Name of Entity	Auswide Bank Ltd
ABN	40 087 652 060
Year Ended	31 December 2022
Previous Corresponding Reporting Period	6 months to 31 December 2021

APPENDIX 4D
INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR 31 DECEMBER 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

INCOME FROM OPERATIONS

8.34%

Income from operations up 8.34% to $52.099m

PROFIT FROM ORDINARY ACTIVITIES

3.00%

Profit from ordinary activities after tax attributable to shareholders up 3.00% to $14.113m

NET PROFIT

3.00%

Net profit for the period attributable to shareholders up 3.00% to $14.113m

Dividends (distributions) – Ordinary shares	Amount per security	Franked amount per security
Final dividend (30 June 2022) - paid 30 September 2022	21.0c	21.0c
Interim dividend (31 December 2022) - to be paid 24 March 2023	22.0c	22.0c
The record date for determining entitlements to the dividends	**10 March 2023**	

Amount per security	Amount per security	Franked amount per security	Amount per security of foreign source dividend
INTERIM DIVIDEND			
Current year	22.0c	22.0c	Nil
Previous year	21.0c	21.0c	Nil

Interim dividends on all securities	Current period A$'000	Previous corresponding period A$'000
Interim dividend payable **24 March 2023** - previous period paid 18 March 2022	10,005	9,096
Total	**10,005**	**9,096**

DIVIDEND REINVESTMENT PLAN

The Auswide Bank dividend reinvestment plan is operational for this interim dividend for the half-year ended 31 December 2022.

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

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

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

Issue price of the new shares
The shares issued under the Plan in respect of the final dividend for the current year will be issued at a discount of 3.5% on the weighted average sale price of the Company's shares sold through normal trade on the ASX during the five trading days immediately following the Record Date.

The final date for the receipt of the application form for participation in the dividend reinvestment plan is 13 March 2023.

Net Tangible Assets Per Security	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	$5.37	$4.73

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

During the financial period the holding company Auswide Bank Limited gained control of the following entity: Nil

SUBSEQUENT EVENTS

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX release dated 27 February 2023.

Further information regarding Auswide Bank Limited and its business activities can be obtained by visiting the Company's website at www.auswidebank.com.au.

Yours faithfully,

Bill Schafer

Bill Schafer
Company Secretary

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' statutory report

Auswide Bank's Directors present their report on the consolidated entity of Auswide Bank Ltd and the entities it controlled for the half-year ended 31 December 2022.

The Directors present this report on the company's consolidated accounts for the six-month period ended 31 December 2022, in accordance with the provisions of the Corporations Act 2001.

DIRECTORS

The names and credentials of the Directors of the company during or since the end of the period are:

> **Ms Sandra C Birkensleigh BCom, CA, GAICD, ICCP (Fellow)** Independent non-executive Director since February 2015 / Chair since 1 January 2021

> **Mr Martin J Barrett BA(ECON), MBA** Managing Director since September 2013

> **Mr Barry Dangerfield** Independent non-executive Director since November 2011 - Retired November 2022

> **Mr Gregory N Kenny GAICD, GradDipFin** Independent non-executive Director since November 2013

> **Ms Jacqueline Korhonen BSc, BEng (Hon), GAICD** Independent non-executive Director since April 2021

> **Mr Grant B Murdoch MCom(Hons) FAICD, FCAANZ** Independent non-executive Director since January 2021

> **Mr Cameron Mitchell BBus, MAppFin** Independent non-executive Director since February 2023

The independent non-executive Directors of Auswide Bank have a broad and diverse set of skills which have been accumulated over a number of years working across a wide range of industries. Auswide Bank's Directors remain well positioned to continue to make an integral contribution to the ongoing development of the company.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Principal activities

Auswide Bank Ltd is an approved deposit-taking institution and licensed credit and financial services provider. Auswide Bank provides deposit, credit, insurance 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.

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

Profitability

Auswide Bank has again performed strongly in a highly competitive market.

The Bank's statutory net profit after tax (NPAT) for the half-year ending 31 December 2022 was up 3.00% on the prior corresponding period (pcp) to a new half-year record of $14.113m. The underlying NPAT was up 7.95% compared to PCP of $13.074m (recognising an adjustment for a one-off credit of $1.281m received and a debit of $384k for professional fees incurred in the prior period).

Net interest revenue for the half-year increased from $41.313m to $46.512m, up 12.58%.

The company's Net Interest Margin (NIM) for the half-year ended 31 December 2022 was 2.02% compared to the year ended 30 June 2022 of 1.94%. The NIM expansion was driven by growth in customer deposits and proactive management of funding lines in the face of competitive home loan pricing in a rising interest rate environment.

Financial position

Auswide Bank's loan book (including Managed Investment Schemes) recorded half-year growth of $253m. On an annualised basis this was an increase of 13.14% across the period, increasing from $3.855 billion at 30 June 2022 to $4.108 billion at 31 December 2022. Whilst system growth is quickly slowing refinance activity is increasing. Auswide Bank has been a net beneficiary of this trend whilst avoiding offering cash backs to attract new business.

Home loan settlements during the half-year again reached record volumes totalling $681.220m, an increase of 21.33% compared to $561.456m at the end of the PCP (which at the time was also a new company record).

Arrears continued to trend downwards, with total arrears past due 30 days decreasing from $6.976m at 30 June 2022 to $3.872m at 31 December 2022. Arrears past due 30 days represented 0.09% of total loans and advances at 31 December 2022 compared to 0.18% at

30 June 2022. Arrears are continuing at record low levels and are at the lowest end of industry comparisons. To date, rising interest rates and cost of living increases are not impacting our loan book.

Retail deposits continue to be Auswide Bank's largest source of funding, recording annualised growth of 12.40%, increasing from $3.059 billion at 30 June 2022 to $3.248 billion at 31 December 2022. The growth in retail deposits was supplemented by sales into securitisation warehouses to fund the significant increases in the loan book.

Capital management

The consolidated capital position of Auswide Bank remains strong at 31 December 2022 with a capital adequacy ratio of 12.86% and a tier 1 capital ratio of 10.70%. The capital ratio was down marginally from 12.90% at 30 June 2022. This is due to an increase in the risk weighted assets as a result of growth in the loan book which has been supported by tier 1 capital flowing from retained earnings and the underwriting of the final dividend for the 2022 financial year.

Outlook and strategy

In accordance with Auswide Bank's strategic targets, loan book growth has remained above system for the first half of FY23 with annualised growth of 13.14%. The annualised growth (including investments in Managed Investment Schemes) compares favourably to housing credit system growth of 6.5% (per RBA Financial Aggregates Dec 22). Our strategic focus centres on generating loan book growth and identifies a loan book target of $6b by 2025.

The loan book has been supported by significant flows through the broker channel, however, competition in the marketplace is intense. Introductory cash back offers are a popular marketing strategy although Auswide Bank is concentrating its efforts on offering competitive interest rates. The record loan growth has been further assisted by a strong demand for refinancing. Rapidly changing interest rates and market conditions has resulted in loan refinancing making up to 70% of new loans being written.

Funding from customer deposits has continued to grow, representing 71.67% of the total funding mix. Auswide Bank has continued to build partnerships to achieve growth in customer deposits and support funding of the loan book; partnerships have risen by $72.5m for the six months to December 2022.

There was significant change to the RBA cash rate in the six months to December 2022 rising on a monthly basis from 0.85% at 30 June 2022 to be 3.10% at 31 December 2022 which has placed pressure on the return on assets and resulted in continuing marketplace competition for both front book lending and term deposit funding. Auswide Bank's strategic focus remains on building the customer deposit base and decreasing reliance on higher cost funding, facilitating a more efficient funding mix.

During the period Auswide Bank has continued to implement the next stage of digital investment as the bank works towards delivering a full digital experience including payment choices and anywhere anytime banking. Auswide Bank is committed to further developing its AI capabilities to improve customer retention outcomes as customer volatility is experienced within the marketplace. Cyber resilience and data protection enhancements will continue to be at the forefront of the technology strategy.

The Board constantly reviews opportunities to drive scale through acquisition and partnerships. Over the next three years the Board will be actively investigating and pursuing opportunities to achieve further growth in the loan book through merger and acquisition activities. The capital base remains strong which will assist loan book growth, M&A opportunities and partnerships.

Dividend

A final dividend in respect of the year ended 30 June 2022 of 21.0 cents per ordinary share (fully franked) was paid on 30 September 2022.

On 27 February 2023 the Directors of Auswide Bank Ltd declared an interim dividend of 22.0 cents per share (fully franked) in respect of the December 2022 half-year, payable on 24 March 2023, an increase of 1.0 cent per share on the prior comparative period. The amount estimated to be paid in relation to this dividend is $10.005m. The dividend has increased given the strong performance of the business. This follows dividend increases over previous years highlighting ongoing strengthening performance. The dividend payout ratio is 70.9% which is at the lower end of the dividend payout policy of 70%-80%. The dividend has not been provided for in the 31 December 2022 half-year financial statements.

The Board has resolved to maintain the Dividend Reinvestment Plan for the interim dividend payable on 24 March 2023.

Going concern

The Board of Directors of Auswide Bank have assessed that the going concern basis of accounting remains appropriate.

The strength of the financial results across the first half of FY23 reflect robust operations. The first half FY23 NPAT was $14.113m, up 3.00% on the $13.702m reported for the first half of FY22.

There are a significant number of indicators to support confidence in operations for the remainder of FY23, including improving financial metrics with return on equity at 9.87%.

Liquidity also remains strong, with a number of various facilities available to be utilised if required.

Despite changing economic conditions, Auswide Bank has performed well and expects that this will continue; the Board of Directors have therefore been able to assess that Auswide Bank remains a going concern.

Subsequent events

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

The Auditor's Independence Declaration for the half-year ended 31 December 2022 has been received and been included in this financial report.

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

On behalf of the Directors

Sandra Birkensleigh
Director

Brisbane | 24 February 2023

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

24 February 2023

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 review of the half-year report of Auswide Bank Ltd for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Mark Stretton
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated **6 months to 31 Dec 22 $'000**	 6 months to 31 Dec 21 $'000
Interest revenue	2.1	**82,255**	53,381
Interest expense	2.1	**(35,743)**	(12,068)
Net interest revenue		**46,512**	41,313
Other non-interest income		**5,587**	6,776
Total operating income		**52,099**	48,089
Other expenses		**(32,708)**	(28,831)
Expected credit loss on financial assets at amortised cost	4.2.6	**822**	400
Profit before income tax expense		**20,213**	19,658
Income tax expense		**(6,100)**	(5,956)
Profit for the period		**14,113**	13,702
Profit for the period attributable to:			
Owners of the Company		**14,113**	13,702
Earnings per share			
Basic (cents per share)		**31.75**	31.85
Diluted (cents per share)		**31.75**	31.85

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

		Consolidated	
	Notes	**6 months to 31 Dec 22 $'000**	6 months to 31 Dec 21 $'000
Profit for the period		**14,113**	13,702
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		**417**	6,872
Less: cumulative (gain) /loss arising on hedging instruments reclassified to profit or loss		**(3,900)**	784
Income tax relating to items that may be reclassified subsequently to profit or loss		**1,045**	(2,297)
Total cash flow hedge		**(2,438)**	5,359
Total comprehensive income for the period		**11,675**	19,061
Total comprehensive income attributable to:			
Owners of the Company		**11,675**	19,061

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Consolidated	
		as at	as at
		31 Dec 22	30 Jun 22
	Notes	**$'000**	$'000
ASSETS			
Cash and cash equivalents		**265,362**	178,537
Due from other financial institutions		**4,500**	11,773
Other financial assets		**429,889**	412,058
Loans and advances		**4,079,967**	3,827,565
Other investments		**1,424**	1,414
Property and equipment	3.1	**19,201**	20,648
Other intangible assets		**3,174**	2,839
Other assets		**3,707**	3,366
Goodwill		**46,363**	46,363
Total assets		**4,853,587**	4,504,563
LIABILITIES			
Deposits and short term borrowings		**3,842,892**	3,617,342
Other borrowings		**150,806**	150,806
Payables and other liabilities		**20,623**	33,127
Loans under management		**495,578**	370,761
Current tax liabilities		**54**	613
Deferred tax liabilities - net	5.1	**3,664**	3,896
Provisions		**4,263**	3,956
Subordinated capital notes		**42,000**	42,000
Total liabilities		**4,559,880**	4,222,501
Net assets		**293,707**	282,062
EQUITY			
Contributed equity	3.2	**209,137**	199,784
Reserves		**25,773**	28,435
Retained profits		**58,797**	53,843
Total equity		**293,707**	282,062

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	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**
Total comprehensive income for the year:									
Profit attributable to owners of parent company	**-**	**14,113**	**-**	**-**	**-**	**-**	**-**	**-**	**14,113**
Share-based payments expensed during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**166**	**166**
Share-based payments vested during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(390)**	**(390)**
Increase (decrease) due to revaluation of cash flow hedge to fair value	**-**	**-**	**-**	**-**	**-**	**-**	**(3,483)**	**-**	**(3,483)**
Deferred tax liability adjustment on revaluation of cash flow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**1,045**	**-**	**1,045**
Subtotal	**-**	**14,113**	**-**	**-**	**-**	**-**	**(2,438)**	**(224)**	**11,451**
Issue of share capital for dividend reinvestment plan	**9,157**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,157**
Dividends provided for or paid	**-**	**(9,159)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,159)**
Share issue costs	**(193)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(193)**
Movement in treasury shares	**426**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**426**
Gain/ (loss) in share capital due to employee incentive scheme	**(37)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(37)**
Subtotal	**9,353**	**(9,159)**	**-**	**-**	**-**	**-**	**-**	**-**	**194**
Balance at 31 December 2022	**209,137**	**58,797**	**5,944**	**5,834**	**2,676**	**2,388**	**8,470**	**461**	**293,707**

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

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
	Attributable to owners of Auswide Bank Ltd								
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	-	13,702	-	-	-	-	-	-	13,702
Share-based payments expensed during the year	-	-	-	-	-	-	-	163	163
Share-based payments vested during the year	-	-	-	-	-	-	-	(123)	(123)
Increase (decrease) due to revaluation of cash flow hedge to fair value	-	-	-	-	-	-	7,656	-	7,656
Deferred tax liability adjustment on revaluation of cash flow hedge	-	-	-	-	-	-	(2,297)	-	(2,297)
Subtotal	-	13,702	-	-	-	-	5,359	40	19,101
Issue of share capital for dividend reinvestment plan	548	-	-	-	-	-	-	-	548
Dividends provided for or paid	1,796	(9,016)	-	-	-	-	-	-	(7,220)
Gain/ (loss) in share capital due to employee incentive scheme	45	-	-	-	-	-	-	-	45
Movement in treasury shares	255	-	-	-	-	-	-	-	255
Subtotal	2,644	(9,016)	-	-	-	-	-	-	(6,372)
Balance at 31 December 2021	197,862	50,509	5,944	5,834	2,676	2,388	3,531	522	269,266

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Consolidated	
	6 months to 31 Dec 22 $'000	6 months to 31 Dec 21 $'000
Cash flows from operating activities		
Interest received	**78,608**	53,038
Dividends received	**20**	-
Other non-interest income received	**9,155**	6,240
Interest paid	**(27,095)**	(13,210)
Net movement in loans and advances	**(245,209)**	(162,010)
Net movement in deposits and short term borrowings	**225,551**	218,464
Income tax paid	**(5,846)**	(4,958)
Cash paid to suppliers and employees (inclusive of goods and services tax)	**(56,921)**	(30,364)
Net cash used in operating activities	**(21,737)**	67,200
Cash flows from investing activities		
Net movement in investment securities	**(21,108)**	19,881
Net movement in amounts due from other financial institutions	**7,273**	-
Net movement in other investments	**(10)**	23
Payments for purchase of property, equipment and intangible assets	**(981)**	(1,355)
Net cash used in investing activities	**(14,826)**	18,549
Cash flows from financing activities		
Net movement in amounts due to other financial institutions and other liabilities	**124,406**	(20,529)
Principal payment of lease liabilities	**(989)**	(893)
Proceeds from share issue	**(193)**	548
Dividends paid	**(2)**	(7,220)
Treasury shares	**166**	340
Net cash used in financing activities	**123,388**	(27,754)
Net movement in cash and cash equivalents	**86,825**	57,995
Cash and cash equivalents at the beginning of the financial year	**178,537**	112,627
Cash and cash equivalents at the end of the period	**265,362**	170,622

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

1 General information

1.1 Statement of compliance

The half-year financial report for the period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Auswide Bank Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

1.2 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.

Auswide Bank Ltd fulfils the requirements referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

These financial statements have been prepared in Australian Dollars (AUD) which is the functional and presentation currency of the Company.

The accounting policies and methods of computation in the preparation of these financial statements are consistent with those adopted and disclosed in the previous financial year and corresponding interim reporting period, unless otherwise stated.

1.3 Application of new and revised Australian Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2022.

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

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

1.4 Comparative figures

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

1.5 Going concern

The financial statements are prepared on a going concern basis. The group has net assets of $282.062m, recorded positive operating and total cash flows and has a liquidity risk management policy, as disclosed in section 4.4 of the financial statements for year ended 30 June 2022. 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 period.

Consolidated entity	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue December 2022			
Deposits with other financial institutions	**158,552**	**1,741**	**2.18**
Investment securities	**328,871**	**4,554**	**2.75**
Loans and advances	**4,032,902**	**75,016**	**3.69**
Other	**50,364**	**944**	**3.72**
	4,570,689	**82,255**	**3.57**
Interest expense December 2022			
Deposits from other financial institutions	**442,004**	**8,183**	**3.67**
Customer deposits	**3,088,800**	**17,914**	**1.10**
Negotiable certificates of deposit (NCDs)	**381,258**	**4,954**	**2.58**
Floating rate notes (FRNs)	**204,286**	**3,260**	**3.17**
Subordinated capital notes	**42,000**	**1,172**	**5.54**
RBA term funding facility	**150,806**	**144**	**0.19**
Lease liabilities	**4,935**	**116**	**4.67**
	4,314,089	**35,743**	**1.64**
Net interest revenue December 2022		**46,512**	

Consolidated entity			
Interest revenue December 2021			
Deposits with other financial institutions	89,149	13	0.03
Investment securities	333,230	727	0.44
Loans and advances	3,665,991	51,434	2.81
Other	72,398	1,207	3.33
	4,160,768	53,381	2.57
Interest expense December 2021			
Deposits from other financial institutions	325,657	3,065	1.88
Customer deposits	3,147,735	7,085	0.45
Negotiable certificates of deposit (NCDs)	284,563	220	0.15
Floating rate notes (FRNs)	166,429	730	0.88
Subordinated capital notes	42,000	702	3.34
RBA term funding facility	150,806	144	0.19
Lease liabilities	5,196	122	4.71
	4,122,386	12,068	0.59
Net interest revenue December 2021		41,313	

2 Financial performance (continued)

2.1 Interest revenue and interest expense (continued)

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

Interest margin & interest spread December 2022			
Interest revenue	**4,570,689**	**82,255**	**3.57**
Interest expense	**4,314,089**	**35,743**	**1.64**
Net interest spread			**1.93**
Benefit of net interest-free assets, liabilities and equity			**0.09**
Net interest margin - on average interest earning assets	**4,570,689**	**46,512**	**2.02**

Consolidated entity

Interest margin & interest spread December 2021			
Interest revenue	4,160,768	53,381	2.57
Interest expense	4,122,386	12,068	0.59
Net interest spread			1.98
Benefit of net interest-free assets, liabilities and equity			0.01
Net interest margin - on average interest earning assets	4,160,768	41,313	1.99

2.2 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 entity	Notes	31 Dec 22 $'000	30 Jun 22 $'000
Property and equipment owned		**15,410**	16,140
Right-of-use assets	3.1.1	**3,791**	4,508
		19,201	20,648

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	**-**	**55**	**55**
Modification to lease terms	**30**	**45**	**75**
Variable lease payment adjustments	**-**	**1**	**1**
	4,434	**205**	**4,639**
Accumulated depreciation			
Depreciation charge for the year	**(790)**	**(58)**	**(848)**
Balance as at 31 December 2022	**3,644**	**147**	**3,791**

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
Modification to lease terms	(8)	38	30
Additions during the year	1,658	69	1,727
Variable lease payment adjustments	(149)	(2)	(151)
	5,937	197	6,134
Accumulated depreciation			
Depreciation charge for the year	(1,533)	(93)	(1,626)
Right-of-use assets as 30 June 2022	4,404	104	4,508

3 Investments and financing (continued)

3.1 Property and equipment (continued)

3.1.2 Lease liabilities

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

Consolidated entity	**31 Dec 22 $'000**	30 Jun 22 $'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**1,911**	1,892
One to five years	**3,026**	3,882
Total undiscounted lease liabilities	**4,937**	5,774
Lease liabilities included in statement of financial position		
Current	**1,871**	1,851
Non-current	**2,691**	3,452
	4,562	5,303
Amounts recognised in statement of comprehensive income		
Interest on lease liabilities	**116**	246
	116	246
Amounts recognised in statement of cash flows		
Total cash outflow for leases	**989**	1,748
	989	1,748

3 Investments and financing (continued)

3.2 Contributed equity

Consolidated entity	31 Dec 22 Shares No.	31 Dec 22 $'000	30 Jun 22 Shares No.	30 Jun 22 $'000
Fully paid ordinary shares				
Balance at beginning of year	**43,524,064**	**199,784**	42,793,034	195,218
Issued during the year				
Dividend reinvestment plan	**1,768,091**	**9,157**	586,840	3,718
Staff share plan	**-**	**-**	93,345	549
Share issue costs	**-**	**(193)**	-	-
Gain/ (loss) in share capital on disposal of treasury shares	**-**	**(37)**	-	44
Treasury shares				
Movement in treasury shares	**66,193**	**426**	50,845	255
Balance at end of period	**45,358,348**	**209,137**	43,524,064	199,784

As at the reporting date Auswide Performance Rights Pty Ltd holds 23,297 shares, $156,537 (Jun 22: 89,490 shares, $582,407) for the purpose of facilitating the Executive LTI scheme.

3.3 Dividends

A final fully franked dividend in respect of the year ended 30 June 2022 of 21.0 cents per ordinary share ($9.159m) was paid on 30 September 2022.

The Board declared a fully franked dividend of 22.0 cents per ordinary share $10.005m, for the six months to 31 December 2022, payable on 24 March 2023. In accordance with Accounting Standards, dividends are only provided for as declared or paid, therefore this dividend has not been provided for in the interim financial statements.

The Board of Directors resolved to maintain the Dividend Reinvestment Plan (DRP) for the interim dividend for the 2022/23 financial year.

4 Financial assets, liabilities and related financial risk management

4.1 Capital risk management

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 are set out in the following table.

Consolidated entity	**31 Dec 22 $'000**	30 Jun 22 $'000
Total risk weighted assets	**2,058,047**	1,953,487
Capital base	**264,637**	251,970
Risk-based capital ratio	**12.86%**	12.90%

4.2 Credit risk management

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 to customers, debt investments, contract assets, loan commitments and financial guarantees. The Group considers all elements of credit risk exposure such as 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 decision making processes which control the credit risk of the Company.

Credit risk exists predominantly on the Group's loan portfolio. Other assets that are subject to credit risk include cash and cash equivalents, amounts due from other institutions, receivables, certificates of deposit, securitisation notes and deposits, loan commitments and bank guarantees.

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.

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 loans in excess of 80% LVR with one of the recognised mortgage insurers and securing the loans by first mortgages on residential property.

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

The company has a diversified branch network consisting of 17 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.

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.

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.

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 by 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.

Credit risk on cash, cash equivalents and amounts due from other 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.

4.2.1 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.

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

Consolidated entity Class of financial instrument	Financial statement line	Maximum exposure to credit risk 31 Dec 22 $'000	Expected credit loss 31 Dec 22 $'000	Maximum exposure to credit risk 30 Jun 22 $'000	Expected credit loss 30 Jun 22 $'000
Cash and cash equivalents	Cash and cash equivalents	**265,362**	**-**	178,537	-
Due from other financial institutions	Due from other financial institutions	**4,500**	**-**	11,773	-
Certificates of deposit	Other financial assets	**364,173**	**-**	351,957	-
Notes – securitisation program and other	Other financial assets	**23,333**	**-**	16,294	-
Interest receivable	Other financial assets	**1,578**	**-**	550	-
Loans and advances	Loans and advances	**4,376,616**	**3,903**	4,108,260	4,705
Total		**5,035,562**	**3,903**	4,667,371	4,705
Off-balance sheet exposures					
Loans approved not advanced (LANA)		**200,144**	**66**	184,335	113
Bank guarantees		**806**	**-**	640	-
Total		**200,950**	**66**	184,975	113

4.2.2 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 generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information, using methodology and inputs similar to those disclosed in the Annual Report for the year ended 30 June 2022.

4.2.3 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 31 December 2022, 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 macro-economic factors.

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

Scenario	ECL	Macroeconomic forecast
	Dec 22 $'000	
Reported ECL	3,969	
100% base case	3,756	Includes a reasonable level of portfolio stress.
100% downside	4,166	Assumes a moderate but reasonable level of portfolio stress.
100% severe downside	4,996	Assumes a more severe level of portfolio stress where unexpected economic factors may adversely impact anticipated recovery.

Assumptions

The judgements and associated assumptions reflect both historical experience and future forecasts as well as 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.

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 Bank 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.

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

The table below shows an analysis of each class of financial asset subject to impairment requirements by stage at the reporting date.

	Maximum exposure to credit risk				Expected credit loss			
Consolidated entity Balance at 31 December 2022	**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	265,362	-	-	265,362	-	-	-	-
Due from other financial institutions	4,500	-	-	4,500	-	-	-	-
Certificate of deposit	364,173	-	-	364,173	-	-	-	-
Notes – securitisation program and other	23,333	-	-	23,333	-	-	-	-
Total	657,368	-	-	657,368	-	-	-	-
Loans and advances*								
- Mortgage lending	4,279,662	4,412	3,938	4,288,012	3,033	343	429	3,805
- Personal lending	33,726	25	12	33,763	76	5	10	91
- Commercial lending	54,841	-	-	54,841	7	-	-	7
Total	4,368,229	4,437	3,950	4,376,616	3,116	348	439	3,903
Off-balance sheet exposures								
Loans approved not advanced (LANA)	200,144	-	-	200,144	66	-	-	66
Bank guarantees	806	-	-	806	-	-	-	-
Total	200,950	-	-	200,950	66	-	-	66

** Maximum exposure to credit risk includes undrawn credit limits and uses scheduled balances. Carrying amount as at 31 December 2022 is $4.080b.*

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

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	3,999,109	8,648	5,917	4,013,674	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	4,093,553	8,779	5,929	4,108,261	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 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

4.2.4 Movement in gross carrying amounts

The following tables show movements in gross carrying amounts of financial assets subject to impairment requirements.

Consolidated entity 31 December 2022	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	**5,169**	**(4,533)**	**(636)**	**-**
Transfer to stage 2	**(2,377)**	**3,227**	**(850)**	**-**
Transfer to stage 3	**(2,181)**	**(901)**	**3,082**	**-**
Financial assets that have been derecognised during the period including write-offs	**(312,783)**	**(2,213)**	**(3,636)**	**(318,632)**
New financial assets originated	**955,749**	**115**	**-**	**955,864**
Adjustments for repayments and interest	**(389,095)**	**(39)**	**62**	**(389,072)**
Net carrying amount as at 31 December 2022	**4,059,105**	**4,429**	**3,950**	**4,067,484**

Consolidated entity 30 June 2022	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 or the general business operations of the Group and therefore the movement has not been disclosed.

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

4.2.5 Movement in expected credit losses

The following tables show movements in expected credit loss for financial assets subject to impairment requirements.

Consolidated entity 31 December 2022	**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	**269**	**(267)**	**(2)**	**-**
Transfer to stage 2	**(21)**	**105**	**(84)**	**-**
Transfer to stage 3	**(15)**	**(10)**	**25**	**-**
Financial assets derecognised during the period including write-offs	**(168)**	**(53)**	**(742)**	**(963)**
New financial assets originated	**465**	**7**	**-**	**472**
Changes in model risk assessment	**(873)**	**178**	**337**	**(358)**
Loss allowance as at 31 December 2022	**3,193**	**348**	**428**	**3,969**

Consolidated entity 30 June 2022	**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 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

4.2.6 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.

Consolidated entity **31 December 2022**	**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	**(775)**	**(47)**	**(822)**
Bad debts written off	**(27)**	**-**	**(27)**
Loss allowance as at 31 December 2022	**3,903**	**66**	**3,969**

Consolidated entity **30 June 2022**	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 as at 30 June 2022	4,705	113	4,818

4.2.7 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.

Consolidated entity

Loans and advances at amortised cost*	**31 Dec 22** **$'000**	30 Jun 22 $'000
Concentration by sector		
Mortgage lending	**3,998,094**	3,744,091
Personal lending	**26,608**	26,393
Commercial lending	**42,779**	48,840
Total	**4,067,481**	3,819,324

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

Concentration by region		
Queensland	**2,705,745**	2,654,406
New South Wales	**572,790**	499,313
Australian Capital Territory	**70,094**	57,834
Victoria	**467,182**	405,852
South Australia	**53,793**	35,671
Western Australia	**163,766**	134,057
Tasmania	**15,911**	14,214
Northern Territory	**18,200**	17,977
Total	**4,067,481**	3,819,324

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

LANA of $200.144m (Jun 22: $184.335m) is an additional exposure under AASB 9 not recognised on the balance sheet, but is immaterial to the concentrations in the above table.

4.2.8 Specific provision

The Group has complied with the provisioning requirements under the APRA prudential standard APS220 Credit Quality and includes a specific provision amounting to $1.863m (Jun 22: $2.345m) determined in accordance with the aforementioned prudential standard.

4.2.9 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 $27.683m at 31 December 2022 (Jun 22: $26.857m). The change in fair value due to credit risk for the MISs designated at FVTPL is a decrease of $0.256m for the period (Jun 22: $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.

4.2.10 Analysis of financial instruments by 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 (excluding effects of hardship accounts) by past due status, that are over 30 days past due.

Consolidated entity	**31 Dec 22 $'000**	30 Jun 22 $'000
30 days and less than 60 days	**1,499**	3,444
60 days and less than 90 days	**520**	331
90 days and less than 182 days	**815**	910
182 days and less than 273 days	**250**	1,602
273 days and less than 365 days	**371**	-
365 days and over	**417**	689
	3,872	6,976

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

4.2.11 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 and those generated through the FHLDS (First Home Loan Deposit Scheme). Under the FHLDS, a government guarantee for loan monies above 80% of the value of the property purchased is provided, effectively reducing credit risk exposure.

	Gross carrying amount		Expected credit loss	
	31 Dec 22	30 Jun 22	**31 Dec 22**	30 Jun 22
Consolidated entity	**$'000**	$'000	**$'000**	$'000
Mortgage lending LVR ratio				
Less than 50%	**645,826**	535,458	**369**	365
51-70%	**1,280,157**	1,062,835	**1,132**	832
71-90%	**1,279,063**	1,236,558	**1,510**	2,207
91-100%	**69,816**	100,258	**19**	12
More than 100%	**12,773**	18,610	**286**	525
FHLDS	**710,462**	790,373	**489**	550
Total	**3,998,097**	3,744,092	**3,805**	4,491

4 Financial assets, liabilities and related financial risk management (continued)

4.2 Credit risk management (continued)

Personal lending

The Group's personal lending portfolio consists of secured and unsecured term loans and unsecured credit cards. For loans with the 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.

	Gross carrying amount		**Expected credit loss**	
	31 Dec 22	30 Jun 22	**31 Dec 22**	30 Jun 22
Consolidated entity	**$'000**	$'000	**$'000**	$'000
Commercial lending LVR ratio				
Less than 50%	**19,134**	15,846	**3**	17
51-70%	**18,825**	19,627	**3**	32
71-90%	**2,614**	10,596	**-**	8
91-100%	**-**	418	**-**	-
More than 100%	**2,206**	2,353	**1**	2
Total	**42,779**	48,840	**7**	59

Other financial assets

The Group holds other financial assets at amortised cost with a carrying amount of $658.945m (Jun 22: $557.599m) and at FVTOCI with a carrying amount of $0.918m (Jun 22: $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 Financial assets, liabilities and related financial risk management (continued)

4.3 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.

4.3.1 Financial instruments measured at fair value on a recurring basis

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.

Consolidated entity **31 December 2022**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets mandatorily measured at FVTPL				
Investments in Managed investment schemes	**-**	**-**	**27,683**	**27,683**
Derivative assets	**-**	**13,122**	**-**	**13,122**
Equity instruments designated at FVTOCI				
Unlisted shares	**-**	**-**	**918**	**918**
Total assets	**-**	**13,122**	**28,601**	**41,723**
Financial liabilities mandatorily measured at FVTPL				
Derivative liabilities	**-**	**(1,023)**	**-**	**(1,023)**
Total liabilities	**-**	**(1,023)**	**-**	**(1,023)**

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
Investment at FVTOCI (debt and equity instruments)				
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 between the level 1 and level 2 categories of financial instruments.

4 Financial assets, liabilities and related financial risk management (continued)

4.3 Fair value measurements (continued)

4.3.2 Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

Consolidated entity	FVTOCI Unlisted shares		FVTPL Managed investment schemes	
	30 Dec 22 $'000	30 Jun 22 $'000	**31 Dec 22 $'000**	30 Jun 22 $'000
Balance at beginning of year	**918**	918	**26,857**	37,424
Total gains or losses:				
- in profit or loss	**-**	-	**543**	1,605
- in other comprehensive income	**-**	-	-	-
Purchases	**-**	-	**6,000**	7,750
Disposals	**-**	-	**(5,717)**	(19,922)
Balance at end of period	**918**	918	**27,683**	26,857

4.3.3 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 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000	Total carrying amount $'000
Financial assets					
Cash and cash equivalents	265,362	-	-	265,362	265,362
Due from other financial institutions	4,500	-	-	4,500	4,500
Other financial assets	392,281	-	-	392,281	389,083
Loans and advances	-	-	4,095,373	4,095,373	4,079,967
Total financial assets	**662,143**	**-**	**4,095,373**	**4,757,516**	**4,738,912**
Financial liabilities					
Deposits and short term borrowings	-	3,833,791	-	3,833,791	3,842,892
Other borrowings	-	147,978	-	147,978	150,806
Payables and other liabilities	-	-	19,600	19,600	19,600
Loans under management	-	498,965	-	498,965	495,578
Subordinated capital notes	-	42,000	-	42,000	42,000
Total financial liabilities	**-**	**4,522,734**	**19,600**	**4,542,334**	**4,550,876**

4 Financial assets, liabilities and related financial risk management (continued)

4.3 Fair value measurements (continued)

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

5 Other financial information

5.1 Deferred tax assets and liabilities

	Consolidated as at 31 Dec 22 $'000	as at 30 Jun 22 $'000
Deferred tax assets		
Employee leave provisions	**1,150**	1,072
Expected credit losses	**1,207**	1,443
Capital losses available	**814**	874
Premium on loans purchased	**98**	101
Subordinated capital notes prepaid expenses	**27**	22
Lease liabilities net of right of use assets	**231**	238
Other items	**151**	384
	3,678	4,134
Deferred tax liabilities		
Property & equipment	**1,006**	706
Asset revaluation reserve	**2,547**	2,547
Prepayments	**-**	10
Cash flow hedging reserve	**3,630**	4,675
Performance Rights cash contributions in excess of accounting expense	**159**	92
	7,342	8,030
Deferred tax assets	**3,678**	4,134
Deferred tax liabilities	**(7,342)**	(8,030)
Net deferred tax assets / (deferred tax liabilities)	**(3,664)**	(3,896)

5.2 Contingent liabilities

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

5.3 Events subsequent to balance date

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

In accordance with a resolution of the Directors of Auswide Bank Ltd, we declare that:
In the opinion of the Directors:

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

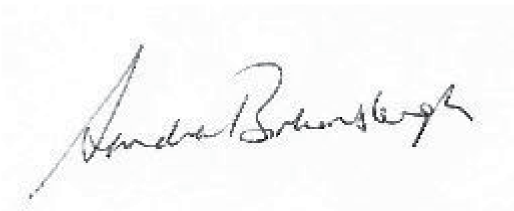
  (i) give a true and fair view of the financial position of the Group as at 31 December 2022 and of the performance for the half-year on that date; and

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

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

(c) there are reasonable grounds to believe that Auswide Bank Ltd will be able to pay its debts as and when they become due and payable.

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



Sandra Birkensleigh
Director

Brisbane
24 February 2023

Deloitte.

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Auswide Bank Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 38.

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

(a) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 annual financial report 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, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants
Melbourne, 24 February 2023

AUSWIDE BANK LTD | ABN 40 087 652 060