



BOARD RISK COMMITTEE CHARTER

Current at April 2015

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1 RISK COMMITTEE

Auswide Bank Risk Committee is a committee appointed by the Board of Directors. The Committee membership and the Chairman of the committee will be determined from time to time by the Board. The Committee will consist of at least three independent Non-executive Directors, with an independent Chairman. Other Directors of the Board are entitled to attend Committee meetings and will receive copies of the Committee papers.

Should the Chairman of the Committee be absent from a meeting, the members of the Committee present will appoint a Chairman for that particular meeting.

2 PURPOSE OF THE COMMITTEE

The purpose is as follows

- To assist the Board in the effective discharge of its responsibilities to set and oversee the risk profile and the risk management framework of Auswide Bank.
- To ensure management have appropriate risk systems and practices to effectively operate within the Board approved risk profile for Auswide Bank.
- The committee has the power to deal with, and where applicable resolve, determine and recommend, all matters falling within the scope of its purpose and duties as set out in this Charter and other matters that may be delegated by the Board to the Committee from time to time.

3 MEETINGS

The Committee will meet at least four times annually or more frequently if necessary.

The Chairperson of the Committee or the Chairman of the Board may call a meeting of the Risk Committee at any time, or if so, requested by any member of the Committee.

A quorum for any meeting will be two members. The Secretary of the Committee will be the Group Company Secretary or their delegated representative.

The Committee may request any officer or employee of the Auswide Bank Group, external legal counsel, the external auditor or any person or group with relevant experience or expertise to attend meetings of the Committee or to meet with any members of or consultants to the Committee.

The agenda and supporting documentation will be circulated to the Committee members within a reasonable period in advance of each meeting. The Secretary of the Committee will circulate minutes of the meeting to members of the Committee and the Board.

Where approvals are required outside a meeting of the Committee, approval can be sought via circulation to the Committee members by email. A report is to be provided to the next meeting of the Committee detailing any approvals outside of a meeting of the Committee.

4 DUTIES AND RESPONSIBILITIES

4.1 Risk Appetite

The Committee will monitor the Group's risk profile with regard to risk appetite and oversee the drafting and refining of the Auswide Bank Risk Appetite Statement.

4.2 Credit Risk

The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- The Groups Credit Risk Management Framework.
- The credit risk profile, risk appetite, performance and management of the Group credit portfolio.
- Key credit risk policies, credit strategies and credit scorecards.
- Credit risk limits, credit risk rating system, exposure limits, stress tests, concentration ratios and large exposures
- Assessment of macro-economic trends for the credit portfolio, including scenario and stress testing.
- Material changes, as determined by the Chief Risk Officer, to the provisioning methodology.

4.3 Operational Risk

The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- Auswide Bank Group Operational Risk Management Framework.
- Performance of risk management and controls
- Key operational risk polices. Including OH&S, business continuity and sustainability.

4.4 Compliance Risk

The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- The adequacy and effectiveness of the program of compliance established within the Group
- The compliance risk processes that are in place to anticipate and effectively manage the impact of legal and regulatory change to the Groups operation.
- The nature and effectiveness of action plans implemented to address identified compliance weaknesses.
- The scope and depth of compliance review activities.

4.5 Treasury Risk

The responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

1. Market Risk including:

- The Auswide Bank Market Risk Management Framework, key policies and limits supporting the Risk Management Framework.
- Monitoring key risk positions, performance and exposure against limits.

2. Liquidity Risk including:

- The Auswide Bank Liquidity Risk Management Framework and key policies and limits supporting the Liquidity Risk Framework.
- The Auswide Bank funding plan and oversee managements monitoring of that plan.
- The Auswide Bank liquidity requirements, position, liquidity targets, limits and stress test results.

3. Balance Sheet Risk including:

- The Auswide Bank position in relation to management and structure of the balance sheet
- The Auswide Bank position in relation to capital adequacy.
- The effectiveness of systems and policies that are in place to manage structural interest rate risk within the balance sheet.

4.6 Other Responsibilities

- Review any changes anticipated for the economic or business environment, including consideration of emerging trends and other factors relevant to Auswide Banks risk profile
- Review the adequacy of the Committee Charter and relevant risk management charters on an annual basis
- Oversee APRA statutory reporting requirements pertaining to risk matters, and deal promptly with APRA reviews.
- Review and recommend the risk management key performance indicators (KPIs) including in the performance plans for Executives and senior management.