	184,335	-	-	184,335	113	-	-	113
Bank guarantees	640	-	-	640	-	-	-	-
Total	184,975	-	-	184,975	113	-	-	113

** Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 30 June 2022 is $3.828b.*

4.5.3 Movement in gross carrying amounts

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

Consolidated entity	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost*				
Gross carrying amount at beginning of year	3,804,623	8,773	5,928	3,819,324
Transfer to stage 1	6,124	(4,598)	(1,526)	-
Transfer to stage 2	(3,597)	3,812	(215)	-
Transfer to stage 3	(3,221)	(811)	4,032	-
Financial assets that have been derecognised during the period including write-offs	(587,307)	(2,488)	(3,646)	(593,441)
New financial assets originated	1,234,590	877	-	1,235,467
Adjustments for repayments and interest	(98,758)	(449)	376	(98,831)
Net carrying amount as at 30 June 2023	4,352,454	5,116	4,949	4,362,519

** Excludes interest receivable and deferred mortgage brokers commissions.*

Consolidated entity	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost *				
Gross carrying amount at beginning of year	3,532,324	6,907	10,234	3,549,465
Transfer to stage 1	4,780	(1,796)	(2,984)	-
Transfer to stage 2	(7,556)	8,026	(470)	-
Transfer to stage 3	(3,886)	(243)	4,129	-
Financial assets that have been derecognised during the period including write-offs	(581,339)	(3,505)	(5,010)	(589,854)
New financial assets originated	937,373	-	-	937,373
Adjustments for repayments and interest	(77,073)	(616)	29	(77,660)
Net carrying amount as at 30 June 2022	3,804,623	8,773	5,928	3,819,324

** Excludes interest receivable and deferred mortgage brokers commissions.*

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

4.5.4 Movement in expected credit losses

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

Consolidated entity	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost *				
Loss allowance at beginning of year	3,536	388	894	4,818
Transfer to stage 1	270	(197)	(73)	-
Transfer to stage 2	(53)	66	(13)	-
Transfer to stage 3	(18)	(77)	95	-
Financial assets derecognised during the period including write-offs	(671)	(81)	(746)	(1,498)
New financial assets originated	664	19	-	683
Changes in model risk assessment	(499)	101	425	27
Loss allowance as at 30 June 2023	3,229	219	582	4,030

** Excludes interest receivable and deferred mortgage brokers commissions.*

Consolidated entity	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loans and advances at amortised cost *				
Loss allowance at beginning of year	2,735	301	2,963	5,999
Transfer to stage 1	1,077	(85)	(992)	-
Transfer to stage 2	(86)	88	(2)	-
Transfer to stage 3	(19)	(1)	20	-
Financial assets derecognised during the period including write-offs	(621)	(210)	(1,632)	(2,463)
New financial assets originated	811	-	-	811
Changes in model risk assessment	(361)	295	537	471
Loss allowance as at 30 June 2022	3,536	388	894	4,818

** Excludes interest receivable and deferred mortgage brokers commissions.*

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

4.5.5 Summary of movements in expected credit loss by financial instrument

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

Consolidated entity	Loans and advances $'000	LANA $'000	Total $'000
Expected credit loss			
Loss allowance at beginning of year	4,705	113	4,818
Loss allowance recognised/(reversed) during the year	(648)	(81)	(729)
Bad debts written off	(59)	-	(59)
Loss allowance as at 30 June 2023	3,998	32	4,030

Consolidated entity	Loans and advances $'000	LANA $'000	Total $'000
Expected credit loss			
Loss allowance at beginning of year	5,999	140	6,139
Loss allowance recognised/(reversed) during the year	(686)	(27)	(713)
Bad debts written off	(608)	-	(608)
Loss allowance at 30 June 2022	4,705	113	4,818

4.5.6 Credit risk concentrations

An analysis of the Group's credit risk concentrations on loans and advances is provided in the following table. The amounts in the table represent gross carrying amounts, with the exception of loan commitments, which are recorded as the amount committed. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

Consolidated entity	2023 $'000	2022 $'000
Loans and advances at amortised cost*		
Concentration by sector		
Mortgage lending	4,291,698	3,744,091
Personal lending	33,829	26,393
Commercial lending	36,992	48,840
Total	4,362,519	3,819,324

** Excludes interest receivable and deferred mortgage brokers commissions.*

Consolidated entity	2023 $'000	2022 $'000
Loans and advances at amortised cost*		
Concentration by region		
Queensland	2,803,366	2,654,406
New South Wales	641,593	499,313
Australian Capital Territory	88,371	57,834
Victoria	522,650	405,852
South Australia	67,687	35,671
Western Australia	205,548	134,057
Tasmania	14,599	14,214
Northern Territory	18,705	17,977
Total	4,362,519	3,819,324

** Excludes interest receivable and deferred mortgage brokers commissions.*

LANA of $84.135m (2022: $184.335m) is an additional exposure under AASB 9 not recognised on the balance sheet, but is immaterial to the concentrations in the above tables.

4.5.7 Specific provision

The Group has complied with the provisioning requirements under the APRA prudential standard APS 220 Credit Quality and includes a specific provision amounting to $1.474m (2022: $2.345m) determined in accordance with the aforementioned prudential standard.

4.5.8 Financial instruments classified at FVTPL

The maximum exposure to credit risk of the notes held in MISs designated at FVTPL is their carrying invested amount, which was $25.159m at 30 June 2023 (2022: $26.857m). The change in fair value due to credit risk for the MISs designated at FVTPL is $0.410m for the year (2022: $0.677m). The Group uses the performance of the portfolio to determine the change in fair value attributable to changes in credit risk of its MISs designated at FVTPL.

4.5.9 Equity instruments classified at FVTOCI

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

4.5.10 Analysis of financial instrument by days past due status

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
30 days and less than 60 days	2,407	3,444	2,407	3,444
60 days and less than 90 days	283	331	283	331
90 days and less than 182 days	590	910	590	910
182 days and less than 273 days	-	1,602	-	1,602
273 days and less than 365 days	139	-	139	-
365 days and over	813	689	813	689
	4,232	6,976	4,232	6,976

4.5.11 Collateral held as security and other credit enhancements

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LVR (loan to value ratio), which is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals. Subsequent appraisals are performed on securities held for credit-impaired loans, to more closely monitor the Group's exposure. The Group will take possession of security property in line with its MIP (mortgagee in possession) policy and any loss resulting from subsequent sale will be recorded as an expense, resulting in a reduction in any provision that was held for that exposure. There are also procedures in place for the recovery of bad debts written off; debt recovery processes are performed internally as well as through the use of third parties. The table below shows the exposures from mortgage loans by ranges of LVR. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

	Gross carrying amount		Expected credit loss	
Consolidated entity	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Mortgage lending LVR ratio				
Less than 50%	757,446	535,458	564	365
51-70%	1,499,370	1,062,835	1,229	832
71-90%	1,286,954	1,236,558	1,378	2,207
91-100%	49,182	100,258	8	12
More than 100%	8,128	18,609	321	525
FHLDS	690,618	790,373	420	550
Total	4,291,698	3,744,091	3,920	4,491

Loans issued under the federal government's First Home Loan Deposit Scheme (FHLDS) by National Housing Finance and Investment Corporation (NHFIC) are guaranteed for any loan monies above 80% LVR.

Personal lending

The Group's personal lending portfolio consists of secured and unsecured term loans and unsecured credit cards. For loans with a purpose of purchasing vehicles and the like, the vehicle can be used as security for a secured personal loan, if acceptable under the applicable lending policy. The personal lending portfolio exhibits similar traits and behaviours regardless of whether the loan is secured or unsecured.

Commercial lending

The Group requests collateral, which is usually in the form of residential property, as security for corporate lending. Bank guarantees are also used at times, which utilise cash, residential or commercial mortgages as security. The table below shows the exposures from commercial loans by ranges of LVR. Disclosures on a Company basis have not been separately disclosed as the amounts do not differ materially from those of the Consolidated entity.

	Gross carrying amount		Expected credit loss	
Consolidated entity	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Commercial lending LVR ratio				
Less than 50%	21,203	15,846	9	17
51-70%	11,958	19,627	4	32
71-90%	3,831	10,596	2	7
91-100%	-	418	-	-
More than 100%	-	2,353	-	2
Total	36,992	48,840	15	58

Other financial assets

The Group holds other financial assets at amortised cost with a carrying amount of $575.032m (2022: $557.599m) and at FVTOCI with a carrying amount of $0.918m (2022: $0.918m). These are high quality investments and as per policy the Group only invests in certain types of financial assets which are investment grade and of lower credit risk.

4.6 Fair value measurements

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

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

4.6.1 Financial instruments measured at fair value on recurring basis

Consolidated entity **30 June 2023**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed investment schemes	-	-	25,159	25,159
Derivative assets	-	7,916	-	7,916
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	7,916	26,077	33,993
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	925	-	925
Total liabilities	-	925	-	925

Consolidated entity **30 June 2022**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed investment schemes	-	-	26,857	26,857
Derivative assets	-	16,400	-	16,400
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	16,400	27,775	44,175
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	818	-	818
Total liabilities	-	818	-	818

Company **30 June 2023**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed investment schemes	-	-	25,159	25,159
Derivative assets	-	7,916	-	7,916
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	7,916	26,077	33,993
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	925	-	925
Total liabilities	-	925	-	925

Company 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Investments in Managed investment schemes	-	-	26,857	26,857
Derivative assets	-	16,400	-	16,400
Equity instruments designated at FVTOCI				
Unlisted shares	-	-	918	918
Total assets	-	16,400	27,775	44,175
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	-	818	-	818
Total liabilities	-	818	-	818

There have been no transfers of between level 1 and level 2 categories of financial instruments.

Accounting policies

Fair value measurements

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

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

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

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

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

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

> level 1 - measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,

> level 2 - measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly, and

> level 3 - measurement based on unobservable inputs for the asset or liability.

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

4.6.2 *Reconciliation of level 3 fair value measurements of financial assets and financial liabilities*

	FVTOCI Unlisted shares		FVTPL Managed investment schemes	
Consolidated entity	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Balance at beginning of year	918	918	26,857	37,424
Total gains or losses:				
- in profit or loss	-	-	1,295	1,605
- in other comprehensive income	-	-	-	-
Purchases	-		7,000	7,750
Disposals	-	-	(9,993)	(19,922)
Balance at end of year	918	918	25,159	26,857

	FVTOCI Unlisted shares		FVTPL Managed investment schemes	
Company	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Balance at beginning of year	918	918	26,857	37,424
Total gains or losses:				
- in profit or loss	-	-	1,295	1,605
- in other comprehensive income	-	-	-	-
Purchases	-	-	7,000	7,750
Disposals	-	-	(9,993)	(19,922)
Balance at end of year	918	918	25,159	26,857

4.6.3 *Financial instruments not measured at fair value*

The following table provides an analysis of financial assets and liabilities that are not measured at fair value.

Consolidated entity **30 June 2023**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**	**Total carrying amount $'000**
Financial assets					
Cash and cash equivalents	203,247	-	-	203,247	203,247
Due from other financial institutions	3,000	-	-	3,000	3,000
Other financial assets	363,235	-	-	363,235	369,357
Loans and advances	-	-	4,385,384	4,385,384	4,377,803
Total financial assets	569,482	-	4,385,384	4,954,866	4,953,407
Financial liabilities					
Deposits and short term borrowings	-	4,032,917	-	4,032,917	4,042,906
Other borrowings	-	99,119	-	99,119	101,013
Payables and other liabilities	-	-	42,296	42,296	42,358
Loans under management	-	533,527	-	533,527	530,755
Subordinated capital notes	-	42,000	-	42,000	42,000
Total financial liabilities	-	4,707,563	42,296	4,749,859	4,759,032

Consolidated entity 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000	Total carrying amount $'000
Financial assets					
Cash and cash equivalents	178,537	-	-	178,537	178,537
Due from other financial institutions	11,773	-	-	11,773	11,773
Other financial assets	370,135	-	-	370,135	368,801
Loans and advances	-	-	3,849,469	3,849,469	3,827,565
Total financial assets	560,445	-	3,849,469	4,409,914	4,386,676
Financial liabilities					
Deposits and short term borrowings	-	3,607,342	-	3,607,342	3,617,342
Other borrowings	-	147,978	-	147,978	150,806
Payables and other liabilities	-	-	32,309	32,309	32,309
Loans under management	-	373,681	-	373,681	370,761
Subordinated capital notes	-	42,000	-	42,000	42,000
Total financial liabilities	-	4,171,001	32,309	4,203,310	4,213,218

4.6.4 Summary of valuation methodologies applied in determining fair value of financial instruments

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

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

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

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the economic entity are consistent with one or more of the following valuation approaches:

> market approach - valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities;

> income approach - valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value; and

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

5. Group structure and related parties

5.1 Subsidiaries, associates and other related parties

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

5.1.1 Controlled entities

Name	Place of incorporation and operation	Proportion of ownership and voting power held by the Company		Contribution to consolidated operating profit after income tax		Investment carrying value	
		2023 %	2022 %	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Controlled entities							
Widcap Securities Pty Ltd	Australia	100.0	100.0	-	-	-	-
Auswide Performance Rights Pty Ltd	Australia	100.0	100.0	(2)	(11)	-	-

Widcap Securities Pty Ltd

Widcap Securities Pty Ltd is a wholly owned subsidiary which acts as the manager and custodian for Auswide Bank's Warehouse Securitisation programs.

Auswide Performance Rights Pty Ltd

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

5.1.2 Warehouse and securitisation trusts

Auswide Bank has an external securitisation program which is comprised of the following trusts. These trusts are fully consolidated at the reporting date.

- Wide Bay Trust No. 5
- WB Trust 2008-1
- WB Trust 2014-1
- ABA Trust 2017-1
- ABA Trust No. 7

5.1.3 Details of material associates

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

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group	
			2023	2022	2023	2022
Financial Advice Matters Group Pty Ltd (FAMG)	Financial Planning	Australia	23.8%	25.0%	25.0%	25.0%

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

Accounting policies

Investment in associates

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

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

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

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

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

Share of associate's balance sheet:	**2023 $'000**	**2022 $'000**
Current assets	683	585
Non-current assets	687	689
Current liabilities	(265)	(245)
Non-current liabilities	(45)	(51)
Net assets	1,060	977

Share of associate's revenue and profit:	**2023 $'000**	**2022 $'000**
Revenue	1,470	1,445
Profit/(loss) before income tax	194	187
Income tax	(49)	(28)
Profit/(loss) after income tax	145	159
Total comprehensive income for the year	145	159
Dividends received from associate during the year	65	63

The above figures were based on the unaudited accounts of FAMG as at 30 June 2023.

5.2 Key management personnel disclosures

5.2.1 Details of key management personnel

Key management personnel have been taken to comprise the Directors and members of Executive Management who are collectively responsible for the day-to-day financial and operational management of the Group and the Company. The following were key management personnel for the entire reporting period unless otherwise stated;

Directors

SC Birkensleigh Chairman - Non-executive Director	**J Korhonen** Director - Non-executive	**B Dangerfield** (ceased 27 November 2022) Director - Non-executive
GN Kenny Director - Non-executive	**C Mitchell** (appointed 1 February 2023) Director - Non-executive	**MJ Barrett** Managing Director
GB Murdoch Director - Non-executive	**LT McGrath** (appointed 1 March 2023) Director - Non-executive	

Executives

WR Schafer Chief Financial Officer, Company Secretary	**SD Johnson** Chief Information Officer	**MS Rasmussen** Chief Operating Officer
DR Hearne Chief Customer Officer	**CA Lonergan** Chief Risk Officer	**R Stephens** Chief Transformation Officer
GM Job Chief People and Property Officer		

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

5.2.2 Key management personnel compensation

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Short-term benefits				
Cash salary and fees	3,144	3,007	3,144	3,007
Cash bonus	470	457	470	457
Post employment benefits				
Superannuation	261	247	261	247
Share based payments	372	128	372	128
Other long term benefits	76	69	76	69
	4,323	3,908	4,323	3,908

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

5.2.3 Other transactions with key management personnel

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

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

Dividends of $314,900 (2022: $269,274) were paid to key management personnel and associates. These were made on terms no more favourable than those made on dividend payments to other shareholders.

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

6. Other financial information

6.1 Cash flow statement reconciliation

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit after tax from continuing operations	25,067	26,132	25,069	26,143
Depreciation and amortisation	4,014	3,496	4,014	3,496
Bad debts expense	(728)	(714)	(728)	(714)
(Profit)/loss on disposal of non-current assets	104	164	104	164
Movement in assets				
Loans and advances	(549,060)	(271,057)	(549,061)	(270,884)
Accrued interest on investments	(5,048)	(651)	(5,048)	(651)
Prepayments and other receivables	5,932	1,065	5,932	1,065
Deferred tax asset	-	2,834	-	2,834
Movement in liabilities				
Deposits and short term borrowings	375,771	268,053	376,188	268,051
Creditors and accruals	10,719	15,527	10,719	15,482
Income tax payable	(578)	(618)	(569)	(625)
Deferred tax payable	(2,258)	3,896	(2,258)	3,896
Employee benefit provisions	213	133	213	133
Other provisions	(139)	268	(139)	268
Reserves	2,577	(5,458)	2,577	(5,458)
Net cash generated from operating activities	(133,414)	43,070	(132,987)	43,200

Accounting policies

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

6.2 Expenditure commitments

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Capital expenditure commitments				
Capital expenditure contracted for within one year	1,394	793	1,394	793
	1,394	793	1,394	793

6.3 Contingent liabilities and credit commitments

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Approved but undrawn loans	84,135	184,335	84,135	184,335
Approved but undrawn credit limits	73,668	85,506	73,668	85,506
Bank guarantees	1,260	640	1,260	640
	159,063	270,481	159,063	270,481

The Group holds an agency settlement facility amounting to $3 million. As at 30 June 2023, the amount of facility used is $0 (30 June 2022: $0).

6.4 Provisions

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Employee entitlements				
Balance at beginning of year	3,574	3,441	3,574	3,441
Provided for during the year	641	391	641	391
Used during the year	(429)	(258)	(429)	(258)
Balance at end of year	3,786	3,574	3,786	3,574
Maturity analysis				
Current provision	3,338	3,105	3,338	3,105
Non-current provision	448	469	448	469
	3,786	3,574	3,786	3,574
Other provisions	243	382	243	382
Total provisions	4,029	3,956	4,029	3,956

Accounting policies

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

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

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

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

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

6.5 Other non-financial assets

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Prepayments	2,820	3,107	2,816	3,106
Other	495	260	495	260
	3,315	3,367	3,311	3,366

6.6 Remuneration of auditors

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

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Audit or review of financial reports:				
Group	414,403	402,361	414,403	402,361
Subsidiaries and joint operations	30,000	28,080	30,000	28,080
	444,403	430,441	444,403	430,441
Statutory assurance services required by legislation to be provided by the auditors	115,000	114,800	115,000	114,800
	115,000	114,800	115,000	114,800
Other assurance and agreed upon procedures under other legislation or contractual arrangements	15,500	15,485	15,500	15,485
	15,500	15,485	15,500	15,485
Other services:				
Tax compliance services	79,749	24,669	79,749	24,669
	79,749	24,669	79,749	24,669
Total auditors' remuneration	654,652	585,395	654,652	585,395

6.7 Events subsequent to balance date

Details of dividends declared subsequent to year end are included in Note 3.6 - Dividends paid. Other than the matters described above, there has been no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect the operations of the Group or the Company, the results of those operations, or the state of affairs of the Group or the Company in future financial years.

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

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 2023 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 1.2 - Statement of compliance; and

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2023.

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

SC Birkensleigh
Director

Brisbane
28 August 2023

GB Murdoch
Director

Brisbane
28 August 2023

Deloitte.

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

Report on the Audit of the Financial Reports

Opinion

We have audited the financial reports of Auswide Bank Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial reports of the Group and the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group and the Company's financial position as at 30 June 2023 and of their financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company (the "directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the Group for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of loans and advances As at 30 June 2023, the Group has recognised a loss allowance for Expected Credit Losses (ECL) amounting to $4.03 m on loans and advances held at amortised cost in accordance with AASB 9 *Financial Instruments* as disclosed in Note 4.5. Loans and advances subject to AASB 9's impairment requirements include the residential lending portfolio, personal loan portfolio and loans approved but not yet advanced. Significant management judgement was necessary in determining the loss allowance, including: - The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current macroeconomic environment; - The identification of exposures with a significant increase in credit risk to determine whether a 12-month or lifetime ECL should be recognised; and - Assumptions used in the ECL model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 4.5.	In conjunction with our specialists, our audit procedures included, but were not limited to: Testing the design and implementation of controls over the ECL loss allowance including: - The accuracy of data input into the system used for determining past due status and the approval of credit facilities; and - The ongoing monitoring and identification of loans displaying indicators of significant increases in credit risk and whether they are migrating on a timely basis to appropriate stages including generation of days past due reports. **Assessing ECL model adequacy:** We assessed the adequacy of management's internally developed model in determining the ECL allowance. Our procedures included, but were not limited to: - Assessing whether the ECL model adequately addresses the requirements of AASB 9; - Evaluating management's assessment of the impact of forward-looking macroeconomic factors on the loan portfolio and as a result the estimate of loss allowance; - Testing on a sample basis, individual exposures to assess if they are classified into appropriate default stages and aging buckets for the purpose of determining the ECL allowance; - Assessing the reasonableness of assumptions driving Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) including performing retrospective review of the key assumptions; and - Assessing the reasonableness of management overlays to the modelled collective provision by recalculating the coverage provided by the collective ECL loss allowance (including overlays) to the loan book, taking into account recent history, performance and de-risking of the relevant portfolios. We also assessed adequacy of the disclosures in Note 4 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of non-current assets As at 30 June 2023, the Group's non-current assets include goodwill amounting to $46.3m as disclosed in Note 3.3. The determination of the recoverable amount of goodwill is complex and requires management to exercise significant judgement including: - Identification of appropriate Cash Generating Units (CGU) to which goodwill is allocated for the purpose of impairment testing; - Selection of appropriate valuation methodology; and - Determination of assumptions and estimates, in particular the 5 year forecast cashflows, growth rates, terminal growth rate and the discount rate.	Our procedures included, but were not limited to: - Obtaining an understanding of any changes to the internal and external impairment indicators in assessing goodwill impairment through inquiries with management and external market evidence; - Assessing management's position paper and board minutes to identify the CGU to which goodwill has been allocated and ensured that the CGU is not defined at a higher level than its operating segment; - Evaluating consistency of management's projections, historical track record and external market evidence; - In conjunction with our valuation specialists, assessing the integrity of value in use models used, including the accuracy of the underlaying calculation formulas and challenging key assumptions used in the model prepared by management, including the 5 years forecast cashflows, growth rates, terminal growth rate and discount rate; We have also assessed the adequacy of the disclosures in Note 3.3 to the financial statements.
Information technology The Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. Due to this, we consider the operation of financial reporting IT systems and controls to be a key audit matter. The IT systems and controls, as they impact the financial recording and reporting of transactions, has a significant impact on our audit approach, and is dependent on the effective operation of the Group's IT controls.	Our procedures, performed in conjunction with our IT specialists included, but were not limited to: - Developing an understanding of the business processes, IT systems used to generate and support those balances, associated IT application controls and IT dependencies in manual controls; - Understanding and evaluating the design of relevant controls where applicable; Where we identified control deficiencies relating to IT systems or application controls relevant to our audit we evaluated the operating effectiveness of manual controls where applicable and varied the nature, timing and extent of our substantive procedures.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Reports

The directors are responsible for the preparation of the financial reports that give 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 reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Reports

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

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

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 18 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Auswide Bank Ltd for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 28 August 2023

Corporate governance summary

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

The Governance section also details other relevant corporate governance information, including the Board and Committee Charters, policies and codes of conduct. The following is a summary of Auswide Bank's compliance with the principles outlined in ASX's *Corporate Governance Principles and Recommendations (4th edition):*

Principle 1: Lay solid foundations for management and oversight

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

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

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

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

Principle 2: Structure the board to be effective and add value

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

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

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

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

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

Auswide Bank is in compliance with Principle 3 and full details are available in the Code of Conduct and Ethics located in the Corporate > Governance section at www.auswidebank.com.au.

Principle 4: Safeguard the integrity of corporate reports

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

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

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

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of security holders

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

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

Principle 7: Recognise and manage risk

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

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

Auswide Bank is in compliance with Principle 7 and full details are outlined in the Board Risk Committee Charter and Corporate Governance Statement located in the Corporate > Governance section at www.auswidebank.com.au. The Group's approach to Environmental and Social Sustainability can be found at www.auswidebank.com.au under the Corporate > Sustainability section.

The Directors' Statutory Report of this Annual Report also provides details relevant to this principle.

Principle 8: Remunerate fairly and responsibly

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

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

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

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

Shareholder information

A. Registered office

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

Level 3 Auswide Bank Head Office
16-20 Barolin Street
Bundaberg QLD 4670
Australia

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

B. Secretary

The Secretary is:
William (Bill) Ray Schafer BCom CA

C. Auditor

The principal auditors are:

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

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

D. 2023 Annual General Meeting

The 2023 Annual General Meeting is to be held on Friday 24 November 2023. This year the Company will hold a hybrid AGM - both in-person at Auswide Bank's Bundaberg Office, as well as virtually for those who are not able to attend in-person. The online platform will enable all shareholders, regardless of location, to participate in the meeting.

Voting rights of shareholders

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

Key dates

Annual General Meeting	24 November 2023
Full year results and final dividend announcement	**30 August 2023**
Ex dividend date	07 September 2023
Record date	08 September 2023
Participation in DRP (final date for receipt of application)	11 September 2023
Dividend payment	22 September 2023
Half year results and interim dividend announcement	**27 February 2023**
Ex dividend date	03 March 2023
Record date	10 March 2023
Participation in DRP (final date for receipt of application)	13 March 2023
Dividend payment	24 March 2023

E. Securities information

Share Register

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

Computershare Investor Services Pty Limited
Level 1
200 Mary Street
Brisbane QLD 4000

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

Issued shares

The Company's securities listed on the Australian Stock Exchange (ASX) as at **15 September 2023** are:

Class of security	ASX Code	Number
Permanent ordinary shares	ABA	45,906,526

Distribution of shareholdings

Permanent ordinary shares
15 September 2023

Range	No. of shareholders
1 - 1,000	3,792
1,001 - 5,000	2,273
5,001 - 10,000	737
10,001 - 100,000	681
100,001 and over	59
Total	**7,542**
Less than marketable parcel of $500	**287**

Top 20 shareholders

Permanent ordinary shares
15 September 2023

	Name	No. of shares	% of total
1	National Nominees Limited	1,435,954	3.13
2	Citicorp Nominees Pty Limited	1,317,824	2.87
3	Ronald Ernest Hancock & Lorraine Pearl Hancock	890,750	1.94
4	Ronald Ernest Hancock	706,816	1.54
5	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP A/c	545,975	1.19
6	GDC & DMC Super Pty Ltd ATF Graham Cockerill S/F A/c	545,559	1.19
7	Horrie Pty Ltd ATF Horrie Superannuation A/c	538,627	1.17
8	Craig Thomas Kennedy	509,045	1.11
9	Kathleen Fay Sawyer	432,719	0.94
10	HSBC Custody Nominees (Australia) Limited	423,286	0.92
11	Ron Hancock Super Pty Ltd ATF The Hancock Superfund A/c	365,932	0.80
12	Cloud 7 Nominees Australia Pty Ltd ATF Peter Sawyer Fam Acct No2 A/c	328,486	0.72
13	Ronald Ernest Hancock & Lorraine Pearl Hancock ATF the Hancock Family A/c	320,000	0.70
14	Hestearn Pty Ltd	308,543	0.67
15	Sawfam Pty Ltd ATF Sawyer Super Fund No2 A/c	296,362	0.65
16	Delma Cran	264,074	0.58
17	Lohse Holdings Pty Ltd ATF Peter Lohse Super Fund A/c	260,000	0.57
18	J P Morgan Nominees Australia Pty Limited	249,163	0.54
19	Noela Olsen	247,520	0.54
20	Graham and Suzanne Messer Superannuation Fund Pty Ltd	237,170	0.52
	Top 20 holders of fully paid ordinary shares	10,223,805	22.29

Substantial shareholders

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

Name	No. of shares	% of total
RE Hancock (associated entities + associates)[1]	2,182,863	5.42

[1] Substantial shareholder notice dated 19/05/2016.

On-market buyback

There is no on-market buy back.

Dividend reinvestment plan

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

Shareholder online investor centre

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

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

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

Annual report mailing

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

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

Financial glossary

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

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

ADI	An Authorised Deposit-taking Institution is a corporation authorised under the Banking Act 1959 and includes banks, building societies and credit unions regulated by APRA.
AGM	Annual General Meeting.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
Asset	A resource which has economic value and can be converted to cash. Assets for an ADI include its loans because income is derived from the loan fees and interest payments generated.
ASX	Australian Securities Exchange Limited (ABN 98 008 624 691).
Bad Debt	The amount that is written off as a loss and classified as an expense, usually as a result of a poor-performing loan.
Basel	The Basel Accords are the recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision, which has the purpose of improving the consistency of capital regulations internationally.
Basis Point	One hundredth of one percent or 0.01 percent. The term is used in money and securities markets to define differences in interest rates or yields.
Capital Adequacy Ratio	A ratio of an ADI's capital to its risk, obtained by dividing total capital by risk-weighted assets. This ratio shows an ADI's capacity to meet the payment terms of liabilities and other risks.
Cost-to-income Ratio	Obtained by dividing operating cost by operating income, this ratio shows a company's costs in relation to its income. A lower ratio can be an indication that a company is better at controlling its costs.
Credit Rating	An analysis of a company's ability to repay debt or other obligations.
Dividend	A portion of a company's profits that may be paid regularly by the company to its shareholders.
Dividend Payout Ratio	The amount of dividends paid to shareholders relative to the amount of total net income of a company, represented as a percentage.
Dividend Yield	Computed by dividing the annual dividend by the share price.
DRP	A Dividend Reinvestment Plan allows shareholders to reinvest some or all of their dividends into additional shares.
Earnings per Share	The amount of company earnings per each outstanding share of issued ordinary shares.
ECL	An Expected Credit Loss is the probability-weighted estimate of credit losses expected over the life of a financial instrument.
Ex-Dividend Date	The date used to determine a shareholder's entitlement to a dividend.
FHLDS	First Home Loan Deposit Scheme.
FRN	A Floating Rate Note is a security typically issued with a variable interest rate.
Liability	A company's debts or obligations that arise during the course of business operations. Liabilities for ADIs include interest-bearing deposits.

Liquidity	For an ADI, liquidity is a measure of the ability of the ADI to fund growth and repay debts when they fall due, including the paying of depositors.
Market Capitalisation	The total value of a company's shares calculated by multiplying the shares outstanding by the price per share.
NCD	A Negotiable Certificate of Deposit is a short term security typically issued by an ADI to a larger institutional investor in order to raise funds.
Net Interest Income	The difference between the revenue that is generated from an ADI's assets, and the expenses associated with paying out its liabilities.
Net Interest Margin (NIM)	The difference between the interest income generated by an ADI and the amount of interest the ADI pays out to their depositors, divided by the amount of their interest-earning assets.
Net Profit After Tax (NPAT)	Total revenue minus total expenses, with tax that will need to be paid factored in.
Net Tangible Asset Backing per Share	An indication of the company's net worth, calculated by dividing the underlying value of the company (total assets minus total liabilities) by the number of shares on issue.
NHFIC	The National Housing Finance and Investment Corporation.
Non Interest Income	Income derived primarily from fees and commissions, rather than income from interest-earning assets.
Price-to-Earnings Ratio (P/E Ratio)	A measure of the price paid for a share relative to the annual income or profit earned by the company per share.
Record Date	The date used to identify shares traded and registered up until Ex-Dividend Date.
Return on Average Ordinary Equity	A measurement of how well a company uses the funds provided by its shareholders, represented by a ratio of the company's profit to shareholder's equity.
Return on Net Tangible Assets (RONTA)	Computed by dividing Net Profit After Tax by average Net Tangible Assets. Net Tangible Assets equals net assets less goodwill. RONTA is equivalent to Return on Tangible Equity.
RMBS	Residential mortgage-backed securities are a type of bond backed by residential mortgages on residential, rather than commercial, real estate.
Securitisation	Refers to setting aside a group of income-generating assets, such as loans, into a pool against which securities are issued. Securitisation is performed by an ADI in order to raise new funds.
SSP	Special Service Provider such as an authorised settlement clearing house.
Subordinated Capital Notes	Subordinated notes or subordinated debentures, are a type of capital represented by debt instruments. Subordinated notes have a claim against the borrowing institution that legally follows the claims of depositors. Subordinated notes or debentures come ahead of stockholders.
Tier 1 Capital	Describes the capital adequacy of an ADI. Tier 1 Capital is core capital and includes equity capital and disclosed reserves.
Tier 2 Capital	Describes the capital adequacy of an ADI. Tier 2 Capital is secondary capital that includes items such as undisclosed reserves, general loss reserves, subordinated term debt and more.
Underlying NPAT	The actual reflection of a company's profit. One-off items may be removed from the statutory profit for the company to arrive at this profit figure.

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