2022 Annual Financial Report of Australian Mutual Bank Ltd
ABN 93 087 650 726
Incorporated in Australia AFSL and Australian Credit License number 236476

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2010

Contents

Annual Financial Report

DIRECTORS' REPORT

The Directors present their report together with the Financial Statements of Australian Mutual Bank Ltd (AMBL) ("Parent entity") and the consolidated entity (referred to as "the Group" or "consolidated entity") consisting of Australian Mutual Bank Ltd and the SCU Trust No.1 for the financial year ended 30 June 2022. AMBL is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

Hans Roger Kludass

Chair (independent & non-executive)*

Qualifications

Bachelor of Commerce (Accounting)
Associate Diploma in Business (Accounting)

Experience

Director since 2009
Manager Parks Operations – Sutherland Shire Council 2019-present
Manager Waste Services – Sutherland Shire Council 2012-2019
Manager Building Operations – Sutherland Shire Council 2008-2012
Business Consultant – Sutherland Shire Council 1997-2008
Accountant – Sutherland Shire Council 1995-1997
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2009-2019
Executive Officer – Sutherland Shire Council Employees Credit Union Ltd 2000-2009
Director, Sutherland Shire Council Employees Credit Union Ltd 1997-2000

Fiona Louise Bennett

Deputy Chair (independent & non-executive)*

Qualifications

Bachelor of Business (Accounting, Finance & Economics)

Memberships

Certified Practising Accountant
Graduate member, Australian Institute of Company Directors

Experience

Director since 2011
Senior Accountant, Greyhound Welfare & Integrity Commission 2018-present
Board member, Western NSW Local Health District 2017-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Director, Select Credit Union Ltd 2011-2016
Various positions with CSR Ltd in accounting & financial control roles 1991-2007

Alex Claassens

Director (independent & non-executive)*

Memberships

Member, Australian Institute of Company Directors
Member, Australian Institute of Superannuation Trustees
Member, Association of Superannuation Funds Australia
Member, NSW ALP Administrative Committee 2010-present
Executive member, Unions NSW 2010-present

Experience

Director since 2009
NSW State Secretary and National Executive member, Rail Tram and Bus Union 2010-present
Board member, State Super 2012-present
Board member, Sydney Alliance for Community Building 2013-present
Board member, Transport Heritage NSW 2016-present
Executive member, Unions NSW 2010-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Director, Encompass Credit Union Ltd 2009-2016
Train driver on the NSW rail network 1977-present

John Anthony Cottee

Director (independent & non-executive)*

Qualifications

Bachelor of Business (Accounting)
Diploma of Financial Studies

Memberships

Certified Practising Accountant
CPA Public Practice Certificate
Graduate member, Australian Institute of Company Directors
Member, Australian Institute of Management
Member, Mutuals Audit & Governance Professional Institute
Director since 2005

Experience

Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Principal Consultant, Step Ahead Business Solutions 2004-present
Director, Select Credit Union Ltd 2012-2016
Director, Member First Credit Union Ltd 2005-2012
CEO, Prospect Credit Union Ltd 1996-2004

Kerrie Anne Daynes

Director (independent & non-executive)*

Qualifications

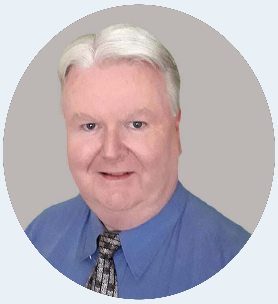
Graduate Certificate in Management (Professional Practice)

Memberships

Graduate member, Australian Institute of Company Directors

Experience

Director since 2004
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2014-2019
Director, Allied Members Credit Union Ltd 2008-2014
Director, Security Credit Union Ltd 2004-2008
16 years' experience in senior roles at Department of Human Services



Mark Edwin Sawyer

Director (independent & non-executive)*

Qualifications

Diploma of Financial Services
Certificate of Supervision (Industrial)

Memberships

Fellow, Institute of Managers & Leaders
Graduate member, Australian Institute of Company Directors

Experience

Director since 2003
Managing Director of a travel company 2008-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2005-2019
Director, Pinnacle Credit Union Ltd 2003-2005
Director, Karpaty Foundation Pty Ltd 2011-present
Director, licensed/registered club 1993-1994

Anton William Usher

Director (independent & non-executive)*

Qualifications

Bachelor of Laws (Hons 1)
Bachelor of Arts, Economics
Graduate Diploma of Applied Corporate Governance

Memberships

Graduate member, Australian Institute of Company Directors
Solicitor, member of the Law Society of NSW
Fellow, Governance Institute of Australia
Member, Institute of Chartered Secretaries & Administrators
Associate Fellow, Risk Management Institution of Australasia

Experience

Director since 2017
Manager, Sutherland Shire Council 2016-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2017-2019
Over 25 years' experience in management, law, risk management, governance and compliance within the public and private sectors

Kristen Julie Watts

Director (independent & non-executive)*

Qualifications

Bachelor of Economics (Accounting)
Master of Commerce

Memberships

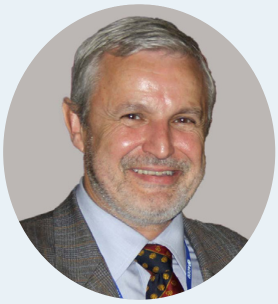
Chartered Accountant
Graduate member, Australian Institute of Company Directors

Experience

Kristen is an experienced director with over 25 years' experience in asset management, commercial finance, risk management and investment governance. Kristen has been a director of Australia Mutual Bank since 2019.

*Each director has been assessed against independence factors contained within the ASX Good Governance Principles. Directors with tenure of more than ten years have been further assessed, and it is considered that each director's period of tenure has not compromised the director's independence.

Information on the Chief Executive Officer



Mark Joseph Worthington

Chief Executive Officer

Qualifications

Bachelor of Arts
Master of Business Administration

Memberships

Graduate member, Australian Institute of Company Directors

Experience

Director, Transaction Solutions Ltd 2006-present
Director, Australian Mutuals Foundation Ltd 2015-present
Director, Shared Service Partners Pty Ltd 2019-present
CEO, Endeavour Mutual Bank Ltd 2016-2019
CEO, Select Credit Union Ltd 2004-2016
General Manager, CSR Employees Credit Union Ltd 2000-2004
Justice of the Peace
22 years' mutual banking management experience

Directors' Meeting Attendance

Australian Mutual Bank Ltd. 2021-2022 Board and Committee Attendances												
Director	Board		Governance & Remuneration		Board Audit Committee 1/7/21-8/12/21		Board Audit Committee 9/12/21-30/6/22		Board Risk Committee 1/7/21-8/12/21		Board Risk Committee 9/12/21-30/6/22	
	H	A	H	A	H	A	H	A	H	A	H	A
Fiona Bennett	8	8	7	7			2	2	3	3		
Alex Claassens	8	8							3	2	3	2
John Cottee	8	7			2	2	2	1				
Kerrie Daynes	8	8			2	1					3	3
Hans Kludass	8	8	7	7	2	2	2	2				
Mark Sawyer	8	8							3	3	3	3
Anton Usher	8	8	7	7					3	3	3	3
Kristen Watts	8	8	7	7	2	2	2	2				

Directors' Benefits

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by Australian Mutual Bank, controlled entity, or a related body corporate with a Director, a firm of which a Director is a Member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

Company Secretary

The following person held the position of Company Secretary during the financial year:

Mr Simon Brasier ACIS, FIPA was appointed Company Secretary of Australian Mutual Bank from 1 October 2019. Mr Brasier has been employed by the predecessor organisations of Australian Mutual Bank since 1990, and is currently the Executive Manager - Operations and Company Secretary.

Indemnifying Directors, Officers and Auditors

Insurance premiums have been paid to insure each of the Directors and officers of Australian Mutual Bank, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of Australian Mutual Bank. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of Australian Mutual Bank.

Financial Performance Disclosures

Principal Activities

The principal activities of Australian Mutual Bank during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Review of Operations and Results

The net profit of Australian Mutual Bank for the year after providing for income tax was $5,429,121 (2021 $955,020). As at 30 June 2022 capital adequacy was 21.12% which is well above the statutory minimum of 8%.

The impact of the Covid-19 pandemic is ongoing and continues to affect both the global and Australian economies. However, as at 30 June 2022 Australian Mutual Bank did not have any borrowers participating in temporary repayment relief. The uncertainty of the impact of COVID-19, inflation and movements in the official cash interest rates on Australian Mutual Bank has presented an increased risk to the forecast and additional judgement in the estimation of credit losses has been applied.

Given the current uncertainty and judgement applied to determine the expected default of borrowers in future periods, expected credit losses reported by Australian Mutual Bank are considered a best estimate in the current environment. The ECL provision continues to be closely monitored and measured with appropriate adjustments and professional judgement applied.

Australian Mutual Bank's Sustainability Report provides a more detailed review of activities and operations, and environmental and social performance. The Sustainability Report is available at www.australianmutual.bank under the "Disclosures" tab.

Dividends

Since the end of the previous financial year, no dividends have been paid or declared by the Directors of Australian Mutual Bank.

Significant Changes in State of Affairs

There were no significant changes in the state of the affairs of Australian Mutual Bank during the year.

Events Occurring after Balance Date

Australian Mutual Bank and Community First Credit Union have signed a Memorandum of Understanding to explore a merger of the two organisations. Subject to due diligence, regulatory and member approvals, the merger would occur in 2024.

Likely Developments and Results

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i) The operations of Australian Mutual Bank in future financial years;

(ii) The results of those operations in future financial years; or

(iii) The state of affairs of Australian Mutual Bank in future financial years.

Environmental Legislation

Australian Mutual Bank's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Auditor's Independence

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set on page 11 of this report.

Rounding

Australian Mutual Bank Ltd is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the Financial Report have been rounded off to the nearest one thousand dollars ($'000), unless otherwise indicated.

Regulatory Disclosures

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) are located at Australian Mutual Bank's website at https://www.australianmutual.bank

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

H Kludass	**K Watts**
Chair	**Chair, Board Audit Committee**

Dated this 28 September 2022

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Australian Mutual Bank Ltd:

   (a) The Financial Statements and Notes to the accounts of Australian Mutual Bank and the consolidated entity (Group) that are set out on pages 15 to 57 are in accordance with the Corporations Act 2001, including;

      (i) giving a true and fair view of Australian Mutual Bank and the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

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

2. The Directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors:

H Kludass
Chair

Dated this 28 September 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Mutual Bank Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Mutual Bank Ltd for the financial year ended 30 June 2022, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Peter Zabaks

Partner

Sydney

28 September 2022

Independent Auditor's Report

To the members of Australian Mutual Bank Ltd

Opinion

We have audited the ***Financial Report*** of Australian Mutual Bank Ltd (the Mutual Bank) and the ***Financial Report*** of the Group.

In our opinion, the accompanying Financial Report of the Mutual Bank and the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Mutual Bank and the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Mutual Bank and the Group comprises:

- Statements of financial position as at 30 June 2022
- Statements of profit or loss and other comprehensive income, Statements of changes in member equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entity it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Mutual Bank and the Group in accordance with the *Corporations Act 2001* and 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Australian Mutual Bank Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf
This description forms part of our Auditor's Report.

KPMG

KPMG

Peter Zabaks
Partner

Sydney

28 September 2022

Financial Statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2022

	Note	CONSOLIDATED		PARENT	
		2022	2021	2022	2021
		$'000	$'000	$'000	$'000
Interest income	2.a	32,974	38,939	32,974	38,939
Interest expense	2.c	2,554	5,689	2,554	5,689
NET INTEREST INCOME		30,420	33,250	30,420	33,250
Fees, commission and other income	2.b	5,716	4,017	5,716	4,017
NET INTEREST INCOME AND OTHER INCOME		36,136	37,267	36,136	37,267
NON INTEREST EXPENSES					
Impairment losses on financial assets	2.d	435	745	435	745
Fee and commission expenses		4,650	4,585	4,650	4,585
		5,085	5,330	5,085	5,330
General administration					
- Employee's compensation and benefits	2.e	14,418	17,159	14,418	17,159
- Depreciation and amortisation	2.f	2,783	3,704	2,783	3,704
- Information technology		3,868	3,911	3,868	3,911
- Office occupancy		705	2,621	705	2,621
- Other administration		1,780	1,288	1,780	1,288
Total general administration		23,554	28,683	23,554	28,683
Other operating expenses		1,015	1,874	1,015	1,874
TOTAL NON INTEREST EXPENSES		29,654	35,887	29,654	35,887
PROFIT BEFORE INCOME TAX		6,482	1,380	6,482	1,380
Income tax expense	3	1,053	425	1,053	425
PROFIT AFTER INCOME TAX		5,429	955	5,429	955
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss					
Movement in reserve for equity instruments at fair value through other comprehensive income	22(i)	1,277	(681)	1,277	(681)
Movement in reserve for land and buildings at fair value through other comprehensive income	22(i)	2,892	930	2,892	930
TOTAL COMPREHENSIVE INCOME		9,598	1,204	9,598	1,204

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

	Note	CONSOLIDATED		PARENT	
		2022	2021	2022	2021
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents	4	18,289	15,928	18,289	15,928
Receivables	5	3,263	2,931	3,263	2,931
Prepayments		710	602	710	602
Loans and advances	6 & 7	1,233,942	1,153,671	1,233,942	1,153,671
Receivables due from other financial institutions	8	103,759	158,159	103,759	158,159
Investment and equity securities	9	384,860	366,592	384,860	366,592
Property, plant and equipment	10	29,265	24,928	29,265	24,928
Right-of-use assets	11	2,032	2,312	2,032	2,312
Taxation assets	12	1,032	275	1,032	275
Intangible assets	13	905	743	905	743
TOTAL ASSETS		1,778,057	1,726,141	1,778,057	1,726,141
LIABILITIES					
Lease liabilities	14	2,437	3,519	2,437	3,519
Borrowings	15	23,501	36,451	23,501	36,451
Deposits from members	16	1,547,105	1,487,694	1,547,105	1,487,694
Creditor accruals and settlement accounts	17	8,270	12,392	8,270	12,392
Deferred tax liability	18	3,816	1,281	3,816	1,281
Provisions	19	6,205	7,454	6,205	7,454
Income tax liabilities	20	-	225	-	225
TOTAL LIABILITIES		1,591,334	1,549,016	1,591,334	1,549,016
NET ASSETS		186,723	177,125	186,723	177,125
MEMBERS' EQUITY					
Capital reserve account	21	1,461	1,454	1,461	1,454
Asset revaluation reserve	22(i)	13,448	9,279	13,448	9,279
General reserve	22(ii)	14,041	14,041	14,041	14,041
Transfer of business reserve	23	86,648	86,648	86,648	86,648
Retained earnings		71,125	65,703	71,125	65,703
TOTAL MEMBERS' EQUITY		186,723	177,125	186,723	177,125

This Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN MEMBERS' EQUITY
for the Year Ended 30 June 2022

	CONSOLIDATED and PARENT						
	Capital Reserve	Retained Earnings	Asset Revaluation Reserve	General Reserve	General Reserve for Credit Losses	Transfer of Business Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total as at 30 June 2020	1,436	64,766	9,030	14,041	-	86,648	175,921
Profit for the year	-	955	-	-	-	-	955
Other comprehensive income for the year	-	-	249	-	-	-	249
Transfer to/(from) Reserves	18	(18)	-	-	-	-	-
Total as at 30 June 2021	1,454	65,703	9,279	14,041	-	86,648	177,125
Balance as at 1 July 2021	1,454	65,703	9,279	14,041	-	86,648	177,125
Profit for the year	-	5,429	-	-	-	-	5,429
Other comprehensive income for the year	-	-	4,169	-	-	-	4,169
Transfer to/(from) Reserves	7	(7)	-	-	-	-	-
Total as at 30 June 2022	1,461	71,125	13,448	14,041	-	86,648	186,723

This Statement of Changes in Members' Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2022

		CONSOLIDATED		PARENT	
	Note	2022	2021	2022	2021
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		32,829	39,852	32,829	39,852
Fees and commissions		2,203	2,776	2,203	2,776
Dividends		1,624	569	1,624	569
Other income		491	548	491	548
Interest paid		(2,759)	(7,021)	(2,759)	(7,021)
Suppliers and employees		(31,169)	(24,999)	(31,169)	(24,999)
Income taxes (paid) refunded		(1,342)	1,184	(1,342)	1,184
(Increase)/Decrease in member loans (net)		(82,248)	18,092	(82,248)	18,092
Decrease in non-member loans (net)		1,558	2,893	1,558	2,893
Increase in member deposits and shares (net)		59,411	29,456	59,411	29,456
Decrease in receivables from other financial institutions (net)		54,400	13,656	54,400	13,656
Net cash from operating activities	36(b)	34,998	77,006	34,998	77,006
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on sale of property, plant and equipment		40	21	40	21
Purchase on intangible assets		(636)	(386)	(636)	(386)
Purchase of property, plant and equipment		(305)	(162)	(305)	(162)
Increase in investment securities		(16,565)	(110,175)	(16,565)	(110,175)
Net cash used in investing activities		(17,466)	(110,702)	(17,466)	(110,702)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/Increase in borrowings		(12,950)	36,451	(12,950)	36,451
Lease payments		(2,221)	(2,639)	(2,221)	(2,639)
Net cash (used in)/from financing activities		(15,171)	33,812	(15,171)	33,812
TOTAL NET CASH INCREASE		2,361	116	2,361	116
Cash at the beginning of the year		15,928	15,812	15,928	15,812
Cash at the end of the year	36(a)	18,289	15,928	18,289	15,928

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 June 2022

1 STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board (IASB). Australian Mutual Bank Ltd (AMBL) is a for profit entity for the purpose of preparing the financial statements.

These financial statements as at and for the year ended 30 June 2022 comprises AMBL the Parent Entity as an individual entity and the consolidated entity consisting of the SCU Trust No. 1 ("the Trust"), a special purpose vehicle deemed under Accounting Standards to be controlled by AMBL (together referred to as "the Group"). The Group has elected to apply Class Order 10/654 which allows companies, registered schemes and disclosing entities that present consolidated financial statements to include parent entity financial statements. The financial report includes financial statements for AMBL the Parent Entity and for the Consolidated Entity ("the Group") for the year ended 30 June 2022.

a. Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The accounting policies are consistent with the prior year unless otherwise stated.

b. Basis of Consolidation

The consolidated financial statements incorporate the assets and the liabilities of the subsidiary of the Group as at 30 June 2022 and the results of the subsidiary for the year ended 30 June 2022. All intercompany transactions, balances and unrealised gains on transaction between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

c. Significant accounting policies

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest income or interest expense, except for impairment of loans and receivables, which is presented within non interest expense.

Classifications are determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial assets.

Amortised cost

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on the specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.

Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair value through profit or loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as FVPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Fair value through other comprehensive income (FVOCI)

Financial assets including debt instruments are classified at fair value through other comprehensive income when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In certain circumstances, on initial recognition including for specific equity investments, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. These equity securities often represent investments that the Group intends to hold long term for strategic purposes. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend represents return of capital. This category includes unlisted equity securities held in Cuscal Ltd and TransAction Solutions Ltd. These companies supply services to the Group which designate its investments in equity securities as FVOCI. The shares are able to be traded but within a market limited to other mutual ADI's.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports record net tangible asset backing of these shares exceeding their cost value. Management has determined net tangible assets are a reasonable approximation and used as a proxy for fair value. Management has determined that the net tangible asset value of $1.26 per Cuscal share and $8.20 per TransAction Solutions share is a reasonable approximation of fair value based on the likely value available on a sale.

(i) Loans to members

Recognition and measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Group considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract.

Interest earned

Term loans – the loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a members' account on the last day of each month.

Overdraft – the loan interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members' account on the last day of each month.

Credit Cards – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members' account on the last day of each month on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

Overdrawn savings – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members' account on the last day of each month.

Balance offset loans – interest is calculated on the same basis as the variable mortgage rate loans, with the daily loan balance outstanding reduced by daily savings balance held in attached offset accounts.

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the Group is informed that the loan is impaired.

Loan origination fees

Loan establishment fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest income.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are included as part of income over the expected life of the loan as interest income.

Loan Fees

The fees charged on loans after origination of the loan are recognised as income over time when the service is provided.

(ii) Property, plant and equipment and investment property

Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation through Other Comprehensive Income. A full revaluation is performed every 3 years. Revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the Profit or Loss. A deferred tax liability is provided when a revaluation occurs. Revaluation decreases are debited to the Profit or Loss unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

All other classes of property, plant and equipment are recognised at cost, less accumulated depreciation.

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Group. The useful life is adjusted as appropriate at each reporting date. The estimated useful life of the assets at balance date are as follows:

- Buildings - 40 years;
- Leasehold Improvements – lease term;
- Plant and Equipment - 2 to 10 years;
- Assets less than $300 are not capitalised.

Investment property

Investment properties are measured at fair value through Profit or Loss. A full revaluation is performed every 3 years. Revaluation increments are credited to Profit or Loss. A deferred tax liability is provided when a revaluation occurs.

(iii) Receivables due from other financial institutions

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity except the Cuscal Security Deposit where interest is paid quarterly. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Statement of Financial Position.

(iv) Investment securities

Negotiable Certificates of Deposit (NCD) and Floating Rate Notes (FRN) are held in this category.

These investment securities are measured at amortised cost. Interest earned is accrued in interest income using the effective interest rate method taking into account any discount or premium and qualifying transaction costs being an integral part of the instrument.

(v) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position. Interest is brought to account using the effective interest method.

(vi) Intangible assets

All intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.

Computer software held as intangible assets is amortised over the expected useful life of the software. These lives range from 3 to 5 years.

Amortisation has been included within amortisation of non-financial assets.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds, and the carrying amount of the assets, and is recognised in profit or loss within other income or other expenses.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Fees for the use of application software and customisation costs are recognised as an operating expense over the term of the service contract. Configuration costs, testing costs and training costs are recognised as an operating expense as the service is received. Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

(vii) Leases

Recognition and measurement

At inception of a contract, the company assesses whether the 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. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Group as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. For leases of property, the Group separates lease and non-lease components.

The company 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 comprising, the amount of the initial measurement of lease liability, adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or the company is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant 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 present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the company's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased (security).

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease unless the company is reasonably certain not to terminate the lease early.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest rate method. It 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 estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the company's assessment of whether it will exercise a purchase, extension or termination option: or
- if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

The company does not have leases of low-value assets and short-term leases. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment and small items of office furniture.

Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate);
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The company assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within the control of the lessee.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, members' deposits and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss ('FVPL').

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense, or non-interest expenses.

(viii) Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method.

(ix) Members' deposits

Members' savings and term investments are initially recognised at the fair value of the amount received. After initial recognition, members' deposits are subsequently measured at amortised cost using the effective interest rate method.

(x) Loan Impairment

AASB 9's impairment requirements uses more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of the new requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans), ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Measurement of ECL

'12-month expected credit losses' are recognised for the Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2 and 3. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The critical assumptions used in the calculation are as set out below. Note 24 details the credit risk management approach for loans.

Significant increase in credit risk

The Group continuously monitors assets subject to ECL. In order to determine whether a loan or portfolio of loans is subject to a 12 month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk, such as moving a facility to the hardship register or increasing utilisation of undrawn credit commitments.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert judgement, relevant external factors and including forward-looking information.

Incorporation of forward-looking information

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected losses.

The Group performs an assessment, at the end of each reporting period, of whether the financial instrument's credit risk has increased significantly since initial recognition. Based on the process, the Group allocates the loans into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1 – When loans are first recognised, the Group recognises an allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 – When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 – Loans considered credit impaired.

The approach to determining the ECL includes forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Group has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors. This is reviewed and monitored for appropriateness. The Group considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. Periodically the Group carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

The Group incorporates forward-looking information into its ECL methodology. Based on advice from the Group's Assets and Liability Committee and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by the Reserve Bank of Australia, the Australian Bureau of Statistics and other economic commentaries.

Modifications

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL).

Key assumptions in determining the ECL

Measurement of ECL

The key inputs into the measurement of ECL include the following variables:

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

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future payments is low. The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Instruments which are 90 days past due are generally considered to be in default.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

Where appropriate, in calculating the ECL, future cash flows are discounted at the original effective interest rate of the exposure.

Grouping of similar assets

Since the loans are homogenous in terms of borrower type and contractual repayment terms, the portfolio is currently managed through the dissection of the portfolio arrears reports. The Group has grouped exposures by type on the basis of shared risk characteristics that include instrument and product type.

The Group has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

- Mortgages
- Revolving credit
- Commercial loans
- Personal loans
- Credit cards
- Other – representing SocietyOne and LeasePlus

Stage 3 of the impairment model will be assessed on an individual basis.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Benchmarking is assessed using a variety of sources including, but not limited to the banking industry, various jurisdictions, banking and financial regulatory reports and other economic and professional organisations.

Benchmarking includes comparison to PD Stage 1 and Stage 2 and LGD.

Restructured financial assets

A "restructured loan" is defined as one in which the original contractual terms have been modified to provide for concessions of interest or principal for reasons related to the financial difficulties of a borrower. Examples are reductions of repayments, reductions of interest rate, or deferral of interest or repayments. The interest yield on a restructured item should equal at least the average cost of funds.

Financial assets which are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

If the expected restructuring will not result in recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;

If the expected restructuring will result in recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

The Group considers a financial instrument credit-impaired in all cases when the borrower becomes 90 days past due on its contractual payments. In assessing financial assets being credit-impaired where a loan or group of loans move to stage 3 the following factors have been considered in the Group's current model:

- Loans more than 90 days past due;
- Significant financial difficulty of the borrower;
- Borrower has entered a bankruptcy or other financial arrangement;
- Material decrease in the underlying collateral value, if the loan is expected to be repaid from the sale of collateral.

Loans that are restructured due to the financial deterioration of the customer are usually considered to be 'credit-impaired'.

When determining whether a financial asset is credit-impaired, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert judgement, relevant external factors and including forward-looking information.

The Group presumes that the financial assets are 'credit-impaired' when the exposure is more than 90 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Write-offs

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off financial assets that are still subject to enforcement activity. The Group may seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(xi) Assets measured at Fair Value

For assets measured at fair value on the Statement of Financial Position the fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(xii) Provision for Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits expected to be settled within 12 months of the end of the reporting period have been measured at their nominal amount. Employee benefits not expected to be settled within 12 months of the end of the reporting period have been measured at present value of the estimated future cash outflows to be made for those benefits discounted using high quality corporate bond rates. Employee benefits consist of sick leave, annual leave and long service leave. Sick leave is short-term, non-vesting and accumulating.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Superannuation contributions are made by the Group to an employee's superannuation fund and are charged to the Statement of Comprehensive income as incurred.

(xiii) Leasehold make good

A provision has been recognised for make good costs for leasehold premises based on the net present value of future expenditure at the conclusion of the lease term, discounted at interest rates attaching to government guaranteed securities for terms to maturity approximating the average term of the related liability.

(xiv) Income Tax

AMBL and The SCU Trust No. 1 is a consolidated group for tax purposes. AMBL is the head of this consolidated group.

The income tax expense presented in the statement of comprehensive income is based on the operating profit before income tax adjusted for any non-tax deductible, or non-assessable items between accounting profit and taxable income. Deferred Tax Assets and Liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 25% (2021: 26%).

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

(xv) Goods and Services Tax (GST)

As a financial institution the Group is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits (RITC), of which 75% of the GST paid is recoverable.

Income, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of GST incurred is not recoverable from the Australian Tax Office (ATO), 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 are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on an inclusive basis of unrecoverable GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(xvi) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

d. Consolidation

Business combinations

The Group applies the acquisition method in accounting for business combinations.

The consideration transferred by the Group to obtain control of the net assets is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Where the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognised directly in equity for a mutual organisation.

Self-securitisation special purpose vehicle

The SCU Trust No.1, a self-securitisation Special Purpose Vehicle which was created on 4 August 2017. The Trust holds rights to a portfolio of mortgage secured loans, which in turn issued Residential Mortgage Backed Securities (RMBS) purchased by AMBL. The Class A RMBS held by AMBL are repo-eligible with the Reserve Bank of Australia and therefore can be utilised to secure funds from the Reserve Bank of Australia for the purpose of drawing from the RBA Term Funding Facility, or to meet emergency liquidity requirements. AMBL being the sole note holder of all the RMBS issued by SCU Trust No.1, retains all the economic benefits and risk associated with the Trust. Accordingly the underlying mortgage loans are not derecognised for financial reporting nor capital adequacy purposes.

e. Accounting estimates and judgements

Management have made judgements when applying the Group's accounting policies with respect to:

- Recognition of credit losses based on "Stage 1" 12 month expected losses, "Stage 2" and "Stage 3" lifetime expected credit losses, and determining the criteria for significant increase in credit risk – refer to Note 7.

f. Rounding

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Parent Entity is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

g. New or emerging standards not yet mandatory

Certain standards have been issued by the Australian Accounting Standards Board that are not yet effective. The Group has considered these accounting standards and determined that their impact on the Group and its financial statements will be immaterial.

2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
a. Interest income				
Cash - deposits at call	9	9	9	9
Receivables due from financial institutions	2,865	3,321	2,865	3,321
Loans and advances	30,100	35,609	30,100	35,609
TOTAL INTEREST INCOME	32,974	38,939	32,974	38,939
b. Fee, commission and other income				
Fee and commission income				
Fee income on loans - other than loan origination fees	568	834	568	834
Fee income from member deposits	67	89	67	89
Other fee income	168	202	168	202
Insurance commissions	579	622	579	622
Visa and BPAY commissions	946	927	946	927
Other commissions	59	226	59	226
TOTAL FEE AND COMMISSION INCOME	2,387	2,900	2,387	2,900
Other income				
Net gain from fair value adjustment on investment property	1,110	-	1,110	-
Dividends received on equity investments	1,624	569	1,624	569
Bad debts recovered	96	153	96	153
Income from property (rental income)	367	355	367	355
Gain on disposal of assets				
- Property, plant and equipment	104	-	104	-
Other income	28	40	28	40
TOTAL FEE, COMMISSION AND OTHER INCOME	5,716	4,017	5,716	4,017
c. Interest expenses				
Deposits from members, borrowings and lease liability interest	2,554	5,339	2,554	5,339
Other interest	-	350	-	350
TOTAL INTEREST EXPENSE	2,554	5,689	2,554	5,689

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
d. Impairment losses				
Loans and advances to members				
Increase in provision for impairment	-	318	-	318
Bad debts written off	311	275	311	275
Total impairment losses on loans to members	311	593	311	593
Other loans to non-members				
Bad debts written off - SocietyOne loans	110	152	110	152
Bad debts written off - LeasePlus leases	14	-	14	-
Total impairment losses on loans to non-members	124	152	124	152
TOTAL IMPAIRMENT LOSSES	435	745	435	745
e. Employee's compensation and benefits				
Salaries and on costs	12,215	13,424	12,215	13,424
Superannuation costs	1,340	1,383	1,340	1,383
Directors remuneration	382	376	382	376
Amounts set aside to provisions - employee entitlements	481	1,976	481	1,976
TOTAL EMPLOYEE'S COMPENSATION AND BENEFITS	14,418	17,159	14,418	17,159
f. Depreciation and amortisation				
Buildings	441	550	441	550
Plant and equipment	228	431	228	431
Leasehold improvements (includes leasehold make good provision)	280	300	280	300
Intangibles	474	302	474	302
Right-of-use asset	1,360	2,121	1,360	2,121
	2,783	3,704	2,783	3,704
g. Auditor's remuneration (GST exclusive)				
- Audit and review of financial statements	176	170	176	170
- Taxation Services	14	14	14	14
- Other services	-	1	-	1
	190	185	190	185

3 INCOME TAX

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
a. The income tax expense comprises amounts set aside as:-				
Provision for income tax - current year	278	546	278	546
Under provision in prior years	177	166	177	166
Increase (decrease) in the deferred tax asset	598	(287)	598	(287)
TOTAL CURRENT INCOME TAX EXPENSE	1,053	425	1,053	425
b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:				
Profit before tax	6,482	1,380	6,482	1,380
Prima facie tax payable on profit before income tax at 25% (2021: 26%)	1,620	359	1,620	359
Add tax effect of expenses not deductible				
- Other non-deductible expenses	30	66	30	66
- Imputation adjustments	161	54	161	54
- Adjustments for prior years	162	166	162	166
Subtotal	1,973	645	1,973	645
Less:				
- Deductions allowed not in accounting expenses	-	(13)	-	(13)
- Other non-assessable income	(277)	-	(277)	-
- Franking rebate	(643)	(207)	(643)	(207)
INCOME TAX EXPENSE ATTRIBUTABLE TO CURRENT YEAR PROFIT	1,053	425	1,053	425
c. Franking credits				
Franking credits held by the Group after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	24,276	22,292	24,276	22,292

4 CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Cash on hand	7,389	8,928	7,389	8,928
Deposits at call	10,900	7,000	10,900	7,000
	18,289	15,928	18,289	15,928

5 RECEIVABLES

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Interest receivable on deposits with other financial institutions	810	681	810	681
Sundry debtors and settlement accounts	2,453	2,250	2,453	2,250
	3,263	2,931	3,263	2,931

6 LOANS AND ADVANCES

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
a. Amount due comprises:				
Overdrafts and revolving credits	20,707	22,134	20,707	22,134
Term loans	1,214,808	1,131,568	1,214,808	1,131,568
SocietyOne loans	653	2,111	653	2,111
LeasePlus leases	3,246	3,346	3,246	3,346
Subtotal	1,239,414	1,159,159	1,239,414	1,159,159
Less:				
Unamortised loan origination fees and transaction costs	(169)	(173)	(169)	(173)
Unearned income	(16)	(28)	(16)	(28)
Subtotal	1,239,229	1,158,958	1,239,229	1,158,958
Less:				
Provision for impaired loans (Note 7)	(5,287)	(5,287)	(5,287)	(5,287)
	1,233,942	1,153,671	1,233,942	1,153,671
b. Credit Quality - type of security held				
Secured by mortgage over business assets	10,209	7,788	10,209	7,788
Secured by mortgage over real estate	1,193,739	1,108,634	1,193,739	1,108,634
Partly secured by goods mortgage	11,343	14,502	11,343	14,502
Wholly unsecured	24,123	28,235	24,123	28,235
	1,239,414	1,159,159	1,239,414	1,159,159

LVR is calculated based on the current loan balance outstanding at the time of determining the LVR as a percentage of the independently assessed valuation of the property securing the loan, as recorded in our core banking system.

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Loans with security held as mortgage against real estate is on the basis of:				
- loans to valuation ratio of less than 80%	1,104,341	1,013,330	1,104,341	1,013,330
- loan to valuation ratio of more than 80% but mortgage insured	71,580	79,340	71,580	79,340
- loan to valuation ratio of more than 80% and not mortgage insured	17,818	15,964	17,818	15,964
	1,193,739	1,108,634	1,193,739	1,108,634

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
c. Concentration of loans				
The loan balances outlined below represent the total loan exposure as at 30 June 2022 excluding any undrawn commitments.				
(i) There are no members who individually or collectively have loans, representing 10% or more of members' equity.				
(ii) Loans are concentrated solely in Australia. Loans to members and non members (via SocietyOne and LeasePlus) are principally in the following regions:				
New South Wales	1,079,051	1,047,216	1,079,051	1,047,216
ACT	18,499	13,628	18,499	13,628
Victoria	49,875	26,747	49,875	26,747
Queensland	69,091	56,093	69,091	56,093
Other	22,898	15,475	22,898	15,475
TOTAL	1,239,414	1,159,159	1,239,414	1,159,159
(iii) Loans by purpose were:				
Loans to natural persons				
Residential loans and facilities	1,187,224	1,104,100	1,187,224	1,104,100
Personal loans, overdrafts and revolving credits	37,046	45,631	37,046	45,631
SocietyOne loans	653	2,111	653	2,111
LeasePlus leases	3,246	3,346	3,246	3,346
	1,228,169	1,155,188	1,228,169	1,155,188
Loans to corporations				
Business loans and facilities	11,245	3,971	11,245	3,971
TOTAL	1,239,414	1,159,159	1,239,414	1,159,159

The Group has grouped loan concentrations to members employed in the public sector across all levels of government, being the Federal, State and Local Council levels, as well as the Energy Sector. Employment in these sectors has not been significantly impacted by the effects of the COVID-19 pandemic. The prior year has been represented by a more appropriate classification.

Included as part of the loans as at 30 June 2022 were securitised loans of $501,196,354 (2021: $368,766,029) in SCU Trust No. 1 that were consolidated as part of the Group and at the parent entity did not achieve derecognition under AASB 9.

7 PROVISION FOR IMPAIRED LOANS

	CONSOLIDATED and PARENT			
2022	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2021	4,187	390	710	5,287
Transfers to stage 1	-	-	-	-
Changes in credit risk, balances and overlay	443	192	(303)	332
Changes in model parameters	(304)	(28)	-	(332)
Balance at 30 June 2022	4,326	554	407	5,287

2021	CONSOLIDATED and PARENT			
	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2020	3,809	435	725	4,969
Transfers to stage 1	318	-	-	318
Changes in credit risk, balances and overlay	(1,588)	(110)	(15)	(1,713)
Changes in model parameters	1,648	65	-	1,713
Balance at 30 June 2021	4,187	390	710	5,287

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Neither past due not impaired	1,224,992	1,142,068	1,224,992	1,142,068
Past due but not impaired	13,888	16,113	13,888	16,113
Impaired	534	978	534	978
TOTAL	1,239,414	1,159,159	1,239,414	1,159,159
Gross loans and advances which are past due but not impaired				
1-30 days	10,572	12,281	10,572	12,281
31- 60 days	1,037	2,087	1,037	2,087
61-90 days	1,486	944	1,486	944
> 90 days	793	801	793	801
TOTAL	13,888	16,113	13,888	16,113

Impact of movements in gross carrying amount on impairment of loans and advances

Provision for impairment of loans and advances reflects expected credit losses (ECLs) measured using the three stage approach prescribed under AASB 9 Financial Instruments as further detailed below.

The following explains how significant changes in the gross carrying amount of loans and advances during the financial year have contributed to the changes in the impairment of loans and advances for the Group under the ECL model.

Overall, the impairment provision for loans and advances is $5.29 million at 30 June 2022 ($5.29 million at 30 June 2021).

The level of impairment for loans remained stable during the year at $5.29 million. Within the provision for impairment of loans is an overlay buffer of $1.47 million ($1.67 million as at 30 June 2021). The economic uncertainty presented by increases in inflation and movements in the official cash rate presents increased risk to forecasts and additional judgement in the estimation of credit losses has been applied. Given the current uncertainty and judgement applied to determine the expected default of borrowers in future periods, expected credit losses reported by the Group are considered a best estimate in the current environment. The Group continues to closely monitor and measure the ECL provision with appropriate adjustments and professional judgement applied.

The impact of COVID-19 on the domestic economy remains uncertain, although less uncertain when compared to the prior year. In consideration of this economic environment, the Group revised the macro-economic assumptions used to assess ECL during the year and increased the Upside risk from 5% to 10% and decreased the Downside risk from 35% to 30%. The probability of default and loss given default weighting for downside risk was also revised and marginally increased during the year on the loan portfolios.

The Group obtains data from third party sources and the Group's asset and liability committee reviews the inputs to the ECL model including determining weights attributable to the scenarios. The impact on the loan portfolio was modelled based on anticipated changes in the unemployment rate, annual changes in property values, the outlook of future interest rates and a review of the significant increase in credit risk (SICR) assessment. The SICR assessment reviews the undrawn credit commitment trends, the Group's industry bonds and delinquency trends. The forward looking assumptions used in each economic scenario for the ECL calculations have been assigned weightings at June 2022 of upside 10%, base case 60% and downside 30% for key drivers of expected credit loss. The base case PDs have been assessed across the portfolio compared to prior year with the PD Stage 1 and Stage 2 and LGD stressed with weightings for upside, base case and downside scenarios for the portfolio segments of mortgages, revolving credit, credit cards, commercial loans, personal loans and other loans. The probability weighting is determined by management considering the risks and uncertainties surrounding the base case. The key consideration in the current period has been the COVID-19 outlook and increasing cost of living with high inflation leading to increases in the official cash rate set by the Reserve Bank of Australia. In assessing this the Group has made adjustments to the underlying scenario forecasts.

8 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
- Deposits with banks	69,959	111,859	69,959	111,859
- Deposits with other financial institutions	33,800	46,300	33,800	46,300
TOTAL RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	103,759	158,159	103,759	158,159

Included within receivables due from other financial institutions at 30 June 2022 is the liquidity reserve $10,486,920 (2021: $9,702,068), the swap reserve $14,789,147 (2021: $12,427,500) and the expense reserve $110,026 (2021: $110,000) held within the SCU Trust No. 1 which is a self-securitisation for liquidity. These accounts are restricted to access only by the Trustee of the Trust.

9 INVESTMENT AND EQUITY SECURITIES

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Investment securities measured at amortised cost				
- Negotiable certificates of deposit	200,300	191,491	200,300	191,491
- Floating rate notes	171,627	164,871	171,627	164,871
- Subordinated debt	1,500	500	1,500	500
Total value of investment securities	373,427	356,862	373,427	356,862
Equity investment securities designated as at FVOCI				
- Cuscal Limited (refer note 33)	7,249	6,213	7,249	6,213
- TransAction Solutions Limited (refer note 33)	4,144	3,477	4,144	3,477
- Shared Services Partners Pty Limited	40	40	40	40
Total value of equity securities	11,433	9,730	11,433	9,730
TOTAL VALUE OF INVESTMENT AND EQUITY SECURITIES	384,860	366,592	384,860	366,592

	CONSOLIDATED and PARENT
	$'000
Cuscal	
Level 3 fair values	
Balance at 1 July 2020	6,558
- Net change in fair value recognised in OCI	(345)
Balance at 30 June 2021	6,213
Balance at 1 July 2021	6,213
- Net change in fair value recognised in OCI	1,036
Balance at 30 June 2022	7,249

	CONSOLIDATED and PARENT
	$'000
TransAction Solutions Limited	
Level 3 fair values	
Balance at 1 July 2020	4,053
- Net change in fair value recognised in OCI	(576)
Balance at 30 June 2021	3,477
Balance at 1 July 2021	3,477
- Net change in fair value recognised in OCI	667
Balance at 30 June 2022	4,144

Disclosures on valuation of shares

a Cuscal Limited

This company is an APRA authorised deposit-taking institution that supplies services to organisations which are primarily mutual banks and credit unions. The Parent holds shares in Cuscal to enable the Group to receive essential banking services – refer also to Note 33. The shares are able to be traded within a market limited to other Cuscal eligible shareholders. The volume of total shares traded is low with few transactions in recent years.

Management performed an assessment and determined that the net tangible asset value of $1.26 (2021: $1.08) per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

b. TransAction Solutions Pty Limited (TAS)

This company operates to service mutual banks, credit unions and other non-mutual bank customers. The Group holds shares in TAS to enable the Group to receive essential core banking IT services – refer also to Note 33. The shares are able to be traded but within a market limited to other TAS eligible shareholders. The volume of total shares traded is low.

Management performed an assessment and determined that the net tangible asset value of $8.20 (2021: $6.88) per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

10 PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Land and buildings at fair value	21,122	17,790	21,122	17,790
Less: accumulated depreciation	(1,054)	(1,159)	(1,054)	(1,159)
Total land & buildings	20,068	16,631	20,068	16,631
Plant and equipment - at cost	3,077	3,235	3,077	3,235
Less: accumulated depreciation	(2,660)	(2,737)	(2,660)	(2,737)
Total Plant & equipment	417	498	417	498
Capitalised leasehold Improvements at cost	2,157	3,156	2,157	3,156
Less: accumulated depreciation	(1,893)	(2,376)	(1,893)	(2,376)
	264	780	264	780
Leasehold make good asset	410	336	410	336
Less: accumulated amortisation	(279)	(222)	(279)	(222)
	131	114	131	114
Total leasehold improvements and make good	395	894	395	894
TOTAL PROPERTY, PLANT AND EQUIPMENT	20,880	18,023	20,880	18,023

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
b. Investment properties				
Buildings - at fair value	8,385	6,905	8,385	6,905
Total investment properties	8,385	6,905	8,385	6,905
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	29,265	24,928	29,265	24,928

Investment properties contain a number of commercial properties that are either leased, or available to be leased, to third parties. Each of the leases have an initial fixed term and derive annual rents indexed to the consumer price index. At the completion of the initial term, the lease will either have an option to re-lease or a new term will be negotiated. The prior year amount for investment properties has been represented to reflect more appropriately the nature of the balance.

During the year, five of the buildings (four of which were the Investment Properties) and one single secure car space were independently valued effective 30 June 2022 resulting in a revaluation adjustment of $5,336,000. The valuations were based on direct comparisons to recent market values in the surrounding areas.

Building location	Valuation amount	Fair Value Hierarchy Level	Valuation Techniques	Valuation rationale
59 Buckingham Street, Surry Hills NSW 2010	$14,300,000	3	Direct Comparison and Capitalisation	The Direct Comparison Approach analyses the market sales evidence on a rate per square metre of building area value. The capitalisation of Income approach is an investment-based approach which considers the assessment of an appropriate market rental income generated by the property, which is then capitalised at an appropriate market yield to establish the current market value of the property assuming it was fully leased. As part of the capitalisation approach, the rental value of the subject property must be considered. In this regard, an assessment has been made of the market rental value that should correctly be attributed to the owner-occupied component of the subject property. The market value of the tenanted component of the subject property is also considered with regard to the lease in effect.
268 Macquarie Road, Springwood NSW 2777	$1,850,000	3	Capitalisation of Net Income approach and the Direct Comparison (improvements approach).	The Direct Comparison Approach assesses an overall rate of the property over the lettable area. The Capitalisation approach examines potential net income available from the property, which is then capitalised at a rate that reflects the risk profile of that property, and the property market of the day.
Suite 601, 155 Castlereagh Street, Sydney NSW 2000	$1,400,000	3	Capitalisation of Net Income approach and the Direct Comparison (improvements approach).	The Direct Comparison Approach assesses an overall rate of the property over the lettable area. The Capitalisation approach examines potential net income available from the property, which is then capitalised at a rate that reflects the risk profile of that property, and the property market of the day.
Lot 53/5 Aird Street, Parramatta NSW 2150	$1,210,000	3	Capitalisation of Net Income approach and the Direct Comparison (improvements approach).	The Direct Comparison Approach assesses an overall rate of the property over the lettable area. The Capitalisation approach examines potential net income available from the property, which is then capitalised at a rate that reflects the risk profile of that property, and the property market of the day.

Lot 54/5 Aird Street, Parramatta NSW 2150	$1,250,000	3	Capitalisation of Net Income approach and the Direct Comparison (improvements approach).	The Direct Comparison Approach assesses an overall rate of the property over the lettable area. The Capitalisation approach examines potential net income available from the property, which is then capitalised at a rate that reflects the risk profile of that property, and the property market of the day.
Lot 163, 251-255A Clarence Street, SYDNEY NSW 2000	$90,000	3	Direct Comparison method	One valuation approach being the Direct Comparison approach to assess an overall value for the property.

Fair value measurement

The fair value measurement of investment property has been categorised as a Level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Significant unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input	Range of inputs 2022
Net market rent	Increase	Decrease	$325psm-$650psm plus GST
Comparable Market price	Increase	Decrease	$7,350psm - $12,000psm
Capitalisation rate	Decrease	Increase	2.75% - 4.75%

Movement in carrying value of property plant and equipment and investment property:

	CONSOLIDATED and PARENT							
	2022				2021			
	Property	Plant & Equipment	Leasehold	Total	Property	Plant & Equipment	Leasehold	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	23,536	498	894	24,928	22,860	840	1,231	24,931
Revaluation adjustment	5,336	-	-	5,336	1,257	-	-	1,257
Purchases in the year	27	151	127	305	2	133	27	162
Total	28,899	649	1,021	30,569	24,119	973	1,258	26,350
Less								
Assets disposed	(5)	(4)	(346)	(355)	(33)	(44)	(64)	(141)
Depreciation charge	(441)	(228)	(280)	(949)	(550)	(431)	(300)	(1,281)
Balance at the end of the year	28,453	417	395	29,265	23,536	498	894	24,928

Property includes Land and buildings and Investment Properties. The total revaluation adjustment for financial year 2022 is $5.34m. $1.48m is in relation to the revaluation adjustment of investment properties measured at fair value and it goes through Profit or Loss and the remaining amount of $3.86m is in relation to the revaluation adjustment of the land and buildings and goes through Other Comprehensive Income.

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000

11 RIGHT-OF-USE ASSETS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Balance 1 July	2,312	5,870	2,312	5,870
Additions (new lease)	1,109	522	1,109	522
Modification/revaluations	(29)	(457)	(29)	(457)
Impairment	-	(1,502)	-	(1,502)
Depreciation	(1,360)	(2,121)	(1,360)	(2,121)
Balance 30 June	2,032	2,312	2,032	2,312

The Group has leases which are in respect of property used for providing branch services to members. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A number of the Group's branches were scheduled to be closed prior to the expiry date of the lease in 2021 and one branch scheduled to close in 2022. The Group will still be liable for the rent and outgoings for the branches closing prior to the finalisation of the lease. The portion of the right-of-use asset relating to the period after the branch is closed is provided in 2021 as an impairment expense.

The Group has committed to lease certain assets commencing subsequent to reporting date. The terms of these leases are as follows:

Right-of-use asset	**Range of remaining term**	**Average remaining lease term**	**Number of leases with extension options**	**Number of leases with options to purchase**	**Number of leases with variable payments**	**Number of leases with termination options**
Right-of-use asset	0 -3 years	2 years	3	-	6	5

12 TAXATION ASSETS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Income tax refundable	839	-	839	-
GST recoverable	193	275	193	275
	1,032	275	1,032	275
Current income tax refundable comprises:				
Provision for income tax (payable)/receivable - previous year	(225)	-	(225)	-
Amount recovered	225	-	225	-
Under statement in prior year	-	-	-	-
Provision for tax current year	(277)	-	(277)	-
Less: Instalments paid in current year	1,116	-	1,116	-
CURRENT INCOME TAX ASSET	839	-	839	-

13 INTANGIBLE ASSETS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Computer software	4,391	3,755	4,391	3,755
Less accumulated amortisation	(3,486)	(3,012)	(3,486)	(3,012)
	905	743	905	743

Movement in the carrying amount of intangible assets during the year were:

Opening balance	743	659	743	659
Purchases	636	386	636	386
Less				
Amortisation charge	(474)	(302)	(474)	(302)
Balance at the end of the year	905	743	905	743

14 LEASE LIABILITIES

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
Lease liabilities				
Current	1,221	1,606	1,221	1,606
Non-current	1,216	1,913	1,216	1,913
	2,437	3,519	2,437	3,519
Balance 1 July	3,519	6,204	3,519	6,204
Additions (new lease)	1,110	522	1,110	522
Payments for leases	(2,221)	(2,639)	(2,221)	(2,639)
Interest expense	105	137	105	137
Modifications	(76)	(705)	(76)	(705)
Balance 30 June	2,437	3,519	2,437	3,519

15 BORROWINGS

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
RBA Term Funding Facility	23,501	36,451	23,501	36,451

The Reserve Bank of Australia established the Term Funding Facility (TFF) to authorised deposit-taking institutions (ADIs) as part of the policy response during the COVID-19 pandemic. The facility is closed to new drawdown from close of business on 30 June 2021.

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000

16 DEPOSITS FROM MEMBERS

Member deposits				
- at call	1,164,846	1,037,993	1,164,846	1,037,993
- term	382,054	449,489	382,054	449,489
Member withdrawable shares	205	212	205	212
TOTAL DEPOSITS & SHARES	1,547,105	1,487,694	1,547,105	1,487,694

Concentration of member deposits

There were no significant individual member deposits which in aggregate represent more than 10% of the total liabilities:

(i) Geographical concentrations

New South Wales	1,460,019	1,413,539	1,460,019	1,413,539
ACT	8,255	7,088	8,255	7,088
Victoria	22,546	17,842	22,546	17,842
Queensland	28,835	27,192	28,835	27,192
Other	27,450	22,033	27,450	22,033
Total per Balance Sheet	1,547,105	1,487,694	1,547,105	1,487,694

A significant proportion of members are employed in the public sector across all levels of government, being the Federal, State and Local Council levels, as well as the Energy Sector.

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000

17 CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Annual leave	1,334	1,479	1,334	1,479
Creditors and accruals	4,426	8,318	4,426	8,318
Interest payable on deposits	604	914	604	914
Accrual for GST payable	93	74	93	74
Sundry creditors	1,813	1,607	1,813	1,607
TOTAL AMOUNTS PAYABLE	8,270	12,392	8,270	12,392

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000

18 DEFERRED TAX LIABILITY

Deferred tax liability	(7,643)	(5,884)	(7,643)	(5,884)
Deferred tax asset	3,827	4,603	3,827	4,603
TOTAL DEFERRED TAX LIABILITIES	(3,816)	(1,281)	(3,816)	(1,281)

Deferred tax asset comprises:

Accrued expenses not deductible until incurred	86	74	86	74
Provisions for impairment on loans	1,322	1,375	1,322	1,375
Provisions for employee benefits	1,487	1,527	1,487	1,527
Provision for leasehold make good	132	102	132	102
Provisions for branch closures	40	444	40	444
Other	23	194	23	194
Depreciation on fixed assets	737	887	737	887
Total	3,827	4,603	3,827	4,603

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deferred tax liability comprises:				
Revaluation of assets at fair value through OCI and investment properties through profit and loss	(7,643)	(5,884)	(7,643)	(5,884)
Total	(7,643)	(5,884)	(7,643)	(5,884)
NET DEFERRED TAX LIABILITY	(3,816)	(1,281)	(3,816)	(1,281)

19 PROVISIONS

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Long service leave	4,150	3,965	4,150	3,965
Leasehold make good of premises	530	594	530	594
Redundancy entitlements	1,263	1,610	1,263	1,610
Branch closures	162	742	162	742
Other	100	543	100	543
TOTAL PROVISIONS	6,205	7,454	6,205	7,454
Movement in provision for long service leave				
Carrying amount at beginning of the year	3,965	3,979	3,965	3,979
Additional provision recognised	393	273	393	273
Amounts utilised during the year	(208)	(287)	(208)	(287)
Carrying amount at end of the year	4,150	3,965	4,150	3,965
Movement in provision for other provisions				
Carrying amount at beginning of the year	3,489	1,513	3,489	1,513
Additional provision recognised	1,128	4,135	1,128	4,135
Amounts utilised during the year	(2,562)	(2,159)	(2,562)	(2,159)
Carrying amount at end of the year	2,055	3,489	2,055	3,489
TOTAL PROVISIONS	6,205	7,454	6,205	7,454

20 INCOME TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Provision for income tax (receivable)/payable (refer note 12)	(839)	225	(839)	225
Provision for income tax comprises:				
Provision for income tax payable/(receivable) - previous year	225	(2,361)	225	(2,361)
Prior year adjustment	-	854	-	854
Net amount (paid)/recovered	(225)	1,507	(225)	1,507
Under statement in prior year	-	-	-	-
Provision for tax current year	277	545	277	545
Less: Instalments paid in current year	(1,116)	(320)	(1,116)	(320)
CURRENT INCOME TAX (ASSET)/LIABILITY	(839)	225	(839)	225

21 CAPITAL RESERVE ACCOUNT

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	1,454	1,436	1,454	1,436
Transfer from retained earnings on share redemptions	7	18	7	18
Balance at the end of year	1,461	1,454	1,461	1,454

Share Redemption

The accounts represent the amount of redeemable member shares redeemed by the Group since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

22 OTHER RESERVES

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Asset revaluation reserve	13,448	9,279	13,448	9,279
General reserve	14,041	14,041	14,041	14,041
TOTAL OTHER RESERVES	27,489	23,320	27,489	23,320

Movements in Reserves

i. Asset Revaluation Reserve

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value

Balance at the beginning of the year	9,279	9,030	9,279	9,030
Increase in building valuations and equity investments net of deferred tax liability	4,169	249	4,169	249
Balance at the end of year	13,448	9,279	13,448	9,279

The asset revaluation reserve as at 30 June 2022 consists of $3,699k related to revaluations of equity investments and $9,749k related to building revaluations.

ii. General Reserve

Balance at the end of year	14,041	14,041	14,041	14,041

23 TRANSFER OF BUSINESS RESERVE

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance at the end of the year	86,648	86,648	86,648	86,648

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board of Directors has endorsed a policy of Compliance and Risk Management to suit the risk profile of the Group.

The Group's enterprise risk management framework focuses on the major areas of market risk, credit risk, capital management, liquidity risk and operational risk. Authority flows from the Board of Directors to the Board Risk Committee and the Board Audit Committee which are integral to the management of risk. The Group operates a three lines of defence risk management and assurance model with the first line of defence as the Executive managers and business unit managers, the second line of defence the risk management and compliance functions and the third line of defence the internal audit function. The main elements of governance are as follows:

Board of Directors: This is the primary governing body. It approves the level of risk which the Group is exposed to and the framework for reporting and mitigating those risks.

The Board has established a Governance and Remuneration Committee, Board Risk Committee, Board Audit Committee and other Committees as appropriate, to oversee critical functions. The Board retains responsibility for decision making at all times and for ensuring the performance of the duties delegated to the Committees, including Audit & Compliance and Risk Management.

Board Risk Committee (BRC): This is a key body in the control of risk. It comprises a minimum of 2 Directors. Executive Management and the Chief Risk Officer attend by invitation.

The BRC's purpose shall be to assist the Board by providing objective non-executive oversight of the implementation and operation of the Group's risk management framework and that it remains appropriate given the Group's size, business mix and complexity. The Committee will use prevailing best practice and adopt the methodologies of Australian Standards in relation to risk management.

The Board Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Regular monitoring is carried out by the Risk Committee of operational reports and control assignments are reviewed by the Risk Committee to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee monitors compliance with the framework laid out in the policy and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Board Audit Committee (BAC): Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Board Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Board Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the risk committee for their consideration. The Audit Committee assists the Board by oversighting compliance of the Group's financial reports and statements, monitoring the effectiveness of the internal and external audit functions and reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to.

Asset & Liability Committee (ALCO): This committee of Executive and senior management meets monthly and has responsibility for managing and reporting risk exposure in the areas of:

- Credit risk,
- Liquidity risk,
- Capital risk,
- Market risk (including interest rate risk), and
- Financial and accounting risk.

It scrutinises operational reports and monitors exposures against limits determined by the Board. The ALCO Committee has responsibility for implementing policies to ensure that all risk exposures are properly measured and controlled.

This committee also has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP.

Executive Leadership Team (ELT): This Committee meets weekly, is chaired by the Chief Executive Officer, and reports to the Board of Directors. It is responsible for implementing the Board's strategic plan, operational planning and financial performance. The ELT is responsible for oversight of the Group's risks in the following areas;

- Strategic risks,
- Governance risks and.
- Financial risks.

Operations Risk Committee: This committee of senior management meets quarterly, is chaired by the Chief Risk Officer and reports to the Board Risk Committee. It has responsibility for oversight of all Operational Risk matters, including in the areas of:

- Fraud risks,
- Regulatory risks,
- Business disruption risks and
- Business process risks.

Its responsibilities include ensuring that the Group operates within its Board mandated risk appetite and that operational risks are managed in accordance with its approved risk management strategy and supporting policies.

It reviews all proposed operational risk policy amendments prior to consideration by the Board Risk Committee. It also maintains oversight of all mediation plans associated with operational risks to ensure risks are maintained with Board approved limits.

Chief Risk Officer: The Chief Risk Officer provides advice to the Directors on risk management matters. The Chief Risk Officer is accountable through the Board Risk Committee for the implementation of Risk Management strategies, plans, policies, operating controls and processes to facilitate the identification, analysis and understanding of key material risks affecting the Group. The Chief Risk Officer also establishes an integrated risk management framework to manage those risks.

Internal Audit: Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee. Internal Audit is performed by a co-sourced arrangement with Grant Thornton Audit Pty Ltd and the Internal Audit Officer. Internal Audit is responsible for compliance and internal audit functions to ensure that systems and set procedures meet prudential standards and consumer legislation and to test the operation of such systems for improvement in codes, policies and rules as required.

Key risk management policies encompassed in the overall risk management framework include:-

- Market risk (primarily Interest Rate Risk),
- Liquidity management,
- Capital management,
- Credit risk management and
- Operations risk management including data and fraud risk management.

The Group has undertaken the following strategies to minimise the risks arising from financial instruments.

A. MARKET RISK

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that potential changes in market prices may result in an adverse effect on the Group's financial condition or results. The Group does not engage in trading activities and therefore is not required to adopt the risk management practice nor hold regulatory capital as stipulated under APS116. The Group is only exposed to interest rate risk arising from the structural balance sheet position, which typically are associated with deposit and loan positions. No derivative trade has been transacted for the purpose of hedging during the last financial year.

ALCO maintains the management oversight of the Group's market risk position, which reports directly to the Board Risk Committee.

Interest Rate Risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Interest rate risk in the banking book

Interest Rate Risk in the Banking Book (IRRBB) arise from the interest rate repricing mismatches between the repricing profiles of interest-sensitive assets and interest-sensitive liabilities, and therefore may adversely affect the Group's financial outcomes as market interest rates change. IRRBB exposures are measured and reported to the ALCO, the Board Risk Committee and the Board, on a periodic basis.

Note 27 outlines the repricing profiles of the interest rate repricing profiles of the Group's interest-sensitive assets and interest-sensitive liabilities.

Method of Managing IRRBB

The Group IRRBB exposures must remain within the limits as outlined in the Group Market Risk policy approved by the Board. The ultimate objective is to ensure that the interest rate repricing mismatches are prudently managed.

The Group's exposure to IRRBB is measured and monitored using the historical Value-at-Risk (VaR) methodology. Historical VaR is a technique which estimates the change in the economic value of the Group's interest-sensitive assets and interest-sensitive liabilities, given a 99 per cent confidence-level and 20 days holding period, based on observable interest rate perturbation data over the past 12 months.

The Group also assess IRRBB using a sensitivity approach, calculating the change in economic value of the Group's interest-sensitive assets and interest-sensitive liabilities, based on a scenario of 200 basis points parallel shift across the yield curve.

The Group has the capability to manage interest rate repricing mismatches, if required, by utilising the core deposit and loan products offered to members. In essence, the Group may adjust the pricings of deposit and loan products to attract interest-sensitive assets / liabilities with preferred repricing terms for the purpose of narrowing the interest rate repricing mismatch. The Group's policy also permits the usage of derivatives to hedge (i.e. reduce) IRRBB exposures, however, no derivative trade have been undertaken.

Based on the positions as at 30 June, the impacts on the net economic value (measured as a percentage of the Group Tier 1 capital position), calculated based on a historical Value-at-Risk approach (99 per cent confidence level / 20 days holding period / 1 year's historical perturbation data), are as follows:

CONSOLIDATED and PARENT		
	2022	**2021**
As at 30 June	1.85%	0.11%
Average for the year	0.68%	0.13%
Minimum during the year	0.18%	0.04%
Maximum during the year	1.85%	0.20%

Given the above, the Group is not expected to incur losses exceeding the above VaR outputs, given the corresponding holding periods and confidence levels, in the event that mark-to-valuation accounting treatment is to apply to the Group's structural balance sheets.

It should be noted that the Group is not required to hold regulatory capital against IRRBB under APS117.

B. LIQUIDITY RISK

Liquidity risk is the risk that an ADI cannot meet its financial obligations as they fall due, due to a wide range of reasons including (but not limited to) difficulty with raising new deposit funds to meet balance sheet growth, a "run" on the ADI's deposit portfolio, and inability to liquidate assets in time to meet obligations. The Group's Policy stipulates that the Group must have a risk management framework in place to measure, monitor and manage liquidity risk, and that the Group must maintain a portfolio of liquid assets that is sufficient in size to withstand a severe liquidity stress.

The Group manages liquidity risk by:

- Ongoing monitoring of actual and forecasted cash flows, in particular, the maturity profiles of the Group's funding base and liquidity portfolio;
- Maintaining a portfolio of high quality liquid assets that can be converted into cash within two business days;
- Entering into a mutual ADI liquidity support arrangement;
- Establishing and maintaining sufficient self-securitisation assets that can be utilised as a contingent funding source;
- Monitoring the Group's liquidity position on a daily basis and
- Maintaining the relationship with wholesale funding providers, including other mutual ADIs and organisations that are affiliated with the industries of the Group's core memberships.

The Parent as a member of the Credit Union Financial Support Scheme (CUFSS) has a line of credit available, that it can access to meet its liquidity needs. As a member of CUFSS, the Parent has contractually committed emergency liquidity funding available from the members.

In response to the COVID-19 pandemic, the Reserve Bank of Australia had granted a committed funding availability, also known as the Term Funding Facility (TFF), to qualifying ADIs. The facility is closed to any new drawdown request from 1st July 2021, and the total outstanding TFF borrowings, as at 30 June 2022, is $23,501k.

APRA Prudential Standards APS210 stipulates that all ADIs under the Minimum Liquidity Holdings (MLH) regime must maintain a minimum of 9 per cent of total adjusted liabilities in qualifying liquid assets capable of being converted into cash within two business days. Qualifying liquid assets, in essence, includes cash, debt securities that are eligible for repurchase agreement with the RBA, and security deposits lodged with Cuscal (the Group payment service provider). The Group's policy stipulates a higher internal requirement of 13 per cent (that is, a 4 per cent buffer above APRA minimum requirement).

The MLH ratio is calculated and communicated to the relevant senior management on a daily basis. Escalation and reporting protocols are in place in the event that the ratio falls below the Group or APRA minimum requirement.

In addition to the above, the Parent also has in place Standby borrowing / overdraft facility, and the details are outlined in Note 30. It should be noted that these facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in Note 25. The ratio of liquid funds over the past year is set out below:

	CONSOLIDATED and PARENT	
	2022	**2021**
Minimum Liquidity Holdings	$411,763,344	$393,658,136
As at 30 June	23.96%	23.47%
Average for the year	25.13%	24.07%
Minimum during the year	23.11%	19.38%
Maximum during the year	26.68%	26.94%
Total Liquid Investments	$458,327,296	$501,280,621
As at 30 June	26.67%	29.88%
Average for the year	30.77%	29.22%
Minimum during the year	26.39%	26.56%
Maximum during the year	33.02%	31.02%

C. CREDIT RISK

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Group which may result in financial losses. Credit risk arises principally from the Group's loan book, and investment assets.

(i) CREDIT RISK – LOANS

The analysis of the Group's loans by class, is as follows:

	CONSOLIDATED and PARENT					
	2022 Carrying value $'000	**2022 Commitments $'000**	**2022 Max exposure $'000**	**2021 Carrying value $'000**	**2021 Commitments $'000**	**2021 Max exposure $'000**
Mortgage	1,187,224	115,483	1,302,707	1,104,100	116,722	1,220,822
Personal loans, overdrafts and revolving credits	40,945	59,366	100,311	51,088	61,321	112,409
Total to natural persons	1,228,169	174,849	1,403,018	1,155,188	178,043	1,333,231
Corporate borrowers	11,245	5,565	16,810	3,971	4,905	8,876
Total	1,239,414	180,414	1,419,828	1,159,159	182,948	1,342,107

The prior year has been represented by a more appropriate classification.

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, available redraw facilities, and undrawn approved revolving credit line facilities). The details are shown in Note 29. The prior year has been represented by a more appropriate classification.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 6(c).

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring on a daily basis of defaults in the repayment of loans thereafter. The credit related policies have been approved by the Board of Directors, to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The Group has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Management and recovery procedures for loans in repayment default; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. Past due does not mean that the counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days, loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

The Group monitors the loan repayments to detect delays in repayments daily. External collection agents may be engaged to assist with recovery action where this is deemed appropriate.

The exposures to losses arise predominantly in facilities not secured by registered mortgages over real estate. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Statement of Comprehensive Income. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off. On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Group is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover, should the property market be subject to a decline in market values.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The majority of loans secured by residential mortgages carry a LVR of 80% or less. Note 6b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – Industry

Concentration risk is a measurement of the Group's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Group's regulatory capital (10 per cent) a large exposure is considered to exist. No additional capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 6c. The Group holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored.

(ii) CREDIT RISK – LIQUID INVESTMENTS

The inherent credit risk associated with the Group's liquid investment portfolio is referring the risk that the issuers of financial instruments fail to repay their obligations as they fall due, and therefore potentially exposing the Group to a financial loss.

The Group's policy stipulates that liquid funds may only be invested, as at the time of the trade's execution, with ADI counterparties with investment grade credit ratings (Credit Risk Grades of 3 or above as per APS112), or with other unrated mutual ADIs. The Board have established policies and have stipulated diversification limits in accordance to the relevant Credit Rating Grade as determined in accordance to APRA prudential standard APS112. With respect to exposure to Cuscal, a limit of 50% of Tier 1 capital has been granted by APRA.

Whilst the Group is required to limit exposures to any single ADI counterparty to 25% of Tier 1 capital or below (as per APRA APS221 large exposure requirement), a lower limit of 20% and 10% of Tier 1 capital apply to individual ADI counterparty rated Credit Risk Grade 3 and Unrated, respectively. Furthermore, aggregate exposure to Unrated ADIs are limited to 60% of the Group's Tier 1 capital.

Under the CUFSS Industry's liquidity support scheme (of which the Parent is a member), at least 3.0% of the total assets must be invested in Cuscal, or other qualifying debt securities issued by ADIs that are repo-eligible with the RBA, to allow the scheme to have adequate resources to meet its obligations if needed.

External Credit Assessment for Institution Investments

Where available, the Group uses the credit grade determination approach as per APRA prudential standard APS112.

The credit exposure values associated with the investment portfolio are as follows:

Investments with authorised deposit-taking institutions:	CONSOLIDATED and PARENT 30 June 2022 Up to 3 months $'000	Over 3 months $'000	Total carrying value $'000	Past due value $'000	Provision $'000
Grade 1 – rated AA- and above	-	111,845	111,845	-	-
Grade 2 – rated below AA- to A-	17,783	155,774	173,557	-	-
Grade 3 – rated below A- to BBB-	23,999	162,837	186,836	-	-
Unrated Approved Deposit-taking institutions	9,014	13,018	22,032	-	-
Total	50,796	443,474	494,270	-	-

Investments with authorised deposit-taking institutions:	CONSOLIDATED and PARENT 30 June 2021 Up to 3 months $'000	Over 3 months $'000	Total carrying value $'000	Past due value $'000	Provision $'000
Grade 1 – rated AA- and above	-	85,256	85,256	-	-
Grade 2 – rated below AA- to A-	24,163	148,219	172,382	-	-
Grade 3 – rated below A- to BBB-	-	209,161	209,161	-	-
Unrated Approved Deposit-taking institutions	6,001	57,561	63,562	-	-
Total	30,164	500,197	530,361	-	-

(iii) CREDIT RISK – GUARANTEES

The Group has issued guarantees on behalf of members and suppliers. All guarantees provided are fully secured against either an existing registered mortgage facility already held by the Group, or by funds lodged as a term deposit with the Group. The total value of guarantees and authorities at 30 June 2022 amounted to $1,935k (30 June 2021 $1,571k).

D. OPERATIONAL RISK

Operational risk is the risk of loss to the Group resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Group relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimise the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by employees;
- education of members to review their account statements and report exceptions to the Group promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or employees.

(i) Fraud

Fraud can arise from member card PINS and internet passwords being compromised where not adequately protected by the member. It can also arise from other system failures. The Group has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail, a bank fraud is potentially a real cost. There has been an increase in the risk of cybercrime and fraud during COVID-19 due to unprecedented situations and rapid IT and organisational change. The Group continues to enhance its fraud risk management which includes ongoing education of staff and members on the dangers of cybercrime activities and system-based identification and mitigation measures.

(ii) IT systems

The Group has outsourced IT systems management to TransAction Solutions Pty Limited (TAS) which is owned by a group of mutuals. TAS can address any short-term operational problems and have a contingency plan to manage any power or systems failures. Other suppliers are engaged on behalf of the Group by Cuscal. Cuscal facilitate settlement services with other financial institutions for direct entry, Visa cards, and BPay etc.

The worst case scenario for the IT systems identified would be the failure of the Group's core banking system and the failure of IT suppliers leading to the inability of the Group to meet member obligations and service requirements.

A full disaster recovery plan is in place to cover medium to long-term problems. The plan is reviewed on an annual basis.

E. CAPITAL MANAGEMENT

The minimum capital levels required to be maintained by all Financial Institutions are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operations risk.

The market risk component is not required as the Group is not engaged in a trading book for financial instruments.

Capital resources

Tier 1 capital

The Tier 1 Capital of the Group comprises:

- Retained profits
- Realised reserves
- Asset revaluation reserve on properties.

Tier 2 capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital of the Group comprises:

- General reserve for credit losses.

Capital in the Group is made up as follows:

	CONSOLIDATED and PARENT	
	2022	**2021**
	$'000	**$'000**
Tier 1 Common equity capital		
Capital reserve account	1,461	1,454
Asset revaluation reserves on property	13,448	9,279
General reserves	14,041	14,041
Retained earnings	157,942	152,524
Total Fundamental Tier 1 capital	186,892	177,298
Less prescribed deductions	(13,910)	(11,041)
Net Tier 1 capital	172,982	166,257
Tier 2 capital		
General reserve for credit losses	4,326	4,187
Less prescribed deductions	-	-
Net Tier 2 capital	4,326	4,187
TOTAL CAPITAL	177,308	170,444

The Group is required to maintain a minimum capital level as compared to the risk weighted assets at any given time. The above capital is in excess of the minimum required.

The risk weights attached to each asset are based on the weights prescribed by APRA. The general rules apply the risk weights according to the level of underlying security.

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2022	2021	2020	2019	2018
21.12%	20.67%	21.53%	17.36%	16.90%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets between different risk weighting categories.

To manage the Group's capital the Group reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 13.5%. Further a 3 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on operational risk

The Group uses the standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams.

Based on this approach, the Group's operational risk requirement is as follows:

- Operational risk capital $100,386,742 (2021: $82,908,396)

It is considered that the standardised approach accurately reflects the Group's operational risk other than for the specific items set out below.

Internal capital adequacy management

The Group manages its internal capital levels for both current and future activities through the Internal Capital Adequacy Assessment Process (ICAAP).

The inputs provide for a number of stress tests to be performed across APRAs material risk categories. The outputs are communicated to the Board and APRA, and are used in the capital management and planning processes of the Group.

25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Statement of Financial Position.

		CONSOLIDATED and PARENT						
2022	**Book Value $'000**	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**After 5 years $'000**	**No Maturity $'000**	**Total $'000**
FINANCIAL ASSETS								
Cash and cash equivalents	18,289	17,778	-	-	-	-	511	18,289
Due from other financial institutions and investment securities	477,186	84,268	158,445	87,823	126,147	27,183	-	483,866
Receivables	3,263	2,557	255	199	247	5	-	3,263
Loans and advances	1,239,414	24,734	14,328	59,971	297,184	1,153,671	-	1,549,888
Equity investment securities	11,433	-	-	-	-	-	11,433	11,433
Total financial assets	1,749,585	129,337	173,028	147,993	423,578	1,180,859	11,944	2,066,739
FINANCIAL LIABILITIES								
Deposits from members – at call	1,165,051	1,164,846	-	-	-	-	205	1,165,051
Deposits from members – term	382,054	62,141	114,840	193,826	12,046	-	-	382,853
Borrowings	23,501	-	-	-	23,544	-	-	23,544
Creditors	6,936	6,467	158	253	58	-	-	6,936
On statement of financial position	1,577,542	1,233,454	114,998	194,079	35,648	-	205	1,578,384
Undrawn commitments Note 29	-	-	-	-	-	-	180,414	180,414
Total financial liabilities	1,577,542	1,233,454	114,998	194,079	35,648	-	180,619	1,758,798

2021	Book Value $'000	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	Total $'000
	CONSOLIDATED and PARENT							
FINANCIAL ASSETS								
Cash and cash equivalents	15,928	15,161	-	-	-	-	767	15,928
Due from other financial institutions and investment securities	515,021	58,436	76,934	211,508	149,165	22,827	-	518,870
Receivables	2,931	2,439	112	206	173	1	-	2,931
Loans and advances	1,159,159	23,471	14,130	61,926	300,274	1,095,876	-	1,495,677
Equity investment securities	9,730	-	-	-	-	-	9,730	9,730
Total financial assets	1,702,769	99,507	91,176	273,640	449,612	1,118,704	10,497	2,043,136
FINANCIAL LIABILITIES								
Deposits from members – at call	1,038,205	1,037,993	-	-	-	-	212	1,038,205
Deposits from members – term	449,489	72,029	137,452	223,672	17,134	-	-	450,287
Borrowings	36,451	-	-	-	36,590	-	-	36,590
Creditors	10,913	10,207	250	342	114	-	-	10,913
On statement of financial position	1,535,058	1,120,229	137,702	224,014	53,838	-	212	1,535,995
Undrawn commitments Note 29	-	-	-	-	-	-	182,948	182,948
Total financial liabilities	1,535,058	1,120,229	137,702	224,014	53,838	-	183,160	1,718,943

26 CURRENT AND NON CURRENT PROFILE

The table below represents the maturity profile of the Group's financial assets and liabilities. The contractual arrangements best represent the minimum repayment amounts on loans, liquid investments and member deposits within 12 months. Liquid investments and the member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the members and not able to be reliably estimated.

	CONSOLIDATED and PARENT					
	2022			2021		
	Within 12 months $'000	After 12 months $'000	Total $'000	Within 12 months $'000	After 12 months $'000	Total $'000
FINANCIAL ASSETS						
Cash and cash equivalents	18,289	-	18,289	15,928	-	15,928
Due from other financial institutions and investment securities	329,387	147,799	477,186	346,377	168,644	515,021
Receivables	3,011	252	3,263	2,757	174	2,931
Loans and advances	67,695	1,171,719	1,239,414	66,667	1,092,492	1,159,159
Equity investment securities	-	11,433	11,433	-	9,730	9,730
Total financial assets	418,382	1,331,203	1,749,585	431,729	1,271,040	1,702,769
FINANCIAL LIABILITIES						
Deposit from members - at call	1,164,846	205	1,165,051	1,037,993	212	1,038,205
Deposit from members - term	370,144	11,910	382,054	432,510	16,979	449,489
Borrowings	-	23,501	23,501	-	36,451	36,451
Creditors	6,878	58	6,936	10,799	114	10,913
Total financial liabilities	1,541,868	35,674	1,577,542	1,481,302	53,756	1,535,058

27 INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits, term investments and fixed rate loans) or after adequate notice is given (variable loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

	CONSOLIDATED and PARENT					
2022	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS						
Cash and cash equivalents	17,778	-	-	-	511	18,289
Due from other financial institutions and investment securities	176,185	266,211	34,790	-	-	477,186
Receivables	272	452	87	-	2,452	3,263
Loans and advances	558,305	10,012	138,109	532,988	-	1,239,414
Equity investment securities	-	-	-	-	11,433	11,433
Total financial assets	752,540	276,675	172,986	532,988	14,396	1,749,585
FINANCIAL LIABILITIES						
Deposits from members	1,226,979	114,764	193,247	11,910	205	1,547,105
Borrowings	-	-	-	23,501	-	23,501
Creditors	135	158	253	58	6,332	6,936
On statement of financial position	1,227,114	114,922	193,500	35,469	6,537	1,577,542
Undrawn loan commitments Note 29	-	-	-	-	180,414	180,414
Total financial liabilities	1,227,114	114,922	193,500	35,469	186,951	1,757,956

	CONSOLIDATED and PARENT					
2021	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS						
Cash and cash equivalents	15,161	-	-	-	767	15,928
Due from other financial institutions and investment securities	146,923	190,295	177,803	-	-	515,021
Receivables	304	208	169	-	2,250	2,931
Loans and advances	717,641	15,195	67,335	358,988	-	1,159,159
Equity investment securities	-	-	-	-	9,730	9,730
Total financial assets	880,029	205,698	245,307	358,988	12,747	1,702,769

2021	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Non-interest bearing $'000	Total $'000
	CONSOLIDATED and PARENT					
FINANCIAL LIABILITIES						
Deposits from members	1,110,005	137,354	223,144	16,979	212	1,487,694
Borrowings	-	-	-	36,451	-	36,451
Creditors	208	250	342	114	9,999	10,913
On statement of financial position	1,110,213	137,604	223,486	53,544	10,211	1,535,058
Undrawn loan commitments Note 29	-	-	-	-	182,948	182,948
Total financial liabilities	1,110,213	137,604	223,486	53,544	193,159	1,718,006

28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

Fair Value Hierarchy

Assets measured at fair value have been classified according to the following hierarchy:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	CONSOLIDATED and PARENT					
	2022			2021		
	Fair value $'000	Book value $'000	Fair value Level	Fair value $'000	Book value $'000	Fair value Level
FINANCIAL ASSETS						
Due from other financial institutions and investment securities	475,744	477,186	2	516,761	515,021	2
Loans and advances	1,213,787	1,239,414	3	1,161,106	1,159,159	3
Equity investment securities	11,433	11,433	3	9,730	9,730	3
FINANCIAL LIABILITIES						
Deposit from members	1,546,178	1,547,105	2	1,488,011	1,487,694	2
Borrowings	23,501	23,501	2	36,451	36,451	2

The fair value estimates were determined by the following methodologies and assumptions:

Receivables from other financial institutions and investment securities

The fair value for short-term investments (e.g. NCDs and Term Deposits) is calculated by discounting the future cash flow at the prevailing market yield curve applicable to the corresponding issuer's credit grade and residual term to maturity. Fair value for long-term investments (e.g. FRNs) is calculated based on the trading margins independently sourced for each individual investment.

Loans and advances

For variable rate loans, the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. The fair value for fixed loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

Equity Investment Securities

Equity investments in unlisted companies are valued based on the net tangible asset value per share.

Deposits from members

The fair value of call and variable rate deposits, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of term deposits, based upon the deposit type and the rate applicable to its related period maturity.

Borrowings

The carrying value of borrowings approximates their fair value.

		CONSOLIDATED		PARENT	
		2022	**2021**	**2022**	**2021**
		$'000	**$'000**	**$'000**	**$'000**
29	**FINANCIAL COMMITMENTS**				
a	**Outstanding loan commitments**				
	The loans approved but not funded	11,546	19,654	11,546	19,654
b	**Loan redraw facilities**				
	The loan redraw facilities available	113,861	107,155	113,861	107,155
c	**Undrawn loan facilities**				
	Loan facilities available to members and non-members (via LeasePlus) for overdrafts, credit cards and line of credit loans are as follows:				
	Total value of facilities approved	75,714	78,273	75,714	78,273
	Less: amount advanced	(20,707)	(22,134)	(20,707)	(22,134)
	Net undrawn value	55,007	56,139	55,007	56,139
	Total financial commitments	180,414	182,948	180,414	182,948

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

d. Computer bureau expense commitments

As referred to in Note 33, the Group has a management contract with TransAction Solutions Pty Limited (TAS) to supply computer support staff and services to meet the day to day needs of the Group and compliance with the relevant Prudential Standards.

	CONSOLIDATED 2022	CONSOLIDATED 2021	PARENT 2022	PARENT 2021
The costs committed under contracts with TAS are as follows:				
Not later than one year	1,624	1,748	1,624	1,748
Later than 1 year but not 2 years	-	1,748	-	1,748
Later than 2 years but not 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	1,624	3,496	1,624	3,496

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	PARENT 2022 $'000	PARENT 2021 $'000
e. Computer commitments				
The costs committed under contracts with Ultradata (UDA) are as follows:				
Not later than one year	1,682	1,206	1,682	1,206
Later than 1 year but not 2 years	1,682	1,206	1,682	1,206
Later than 2 years but not 5 years	4,135	3,617	4,135	3,617
Later than 5 years	-	553	-	553
	7,499	6,582	7,499	6,582
f. Computer capital commitments				
Not later than one year	249	541	249	541

30 STANDBY BORROWING FACILITIES

The Group has borrowing facilities as follows:

CONSOLIDATED and PARENT

2022	Gross $'000	Current Borrowing $'000	Net Available $'000
Overdraft Facility	4,000	-	4,000
RBA Term Funding Facility	23,501	(23,501)	-
TOTAL STANDBY BORROWING FACILITIES	27,501	(23,501)	4,000

2021	Gross $'000	Current Borrowing $'000	Net Available $'000
Overdraft Facility	4,000	-	4,000
RBA Term Funding Facility	36,451	(36,451)	-
TOTAL STANDBY BORROWING FACILITIES	40,451	(36,451)	4,000

The Cuscal overdraft facility is in place to primarily accommodate for any unexpected members' outbound funds transfer requests processed during late-afternoon on any given business day, of which this may result in the Group overdrawing its main bank account held at Cuscal. The overdraft facility is secured by an overdraft security deposit of $4m that the Parent had placed with Cuscal. There is also a security deposit of $16.8m for settlement services with CUSCAL.

The Reserve Bank of Australia established the Term Funding Facility (TFF) to authorised deposit-taking institutions (ADIs) as part of the policy response during the COVID-19 pandemic. The facility is closed to new drawdown from close of business on 30 June 2021.

31 CONTINGENT LIABILITIES

Liquidity Support Scheme

The Parent is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Australian mutual ADIs in the event of a liquidity or capital problem. As a member, the Parent is committed to maintaining a balance of deposits in an approved form, as determined below.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3.0% of the Group's total assets (capped at $100m). This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

Guarantees

The Group provides financial guarantees on behalf of members. All guarantees provided are fully secured against either an existing registered mortgage facility already held by the Group, or by funds lodged as a term deposit with the Group. The total value of guarantees and authorities at 30 June 2022 amounted to $1,935k (30 June 2021 $1,571k).

32 DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL

a. Remuneration of Key Management Personnel (KMP)

KMP are those Directors and employees having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP have been taken to comprise the 8 Directors (2021: 8) and 6 (2021: 6) members of executive management responsible for the day to day financial and operational management of the Group and the Internal Audit Manager until his resignation on 21 May 2021.

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

	CONSOLIDATED		PARENT	
	2022	**2021**	**2022**	**2021**
	Directors & Other KMP	**Directors & Other KMP**	**Directors & Other KMP**	**Directors & Other KMP**
	$'000	**$'000**	**$'000**	**$'000**
i) short employee benefits	1,903	1,964	1,903	1,964
ii) post-employment benefits - superannuation contributions	220	220	220	220
iii) other long-term benefits – net increases in long service leave and annual leave and personal leave provision	180	189	180	189
iv) termination benefits	-	-	-	-
Total	2,303	2,373	2,303	2,373

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, value of fringe benefits received, but excludes out of pocket expense reimbursements. All remuneration to Directors was approved by the members at the previous annual general meeting of the Group.

	CONSOLIDATED		PARENT	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
b. Loans to Directors and other KMP				
(i) The aggregate value of loans and revolving credit facilities to KMP	1,471	1,511	1,471	1,511
(ii) The total value of revolving credit facilities to KMP	208	220	208	220
Less amounts drawn down and included in (i)	(1)	(3)	(1)	(3)
Net balance available	207	217	207	217
(iii) During the year the aggregate value of loans disbursed to KMP amounted to:				
Term loans	-	561	-	561
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	24	116	24	116
(v) Interest and other income earned on loans and revolving credit facilities to KMP	31	27	31	27

The Group's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of loans to KMPs who are not Directors. There are no loans which are impaired in relation to the loan balances with Directors or other KMPs.

KMPs who are not Directors may receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits tax, are included in the remuneration in Note 32(a) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMPs. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and KMPs.

c. Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors and other KMP.

The Group's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMPs.

There are no service contracts to which key management persons, or their close family members, are an interested party.

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Total value term and savings deposits from KMP	1,454	1,373	1,454	1,373
Total interest paid on deposits to KMP	3	5	3	5

The KMP note includes individuals who had a Banking Executive Accountability Regime (BEAR) statement lodged with APRA.

33 OUTSOURCING ARRANGEMENTS

The Group has outsourcing arrangements with the following suppliers of services:

a. Cuscal

Cuscal is an approved authorised deposit-taking institution registered under the Corporations Act 2001 and the Banking Act. This entity provides the license rights to Visa Card in Australia and supplies settlement, transaction processing, interchange, card and other services to other organisations. In relation to the Group this entity provides transactional switching and settlement services for member cheques, electronic funds transfer (EFT), EFTPOS, direct entry, BPAY, NPP, mobile banking and visa and debit card transactions and real-time gross settlement system (RTGS) payments.

The Parent holds shares in Cuscal to enable the Group to receive essential banking services – refer also to Note 9. The shares are able to be traded within a market limited to other Cuscal eligible shareholders.

b. Ultradata Australia Pty Limited (UDA)

Provides and maintains the core banking system application software utilised by the Group.

c. TransAction Solutions Pty Limited (TAS)

The Group has outsourced IT systems management to TAS which is owned by a group of mutuals. The Group has a management contract with the company to supply services to meet the day to day needs of the Group and provide monitoring, reporting and advisory services in respect of Information Security and compliance with the relevant Prudential Standards.

The Group holds equity in TAS. This company primarily operates to service mutual banks, credit unions, and non-mutual customers. The shares are not readily traded except within the ADI membership of the company. Refer Note 9.

34 SUPERANNUATION LIABILITIES

The Parent contributes to various employee selected superannuation funds for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The funds are administered independently.

The Parent has no interest in the various superannuation funds other than as a contributor.

The Parent contributes to the State Authorities Superannuation Scheme (SASS) for 1 employee and no new employees are eligible to join these schemes. The Plan is administered by an independent corporate trustee.

The Parent has no interest in the superannuation plan (other than as a contributor) and is liable for any shortfall in reserves to meet the employees' entitlements. Currently the Plan is in surplus and it is anticipated the Parent is unlikely to be required to have any further liability to these funds.

35 SELF-SECURITISATION ARRANGEMENT

The Parent has in place a self-securitisation arrangement where the Parent can transfer financial assets which are qualifying mortgage loans into SCU Trust No. 1 (the Trust), a Special Purpose Vehicle (SPV) established in August 2017, which in turn issues Class A and Class B Residential Mortgage Backed Securities (RMBS) purchased entirely by the Parent. The Class A RMBS notes held by the Parent are repo-eligible with the Reserve Bank of Australia and therefore can be utilised as a contingent source of funding (or obtain funding from the RBA Term Funding Facility) from the Central Bank should the need arise. The securitised loans in SCU Trust No.1 are not exempted for capital adequacy purpose as the Parent retains the economic benefits and risks associated with the underlying loans. The Financial assets do not qualify for de-recognition. The carrying amount of the financial assets that did not qualify for derecognition and their associated liabilities is set out below. Where relevant, the table also sets out the net position of the value of the financial assets where the counterparty to the associated liabilities has recourse only to the transferred assets.

	PARENT	
	2022	**2021**
	$'000	**$'000**
Carrying amount of transferred assets	501,196	368,766
Carrying amount of associated liabilities	(501,196)	(368,766)
Net position	-	-

The parent holds all the notes issued by SCU Trust No. 1

For those liabilities that have recourse only to the transferred assets		
Fair value of transferred assets	501,196	368,766
Fair value of transferred liabilities	(501,196)	(368,766)
Net position	-	-

36 NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
a. Reconciliation of cash				
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:				
Cash on hand	7,389	8,928	7,389	8,928
Deposits at call	10,900	7,000	10,900	7,000
Total Cash	18,289	15,928	18,289	15,928

	CONSOLIDATED		PARENT	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
b. Reconciliation of cash from operations to accounting profit				
The net cash increase from operating activities is reconciled to the operating profit after tax:				
Profit after income tax	5,429	955	5,429	955
Non-cash adjustments to reconcile profit after tax to net cash flows from operations:				
Net gain from fair value adjustment on investment property	(1,110)	-	(1,110)	-
Add (Deduct):				
Bad Debts written off expenses	435	745	435	745
Unearned income	(12)	5	(12)	5
Amortised fees	(4)	4	(4)	4
Depreciation expense & amortisation	2,783	5,207	2,783	5,207
Adjustment for lease outgoings	-	(248)	-	(248)
Profit on sale of assets	(104)	-	(104)	-
Loss on sale of assets	1	119	1	119
Restructure Loss on sale of assets	2	-	2	-
Provisions	(881)	1,962	(881)	1,962
Accrued expenses	(3,831)	3,497	(3,831)	3,497
Interest payable	(205)	(1,332)	(205)	(1,332)
Prepayments	(108)	(66)	(108)	(66)
GST recoverable	82	(79)	82	(79)
Interest receivable	(129)	904	(129)	904
Sundry debtor and other receivables	(203)	(139)	(203)	(139)
GST payable	19	15	19	15
Taxation assets & liabilities	(287)	1,360	(287)	1,360
Movement in loans balances	(80,690)	20,985	(80,690)	20,985
Movement in deposit balances	59,411	29,456	59,411	29,456
Movement in liquid investment balances	54,400	13,656	54,400	13,656
Net cash from operating activities	34,998	77,006	34,998	77,006

37 CORPORATE INFORMATION

Australian Mutual Bank Ltd is a company limited by shares registered under the Corporations Act 2001.

The address of the registered office and principal place of business is 59 Buckingham Street, Surry Hills, NSW 2010.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of Australian Mutual Bank Ltd.

ABN: 93 087 650 726

AFSL & ACL: 236476

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Australian Mutual Bank Ltd and Community First Credit Union Limited have signed a Memorandum of Understanding to explore a merger of the two organisations. Subject to due diligence, regulatory and member approvals, the merger would occur in 2024.

Australian Mutual Bank Ltd
ABN 93 087 650 726
Incorporated in Australia AFSL and Australian Credit License number 236476

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2010

AUSTRALIAN
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