2023 Annual Report

Contents

Annual Financial Report

DIRECTORS' REPORT

The Directors present their report together with the Financial Statements of Australian Mutual Bank Ltd (referred to as "the Bank" or "the Parent Entity") and the Consolidated Entity (referred to as "the Group" or "the Consolidated Entity") consisting of Australian Mutual Bank Ltd and the SCU Trust No.1 for the financial year ended 30 June 2023. Australian Mutual Bank Ltd 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:

Fiona Louise Bennett

Chair (independent & non-executive)* appointed 7 December 2022

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 2018-2023

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

Deputy Chair (independent & non-executive)* appointed 7 December 2022

Chair of the Board Governance and Remuneration Committee appointed 7 December 2022

Memberships Member, Australian Institute of Company Directors

Member, Australian Institute of Superannuation Trustees

Member, Association of Superannuation Funds Australia

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

Kerrie Anne Daynes

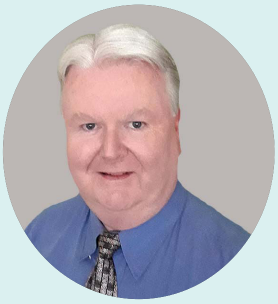
Director (independent & non-executive)*

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 Harris

Director (independent & non-executive)*

Qualifications	Bachelor of Engineering (Hons)
	Post Graduate Diploma in Project Management, Master Project Director
Memberships	Graduate Member Australian Institute of Company Directors
	Members Institute of Engineers Australia
	Member Australian Institute of Project Management
	Member of Permanent Way Institution (NSW & QLD)
Experience	Director since 2022
	Director, Encompass Credit Union Ltd 2007-2016
	President of the Permanent Way Institution of NSW 2000-Present
	Civil Engineer with extensive experience in managing and delivering major infrastructure projects.
	25 years in Senior Executive, Business Development and Leadership roles with specific expertise in risk management, governance and compliance within both the public and private sectors.
	Program Director with RailCorp until 2009
	Business Development Manager (Rail) with Laing O'Rourke 2009-2014
	Business Director RAIL, Becca 2014-2016
	Project Director & Business Development Lend Lease / Acciona 2016 – Present



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, Karpaty Foundation Pty Ltd 2011-present
	Director, Australian Mutual Bank Ltd 2019-present
	Director, Sydney Credit Union Ltd 2005-2019
	Director, Pinnacle Credit Union Ltd 2003-2005
	Director, licensed/registered club 1993-1994

Anton William Usher

Director (independent & non-executive)*
Chair of the Board Audit Committee appointed 7 December 2022

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)*
Chair of the Board Risk Committee appointed 7 December 2022

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 Australian Mutual Bank since 2019.

Bethany Williams
Director (independent & non-executive)*

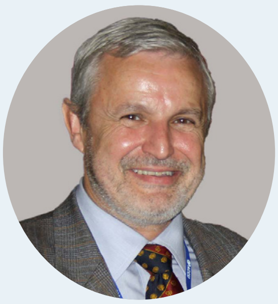
Qualifications	Bachelor of Laws
	Bachelor of Arts, major in Politics
	Graduate Diploma Legal Practice
	Diploma of Project Management
	Diploma of Quality Auditing
	Diploma of Human Resource Management
	Diploma of Business Administration
	Diploma of Business
	Diploma of Management
	Certificate in Governance and Risk Management
Memberships	Graduate member, Australian Institute of Company Directors
Experience	Director since 2022
	Various Senior Project & Policy roles, NSW Department Planning & Environment 2011-present
	Director, Sylvanvale Foundation and Sylvanvale Limited 2014-present

*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.

The following Directors retired from the Board during the financial year

Hans Roger Kludass	From 2009 to 21 November 2022
John Anthony Cottee	From 2005 to 23 November 2022

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
	23 years' mutual banking management experience

Directors' Meeting Attendance

Australian Mutual Bank Ltd. 2022-2023 Board and Committee Attendances								
Director	Board		Governance & Remuneration		Board Audit Committee1		Board Risk Committee	
	H	A	H	A	H	A	H	A
Fiona Bennett	9	9	6	6	4	4		
Alex Claassens**	9	8	3	3			3	3
John Cottee*	3	3			1	1		
Kerrie Daynes	9	9					5	5
Hans Kludass*	3	2	3	2	1	1	1	1
Mark Sawyer**	9	8			2	2	3	3
Anton Usher**	9	8	6	6	2	2	3	3
Kristen Watts**	9	9	6	6	2	2	2	2
Mark Harris*	6	6					2	2
Bethany Williams*	6	6			2	2		

* Directors that were not members of the Board or respective Committee for the full financial year.
** Directors that were not members of the respective Committee for the full financial year.

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 33 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 Chief Operating Officer 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 $9,115,050 (2022 $5,429,121). As at 30 June 2023 capital adequacy was 25.07% which is well above the statutory minimum of 8%.

Australian Mutual Bank's Sustainability Report provides a more detailed review of activities and operations, and environmental and social performance.

A due diligence examination related to a possible merger with Community First Credit Union ceased during the year.

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 affairs of the Australian Mutual Bank during the year.

Events Occurring after Balance Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect in subsequent years, the operations or state of affairs of Australian Mutual Bank.

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 the 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 10 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.

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:

Bennett

F Bennett
Chair

A Usher
Chair, Board Audit Committee

Dated this 27 September 2023

DIRECTORS' DECLARATION

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

    (a) The Financial Statements and Notes to the financial statements of Australian Mutual Bank Ltd and the consolidated entity (the Group) that are set out on pages 14 to 57 are in accordance with the Corporations Act 2001, including;

    (i) giving a true and fair view of Australian Mutual Bank Ltd and the Group's financial position as at 30 June 2023 and of their 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 Ltd 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:

F Bennett
Chair

Dated this 27 September 2023

KPMG

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 2023 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

27 September 2023

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 Bank) and the ***Financial Report*** of the Group.

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

- giving a true and fair view of the Bank and the ***Group***'s financial position as at 30 June 2023 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 Bank and the Group comprises:

- Statements of financial position as at 30 June 2023
- 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 Bank 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 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 these requirements.

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 Directors' 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

27 September 2023

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2023

	Note	CONSOLIDATED		PARENT	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Interest income	3.a	57,356	32,974	57,356	32,974
Interest expense	3.b	16,576	2,554	16,576	2,554
NET INTEREST INCOME		40,780	30,420	40,780	30,420
Other income	3.c	3,294	5,716	3,294	5,716
TOTAL OPERATING INCOME		44,074	36,136	44,074	36,136
NON INTEREST EXPENSES					
Fee and commission expenses	3.d	4,858	4,650	4,858	4,650
Impairment losses on financial assets	3.e	199	435	199	435
Employees' compensation and benefits	3.f	16,216	14,418	16,216	14,418
Depreciation and amortisation	3.g	2,112	2,783	2,112	2,783
Information Technology		4,264	3,868	4,264	3,868
Other operating expenses	3.h	4,431	3,500	4,431	3,500
TOTAL NON INTEREST EXPENSES		32,080	29,654	32,080	29,654
PROFIT BEFORE INCOME TAX		11,994	6,482	11,994	6,482
Income tax expense	4	2,879	1,053	2,879	1,053
PROFIT AFTER INCOME TAX		9,115	5,429	9,115	5,429
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	24	(1,944)	1,277	(1,944)	1,277
Movement in reserve for land and buildings at fair value through other comprehensive income	24	–	2,892	–	2,892
TOTAL COMPREHENSIVE INCOME		7,171	9,598	7,171	9,598

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

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2023

	Note	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
ASSETS					
Cash and cash equivalents	5	19,015	18,289	19,015	18,289
Receivables	6	6,956	3,263	6,956	3,263
Prepayments		809	710	809	710
Non-current assets held for sale	7	2,143	-	2,143	-
Receivables due from other financial institutions	8	140,004	103,759	140,004	103,759
Taxation assets	9	252	1,032	252	1,032
Right-of-use assets	10	1,764	2,032	1,764	2,032
Investment securities	11	351,925	373,427	351,925	373,427
Equity securities	12	8,841	11,433	8,841	11,433
Intangible assets	13	641	905	641	905
Loans and advances	14 & 15	1,169,767	1,233,942	1,169,767	1,233,942
Property, plant and equipment	16	20,792	20,880	20,792	20,880
Investment property	17	6,242	8,385	6,242	8,385
TOTAL ASSETS		1,729,151	1,778,057	1,729,151	1,778,057
LIABILITIES					
Creditor accruals and settlement accounts	18	12,812	6,936	12,812	6,936
Borrowings	19	23,501	23,501	23,501	23,501
Deposits from members	20	1,487,634	1,547,105	1,487,634	1,547,105
Lease liabilities	21	1,793	2,437	1,793	2,437
Provisions	22	6,117	7,539	6,117	7,539
Deferred tax liability	23	3,400	3,816	3,400	3,816
TOTAL LIABILITIES		1,535,257	1,591,334	1,535,257	1,591,334
NET ASSETS		193,894	186,723	193,894	186,723
MEMBERS' EQUITY					
Reserves	24	113,671	115,598	113,671	115,598
Retained earnings		80,223	71,125	80,223	71,125
TOTAL MEMBERS' EQUITY		193,894	186,723	193,894	186,723

These Statements of Financial Position should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY
for the Year Ended 30 June 2023

	CONSOLIDATED and PARENT		
	Reserves	Retained Earnings	Total
	$'000	$'000	$'000
Balance at 30 June 2021	111,422	65,703	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 at 30 June 2022	115,598	71,125	186,723
Balance at 1 July 2022	115,598	71,125	186,723
Profit for the year	-	9,115	9,115
Other comprehensive income for the year	(1,944)	-	(1,944)
Transfer to/(from) Reserves	17	(17)	-
Total at 30 June 2023	113,671	80,223	193,894

These Statements of Changes in Members' Equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS
for the Year Ended 30 June 2023

	Note	CONSOLIDATED		PARENT	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		54,723	32,829	54,723	32,829
Fees and commissions		1,184	2,203	1,184	2,203
Dividends		429	1,624	429	1,624
Other income		549	491	549	491
Interest paid		(11,752)	(2,759)	(11,752)	(2,759)
Suppliers and employees		(30,099)	(31,169)	(30,099)	(31,169)
Income taxes paid		(1,888)	(1,342)	(1,888)	(1,342)
Decrease/(Increase) in member loans (net)		63,823	(82,248)	63,823	(82,248)
Decrease in non-member loans (net)		186	1,558	186	1,558
(Decrease)/Increase in member deposits and shares (net)		(59,471)	59,411	(59,471)	59,411
Net cash from/(used in) operating activities	37(b)	17,684	(19,402)	17,684	(19,402)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on sale of property, plant and equipment		107	40	107	40
Purchase on intangible assets		(261)	(636)	(261)	(636)
Purchase of property, plant and equipment		(713)	(305)	(713)	(305)
(Increase)/Decrease in receivables from other financial institutions (net)		(36,245)	54,400	(36,245)	54,400
Decrease/(Increase) in investment securities		21,502	(16,565)	21,502	(16,565)
Net cash (used in)/from investing activities		(15,610)	36,934	(15,610)	36,934
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in borrowings		-	(12,950)	-	(12,950)
Lease payments		(1,348)	(2,221)	(1,348)	(2,221)
Net cash used in financing activities		(1,348)	(15,171)	(1,348)	(15,171)
TOTAL NET CASH INCREASE		726	2,361	726	2,361
Cash at the beginning of the year		18,289	15,928	18,289	15,928
Cash at the end of the year	37(a)	19,015	18,289	19,015	18,289

These Statements of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 June 2023

1 BASIS OF PREPERATION

a. Nature of Operations

The principal activities of Australian Mutual Bank Ltd (referred to as "the Bank" or "the Parent Entity") include the provision of retail financial services to members in accordance with the constitution.

b. General information and statement of compliance

These financial statements as at and for the year ended 30 June 2023 comprises Australian Mutual Bank Ltd 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 Australian Mutual Bank Ltd (together referred to as "the Group" or "Consolidated entity"). 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 Australian Mutual Bank Ltd and the Group for the year ended 30 June 2023.

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 is a for profit entity for the purpose of preparing the financial statements.

Australian Mutual Bank is a company domiciled in Australia.

The report was authorised for issue on 27 September 2023 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

c. 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.

d. Basis of Consolidation

The consolidated financial statements incorporate the assets and the liabilities of the subsidiary of the Group as at 30 June 2023 and the results of the subsidiary for the year ended 30 June 2023. All intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue and expense recognition

Interest income and interest expense are measured using the effective interest rate method for financial assets and financial liabilities carried at amortised cost. The effective interest rate method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the effective interest rate does not include future credit losses. Fees and transaction costs that are integral to the lending arrangement are measured at amortised cost using the effective interest rate method.

Loan origination fees

Loan origination 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 using the effective interest rate method.

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 a reduction to income over the expected life of the loan and included as interest income using the effective interest rate method.

Non interest revenue

Loan Fees

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

Insurance commissions

Commissions earned are related to a single performance obligation, being the successful placement of an insurance policy.

(b) Financial assets and financial liabilities

Recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, where applicable. 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.

(c) 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 and bad debts recovered which is recognised in non interest income.

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 the 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 Bank 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.

(i) 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.

(ii) Receivables

Receivables are recognised and accounted for as financial assets classified as amortised cost. Interest on receivables due from other financial institutions is recognised on an effective yield basis.

(iii) Prepayments

Prepaid software as a service

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over the contract period. As such the Bank does not receive a software intangible asset at the contract commencement date.

The accounting treatment of costs incurred in relation to SaaS arrangements are set out below:

· Fees for use of application software and customisation costs are recognised as an operating expense over the term of the service contract

· Configuration costs, data conversion and migration 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.

Critical judgements in determining whether configuration and customisation services are distinct from the SaaS access.

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement is applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

(iv) Receivables due from other financial institutions

Receivables are recognised and accounted for as financial assets classified at amortised cost. Interest on receivables due from other financial institutions is recognised on an effective yield basis. Term deposits with other financial institutions are unsecured placements. 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.

(v) Leases - Right-of-use assets

The Bank 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 Bank 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.

(vi) 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.

(vii) Equity securities

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 Bank 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 (trading as Experteq). These companies supply services to the Bank which designate its investments in equity securities as FVOCI. The shares are able to be traded but within a market limited to other mutual Authorised Deposit-taking Institutions (ADIs).

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 $0.95 per Cuscal share and $6.60 per TransAction Solutions share is a reasonable approximation of fair value.

(viii) 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.

At each reporting date the Bank 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.

SaaS arrangements are service contracts providing the Bank 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.

(ix) 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 loans and advances 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 Bank 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.

(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 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 Bank 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.

Measurement of ECL

12-month expected credit losses' are recognised for the Stage 1 loans while 'lifetime expected credit losses' are recognised for Stage 2 and 3 loans. 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 Bank in accordance with the contract and the cash flows that the Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

The critical assumptions used in the calculation are as set out below. Note 25 details the credit risk management approach for loans.

Significant increase in credit risk

The Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank allocates the loans into Stage 1, Stage 2 and Stage 3 as described below:

· Stage 1 – When loans are first recognised, the Bank 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 Bank 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 Bank 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 Bank 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 Bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Periodically the Bank carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

The Bank incorporates forward-looking information into its ECL methodology. Based on advice from the Bank's Assets and Liability Committee and consideration of a variety of external actual and forecast information, the Bank 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 Bank 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 Bank 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.

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk. The overlay factors in, expected losses (for example bankruptcy and write offs less than 90 days in arrears) and limitations in the sophistication of data availability.

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 Bank 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 Bank 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 Bank has grouped exposures by type on the basis of shared risk characteristics that include instrument and product type.

The Bank 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 Bank 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.

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 Bank 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 Bank'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 Bank 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 Bank's historical experience and expert judgement, relevant external factors and including forward-looking information.

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

Write-offs

The Bank 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 Bank'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 Bank may write off financial assets that are still subject to enforcement activity. The Bank 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) 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. An independent valuation of each property is performed every 3 years or where there has been material market movements, with a Directors' valuation performed in other 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 and Loss. A deferred tax liability is provided when a revaluation increase occurs. Revaluation decreases are debited to the Profit and 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 and, where applicable, accumulated impairment losses.

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 Bank. 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. An independent valuation of each property is performed every 3 years or where there has been material market movements, with a Directors' valuation performed in other years. Revaluation increments are credited to Profit or Loss. A deferred tax liability is provided when a revaluation increase occurs.

Investment properties are classified as non-current assets as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

(xii) 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).

(d) Classification and measurement of financial liabilities

The Bank'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 Bank 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.

(i) 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.

(ii) 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.

(iii) Leases - Lease liabilities

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 Bank 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 Bank;
- the Bank 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 Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Bank 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 Bank separates lease and non-lease components.

The Bank 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 Bank 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.

The Bank as lessor

As a lessor the Bank 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.

(iv) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Provision for Employee Benefits

Provision is made for the Bank'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.

Superannuation contributions are made by the Bank to an employee's superannuation fund and are charged as expenses as incurred.

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.

(e) Taxation

The Bank and the SCU Trust No. 1 is a consolidated group for tax purposes. The Bank 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%.

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.

(f) Goods and Services Tax (GST)

As a financial institution the Bank 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.

(g) Consolidation

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 the Bank. The Class A RMBS held by the Bank 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. The Bank, 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.

(h) Accounting estimates and judgements

Management have made judgements when applying the Bank'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 15.
- Measurement of the fair value of financial instruments with significant unobservable inputs. The fair value of unlisted equity securities held in Cuscal Ltd and TransAction Solutions Ltd - refer to Note 12.
- The fair value of land and buildings - refer Note 7, 16 and 17.

(i) 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 Bank is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

(j) Standards issued but not yet effective

A number of new standards and amendments to existing Australian Accounting Standards are effective for annual periods beginning on or after 1 July 2023 and earlier application is permitted. However the Bank has not early adopted any new or amended standards in preparing this Financial Report, and does not expect any of these new or amended standards to have a material impact on future Financial Reports.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000

3 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2023 $'000 (Consolidated)	2022 $'000 (Consolidated)	2023 $'000 (Parent)	2022 $'000 (Parent)
a. Interest income				
Cash - deposits at call	326	9	326	9
Receivables due from financial institutions	15,722	2,865	15,722	2,865
Loans and advances	41,308	30,100	41,308	30,100
TOTAL INTEREST INCOME	57,356	32,974	57,356	32,974
b. Interest expenses				
Deposits from members, borrowings and lease liability interest	16,572	2,554	16,572	2,554
Other interest	4	-	4	-
TOTAL INTEREST EXPENSE	16,576	2,554	16,576	2,554
c. Other income				
Fee income on loans - other than loan origination fees	400	568	400	568
Fee income from member deposits	68	67	68	67
Other fee income	242	168	242	168
Insurance commissions	483	579	483	579
Visa and BPAY commissions	1,032	946	1,032	946
Other commissions	63	59	63	59
Net gain from fair value adjustment on investment property	-	1,110	-	1,110
Dividends received on equity investments	429	1,624	429	1,624
Bad debts recovered	66	96	66	96
Income from property (rental income)	423	367	423	367
Gain on disposal of assets	28	104	28	104
Other income	60	28	60	28
TOTAL OTHER INCOME	3,294	5,716	3,294	5,716
d. Fee and commission expense				
Switching and settlement	1,174	1,036	1,174	1,036
Visa and Bpay	1,328	1,235	1,328	1,235
Other	2,356	2,379	2,356	2,379
TOTAL FEE AND COMMISSION EXPENSE	4,858	4,650	4,858	4,650

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
e. Impairment losses				
Loans and advances to members				
Bad debts written off	185	311	185	311
Total impairment losses on loans to members	185	311	185	311
Other loans to non-members				
Bad debts written off - SocietyOne loans	14	110	14	110
Bad debts written off - LeasePlus leases	-	14	-	14
Total impairment losses on loans to non-members	14	124	14	124
TOTAL IMPAIRMENT LOSSES	199	435	199	435
f. Employees' compensation and benefits				
Salaries and on costs	13,528	12,215	13,528	12,215
Superannuation costs	1,398	1,340	1,398	1,340
Directors remuneration	392	382	392	382
Amounts set aside to provisions - employee entitlements	898	481	898	481
TOTAL EMPLOYEE'S COMPENSATION AND BENEFITS	16,216	14,418	16,216	14,418
g. Depreciation and amortisation				
Buildings	436	441	436	441
Plant and equipment	237	228	237	228
Leasehold improvements (includes leasehold make good provision)	10	280	10	280
Intangibles	525	474	525	474
Right-of-use assets	904	1,360	904	1,360
TOTAL DEPRECIATION AND AMORTISATION	2,112	2,783	2,112	2,783
h. Other operating expenses				
Office occupancy	951	705	951	705
Other administration	2,139	1,780	2,139	1,780
Other operating expenses	1,341	1,015	1,341	1,015
TOTAL OTHER OPERATING EXPENSES	4,431	3,500	4,431	3,500

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
i. Auditor's remuneration (GST exclusive)				
Audit services				
- Audit of financial statements	171	129	171	129
- Taxation Services	14	14	14	14
TOTAL AUDIT SERVICES	185	143	185	143
Non-audit services				
- APRA and AFSL assurance fees	52	41	52	41
TOTAL NON-AUDIT SERVICES	52	41	52	41
TOTAL AUDITORS REMUNERATION	237	184	237	184

4 INCOME TAX

a. The income tax expense comprises amounts set aside as:-				
Provision for income tax - current year	2,631	278	2,631	278
Under provision in prior years	16	177	16	177
Adjustments to recognise deferred tax asset	232	598	232	598
TOTAL CURRENT INCOME TAX EXPENSE	2,879	1,053	2,879	1,053

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:				
Profit before tax	11,994	6,482	11,994	6,482
Prima facie tax payable on profit before income tax at 25%	2,999	1,620	2,999	1,620
Add tax effect of expenses not deductible				
- Other non-deductible expenses	4	30	4	30
- Imputation adjustments	45	161	45	161
- Adjustments for prior years	11	162	11	162
Subtotal	3,059	1,973	3,059	1,973
Less:				
- Permanent adjustment	(1)	-	(1)	-
- Other non-assessable income	-	(277)	-	(277)
- Franking rebate	(179)	(643)	(179)	(643)
INCOME TAX EXPENSE ATTRIBUTABLE TO CURRENT YEAR PROFIT	2,879	1,053	2,879	1,053

c. Franking credits				
Franking credits held by the Bank after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year are:	26,343	24,276	26,343	24,276

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
5 CASH AND CASH EQUIVALENTS				
Cash on hand	310	511	310	511
Deposits at call	18,705	17,778	18,705	17,778
TOTAL CASH AND CASH EQUIVALENTS	19,015	18,289	19,015	18,289

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
6 RECEIVABLES				
Interest receivable on deposits with other financial institutions	3,410	810	3,410	810
Sundry debtors and settlement accounts	3,546	2,453	3,546	2,453
TOTAL RECEIVABLES	6,956	3,263	6,956	3,263

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
7 NON-CURRENT ASSETS HELD FOR SALE				
Buildings - at fair value	2,143	-	2,143	-
TOTAL NON-CURRENT ASSETS HELD FOR SALE	2,143	-	2,143	-

Investment property has been classified as an asset held for sale when the carrying amount is to be recovered principally through a sale transaction and a sale is considered probable. During 2023, the Springwood ($1,850,000) and Parkes ($292,631) properties became Held for Sale. These properties are valued consistently with Investment Property as disclosed in Note 2(c).

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
8 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
- Securitisation Trust Deposits	33,704	37,959	33,704	37,959
- Term Deposits with Authorised Deposit-taking Institutions (ADIs)	106,300	65,800	106,300	65,800
TOTAL RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	140,004	103,759	140,004	103,759

Included within the Securitisation Trust Deposits at 30 June 2023 is the liquidity reserve $8,491,446 (2022: $10,486,920), the swap reserve $13,793,776 (2022: $14,789,147), the expense reserve $110,355 (2022: $110,026) and the collection account $11,308,716 (2022: $12,572,505) 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.

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
9 TAXATION ASSETS				
Income tax refundable	80	839	80	839
GST recoverable	172	193	172	193
TOTAL TAXATION ASSETS	252	1,032	252	1,032
Current income tax refundable comprises:				
Provision for income tax receivable/(payable) - previous year	839	(225)	839	(225)
Understatement in prior year	3	-	3	-
Amount (recovered)/paid	(842)	225	(842)	225
Income Tax refundable	-	-	-	-
Provision for tax current year	(2,631)	(277)	(2,631)	(277)
Less: Instalments paid in current year	2,711	1,116	2,711	1,116
CURRENT INCOME TAX ASSET	80	839	80	839

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
10 RIGHT-OF-USE ASSETS				
Balance at 1 July	2,032	2,312	2,032	2,312
Additions (new lease)	635	1,109	635	1,109
Modifications/revaluations	1	(29)	1	(29)
Depreciation	(904)	(1,360)	(904)	(1,360)
Balance at 30 June	1,764	2,032	1,764	2,032

The Bank 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	2	-	6	3

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000	PARENT 2023 $'000	PARENT 2022 $'000
11 INVESTMENT SECURITIES				
Investment securities measured at amortised cost				
- Negotiable certificates of deposit	194,865	200,300	194,865	200,300
- Floating rate notes	156,060	171,627	156,060	171,627
- Subordinated debt	1,000	1,500	1,000	1,500
TOTAL VALUE OF INVESTMENT SECURITIES	351,925	373,427	351,925	373,427

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
12 EQUITY SECURITIES				
Equity investment securities designated as at FVOCI				
- Cuscal Limited (refer note 34)	5,466	7,249	5,466	7,249
- TransAction Solutions Limited (refer note 34)	3,335	4,144	3,335	4,144
- Shared Services Partners Pty Limited	40	40	40	40
TOTAL VALUE OF EQUITY SECURITIES	8,841	11,433	8,841	11,433

	CONSOLIDATED and PARENT
	$'000
Cuscal Limited	
Level 3 fair values	
Balance at 1 July 2021	6,213
- Net change in fair value recognised in OCI (excluding tax impact)	1,036
Balance at 30 June 2022	7,249
Balance at 1 July 2022	7,249
- Net change in fair value recognised in OCI (excluding tax impact)	(1,783)
Balance at 30 June 2023	5,466
TransAction Solutions Limited	
Level 3 fair values	
Balance at 1 July 2021	3,477
- Net change in fair value recognised in OCI (excluding tax impact)	667
Balance at 30 June 2022	4,144
Balance at 1 July 2022	4,144
- Net change in fair value recognised in OCI (excluding tax impact)	(809)
Balance at 30 June 2023	3,335

Disclosures on valuation of shares

a. Cuscal Limited

This company is an Australian Prudential Regulation Authority (APRA) authorised deposit-taking institution that supplies services to organisations which are primarily mutual banks and credit unions. The Bank holds shares in Cuscal to enable the Bank to receive essential banking services – refer also to Note 34. The shares are able to be traded within a market limited to other Cuscal eligible shareholders.

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 Bank intends to hold long term for strategic purposes. The fair value of these assets has been estimated taking into consideration the net tangible asset value per share of the underlying investment. As tangible assets form the core of the company's balance sheet the net tangible asset based valuation approach is deemed a reasonable approximation of fair value. This asset is categorised at level 3 in the fair value hierarchy given the lack of visibility of these valuation variables. Management have used the Level 3 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 performed an assessment and determined that the net tangible asset value of $0.95 (2022: $1.26) per share is a reasonable approximation of fair value. A sensitivity analysis of an increase/decrease of 10% variation in the net tangible assets would result in an increase/decrease in the fair value by $0.55m.

b. TransAction Solutions Limited (TAS)

This company operates to service mutual banks, credit unions and other non-mutual bank customers. The Bank holds shares in TAS to enable the Bank to receive essential core banking IT services – refer also to Note 34. 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.

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 Bank intends to hold long term for strategic purposes. The fair value of these assets has been estimated taking into consideration the net tangible asset value per share of the underlying investment. As tangible assets form the core of the company's balance sheet the net tangible asset based valuation approach is deemed a reasonable approximation of fair value. This asset is categorised at level 3 in the fair value hierarchy given the lack of visibility of these valuation variables. Management have used the Level 3 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 performed an assessment and determined that the net tangible asset value of $6.60 (2022: $8.20) per share is a reasonable approximation of fair value. A sensitivity analysis of an increase/decrease of 10% variation in the net tangible assets would result in an increase/decrease in the fair value by $0.33m.

13 INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Computer software	4,652	4,391	4,652	4,391
Less accumulated amortisation	(4,011)	(3,486)	(4,011)	(3,486)
TOTAL INTANGIBLE ASSETS	641	905	641	905
Movement in the carrying amount of intangible assets during the year were:				
Opening balance	905	743	905	743
Purchases	261	636	261	636
Transfer of business	-	-	-	-
Less				
Amortisation charge	(525)	(474)	(525)	(474)
Assets disposed	-	-		-
Balance at the end of the year	641	905	641	905

14 LOANS AND ADVANCES

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
a. Amount due comprises:				
Overdrafts and revolving credits	18,042	20,707	18,042	20,707
Term loans	1,153,465	1,214,808	1,153,465	1,214,808
SocietyOne loans	196	653	196	653
LeasePlus leases	3,503	3,246	3,503	3,246
Subtotal	1,175,206	1,239,414	1,175,206	1,239,414
Less:				
Unamortised loan origination fees and transaction costs	(139)	(169)	(139)	(169)
Unearned income	(13)	(16)	(13)	(16)
Subtotal	1,175,054	1,239,229	1,175,054	1,239,229
Less:				
Provision for loan losses (Note 15)	(5,287)	(5,287)	(5,287)	(5,287)
NET LOANS AND ADVANCES	1,169,767	1,233,942	1,169,767	1,233,942

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
b. Credit Quality - type of security held				
Secured by mortgage over business assets	15,548	10,209	15,548	10,209
Secured by mortgage over real estate	1,126,466	1,193,739	1,126,466	1,193,739
Partly secured by goods mortgage	11,325	11,343	11,325	11,343
Wholly unsecured	21,867	24,123	21,867	24,123
TOTAL LOANS	1,175,206	1,239,414	1,175,206	1,239,414

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	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Loans with security held as mortgage against real estate is on the basis of:				
- loan to valuation ratio of less than 80%	967,378	1,016,970	967,378	1,016,970
- loan to valuation ratio of less than 80% with First Home Loan Deposit Scheme guarantee	1,581	3,168	1,581	3,168
- loan to valuation ratio of more than 80% but mortgage insured	78,575	86,467	78,575	86,467
- loan to valuation ratio of more than 80% with First Home Loan Deposit Scheme guarantee	62,529	71,580	62,529	71,580
- loan to valuation ratio of more than 80% and not mortgage insured	16,403	15,554	16,403	15,554
	1,126,466	1,193,739	1,126,466	1,193,739

c. Concentration of loans

The loan balances outlined below represent the total loan exposure as at 30 June 2023 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:

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
New South Wales	1,005,926	1,079,051	1,005,926	1,079,051
ACT	18,563	18,499	18,563	18,499
Victoria	57,238	49,875	57,238	49,875
Queensland	67,805	69,091	67,805	69,091
Other	25,674	22,898	25,674	22,898
TOTAL	1,175,206	1,239,414	1,175,206	1,239,414

(iii) Loans by purpose were:

Loans to natural persons				
Residential loans and facilities	1,120,179	1,187,224	1,120,179	1,187,224
Personal loans, overdrafts and revolving credits	33,489	37,046	33,489	37,046
SocietyOne loans	196	653	196	653
LeasePlus leases	3,503	3,246	3,503	3,246
	1,157,367	1,228,169	1,157,367	1,228,169
Loans to corporations				
Business loans and facilities	17,839	11,245	17,839	11,245
TOTAL	1,175,206	1,239,414	1,175,206	1,239,414

Included as part of the loans as at 30 June 2023 were securitised loans of $387,822,411 (2022: $501,196,354) in SCU Trust No. 1 that were consolidated as part of the Group and at the Parent Entity were not derecognised in accordance with AASB 9.

15 PROVISION FOR LOAN LOSSES

	CONSOLIDATED and PARENT			
2023	**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2022	4,326	554	407	5,287
Transfers to stage 1	-	-	-	-
Changes in credit risk, balances and overlay	(1,641)	(361)	(181)	(2,183)
Changes in model parameters	2,056	127	-	2,183
Balance at 30 June 2023	4,741	320	226	5,287

	CONSOLIDATED and PARENT			
2022	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 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

The reconciliations from the opening to the closing balance of the allowance for impairment are shown in the following table:

	CONSOLIDATED and PARENT							
	Stage 1 Carrying Value	**Stage 1 12 month ECL**	**Stage 2 Carrying Value**	**Stage 2 Lifetime ECL**	**Stage 3 Carrying Value**	**Stage 3 Lifetime ECL**	**Total Carrying Value**	**Total ECL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Overdrafts and revolving credits	17,854	187	41	17	147	94	18,042	298
Term loans	1,152,435	4,460	900	295	130	125	1,153,465	4,880
SocietyOne loans	171	10	16	5	9	3	196	18
LeasePlus leases	3,492	84	-	3	11	4	3,503	91
Balance at 30 June 2023	1,173,952	4,741	957	320	297	226	1,175,206	5,287

	CONSOLIDATED and PARENT							
	Stage 1 Carrying Value	Stage 1 12 month ECL	Stage 2 Carrying Value	Stage 2 Lifetime ECL	Stage 3 Carrying Value	Stage 3 Lifetime ECL	Total Carrying Value	Total ECL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Overdrafts and revolving credits	20,508	325	42	14	157	112	20,707	451
Term loans	1,211,984	3,886	2,465	532	359	288	1,214,808	4,706
SocietyOne loans	619	50	16	6	18	7	653	63
LeasePlus leases	3,246	65	-	2	-	-	3,246	67
Balance at 30 June 2022	1,236,357	4,326	2,523	554	534	407	1,239,414	5,287

	CONSOLIDATED		PARENT	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due not impaired	1,162,027	1,224,992	1,162,027	1,224,992
Past due but not impaired	12,882	13,888	12,882	13,888
Impaired	297	534	297	534
TOTAL	1,175,206	1,239,414	1,175,206	1,239,414
Gross loans and advances which are past due but not impaired				
1-30 days	9,804	10,572	9,804	10,572
31- 60 days	698	1,037	698	1,037
61-90 days	260	1,486	260	1,486
> 90 days	2,120	793	2,120	793
TOTAL	12,882	13,888	12,882	13,888

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

The provision for loan losses 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 Bank under the ECL model.

Overall, the provision for loan losses is $5.29 million at 30 June 2023 ($5.29 million at 30 June 2022).

The level of expected credit losses (ECL) for loans remained stable during the year at $5.29 million. The economic uncertainty driven by increases in inflation and movements in the official cash rate presents increased risk to forecasts and, as a result, management applies an overlay in addition to the internal model estimate of the ECL. Given the current uncertainty and judgement applied to determine the expected default of borrowers in future periods, expected credit losses reported by the Bank are considered a best estimate in the current environment. The Bank continues to closely monitor and measure the ECL provision with appropriate adjustments and professional judgement applied.

Rising inflation and interest rates have increased cost of living pressures and eroded household purchasing power. The rate of inflation is declining from its peak but does remain high. If the war in Ukraine does intensify this could present further cost of living pressures. In consideration of this economic environment of uncertainty, the Bank revised the macro-economic assumptions used to assess ECL during the year and decreased the Upside risk from 10% to 5%, decreased the Base risk from 60% to 50% and increased the Downside risk from 30% to 45%. 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 Bank obtains data from third party sources and the Bank'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 Bank'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 2023 of upside 5%, base case 50% and downside 45% for key drivers of expected credit loss. The base case probability of default (PD) has been assessed across the portfolio compared to prior year with the PD Stage 1 and Stage 2 and loss given default (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 geopolitical tension, including the war in Ukraine, and the 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 Bank has made adjustments to the underlying scenario forecasts.

16 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Land and buildings at fair value	21,171	21,122	21,171	21,122
Less: accumulated depreciation	(1,431)	(1,054)	(1,431)	(1,054)
Total land & buildings	19,740	20,068	19,740	20,068
Plant and equipment - at cost	3,318	3,077	3,318	3,077
Less: accumulated depreciation	(2,750)	(2,660)	(2,750)	(2,660)
Total Plant & equipment	568	417	568	417
Capitalised leasehold Improvements at cost	1,990	2,157	1,990	2,157
Less: accumulated depreciation	(1,680)	(1,893)	(1,680)	(1,893)
	310	264	310	264
Leasehold make good asset	377	410	377	410
Less: accumulated amortisation	(203)	(279)	(203)	(279)
	174	131	174	131
Total leasehold improvements and make good	484	395	484	395
TOTAL PROPERTY, PLANT AND EQUIPMENT	20,792	20,880	20,792	20,880

Movement in carrying value of property plant and equipment:

	CONSOLIDATED and PARENT							
	2023				2022			
	Property at fair value	Plant & Equipment	Leasehold	Total	Property at fair value	Plant & Equipment	Leasehold	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	20,068	417	395	20,880	16,631	498	894	18,023
Revaluation adjustment	-	-	-	-	3,856	-	-	3,856
Purchases in the year	120	440	153	713	27	151	127	305
Total	20,188	857	548	21,593	20,514	649	1,021	22,184
Less								
Assets disposed	(12)	(52)	(54)	(118)	(5)	(4)	(346)	(355)
Depreciation charge	(436)	(237)	(10)	(683)	(441)	(228)	(280)	(949)
Balance at the end of the year	19,740	568	484	20,792	20,068	417	395	20,880

During 2023, a Director valuation of the land and buildings was performed and the Board of Directors are satisfied that there is no revaluation adjustment for the year ended 30 June 2023 (2022: $3.856 million). The fair value measurement during 2023 of the 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). The revaluation adjustments of Property are booked through Other Comprehensive Income

.

Building location	Valuation amount	Valuation Technique 2023	Valuer 2023	Date of last Independent Valuation
59 Buckingham Street, Surry Hills NSW 2010	$14,059,615	Direct Comparison & Capitalisation.	Directors	30 June 2022
Lot 1, 18 Third Avenue, Blacktown NSW 2148	$5,532,090	Direct Comparison & Capitalisation.	Directors	30 June 2021
Lot 163, 251-255A Clarence Street, Sydney NSW 2000	$88,911	Direct Comparison & Capitalisation.	Directors	30 June 2022

17 INVESTMENT PROPERTY

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Buildings - at fair value opening balance	8,385	6,905	8,385	6,905
Fair value adjustment during the year	-	1,480	-	1,480
Transfer to held for sale assets	(2,143)	-	(2,143)	-
TOTAL INVESTMENT PROPERTY	6,242	8,385	6,242	8,385

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.

During 2023, a Director value of the Investment Property was performed and the Board of Directors are satisfied that there is no revaluation adjustment for the year ended 30 June 2023 (2022: $1.480 million). 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). The revaluation adjustment of investment properties is measured at fair value and it goes through Profit or Loss.

Investment property has been classified as an asset held for sale when the carrying amount is to be recovered principally through a sale transaction and a sale is considered probable. During 2023, the Springwood ($1,850,000) and Parkes ($292,631) properties became Held for Sale. These properties are valued consistently with Investment Property as disclosed in Note 2(c).

Building location	Valuation amount	Valuation Techniques	Valuer 2023	Date of last Independent Valuation
138 Waterloo Road, Greenacre NSW 2190	$2,382,367	Direct Comparison & Capitalisation.	Directors	30 June 2021
Suite 601, 155 Castlereagh Street, Sydney NSW 2000	$1,400,000	Direct Comparison & Capitalisation.	Directors	30 June 2022
Lot 53/5 Aird Street, Parramatta NSW 2150	$1,210,000	Direct Comparison & Capitalisation.	Directors	30 June 2022
Lot 54/5 Aird Street, Parramatta NSW 2150	$1,250,000	Direct Comparison & Capitalisation.	Directors	30 June 2022

18 CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	CONSOLIDATED		PARENT	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Creditors and accruals	5,772	4,426	5,772	4,426
Interest payable on deposits	5,365	577	5,365	577
Interest Payable on Term Funding Facility (TFF)	51	27	51	27
Accrual for GST payable	82	93	82	93
Sundry creditors	1,542	1,813	1,542	1,813
TOTAL AMOUNTS PAYABLE	12,812	6,936	12,812	6,936

19 BORROWINGS

	CONSOLIDATED		PARENT	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
RBA Term Funding Facility	23,501	23,501	23,501	23,501

The Reserve Bank of Australia (RBA) established the Term Funding Facility (TFF) to ADIs as part of the policy response during the COVID-19 pandemic. The facility was closed to new drawdowns from close of business on 30 June 2021. The maturity date of the TFF debt is $7,003,320 on 5th March 2024, $7,999,032 on 6th May 2024 and $8,498,914 on 7th June 2024. The interest rate is 0.10% p.a.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000

20 DEPOSITS FROM MEMBERS

Member deposits				
- at call	1,022,341	1,164,846	1,022,341	1,164,846
- term	465,105	382,054	465,105	382,054
Member withdrawable shares	188	205	188	205
TOTAL DEPOSITS & SHARES	1,487,634	1,547,105	1,487,634	1,547,105

Members are entitled to vote at the Annual General Meeting (AGM) and share the remaining net assets of the Bank in the event of winding up. The shares are redeemable if the members leave the Bank. As a mutual bank, no dividend is payable in respect of any member shares.

Concentration of member deposits

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.

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

(i) Geographical concentrations

New South Wales	1,397,429	1,460,019	1,397,429	1,460,019
ACT	8,325	8,255	8,325	8,255
Victoria	20,718	22,546	20,718	22,546
Queensland	29,890	28,835	29,890	28,835
Other	31,272	27,450	31,272	27,450
Total per Balance Sheet	1,487,634	1,547,105	1,487,634	1,547,105

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000

21 LEASE LIABILITIES

Lease liabilities				
Current	856	1,221	856	1,221
Non-current	937	1,216	937	1,216
TOTAL LEASE LIABILITIES	1,793	2,437	1,793	2,437
Balance at 1 July	2,437	3,519	2,437	3,519
Additions (new lease)	635	1,110	635	1,110
Payments for leases	(1,348)	(2,221)	(1,348)	(2,221)
Interest expense	63	105	63	105
Modifications	6	(76)	6	(76)
Balance at 30 June	1,793	2,437	1,793	2,437

22 PROVISIONS

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Long service leave	3,786	4,150	3,786	4,150
Annual leave	1,266	1,334	1,266	1,334
Other provisions	1,065	2,055	1,065	2,055
TOTAL PROVISIONS	6,117	7,539	6,117	7,539
Movement in provision for long service leave				
Carrying amount at beginning of the year	4,150	3,965	4,150	3,965
Additional provision recognised	465	393	465	393
Amounts utilised during the year	(829)	(208)	(829)	(208)
Carrying amount at end of the year	3,786	4,150	3,786	4,150
Movement in provision for annual leave				
Carrying amount at beginning of the year	1,334	1,479	1,334	1,479
Additional provision recognised	126	-	126	-
Amounts utilised during the year	(194)	(145)	(194)	(145)
Carrying amount at end of the year	1,266	1,334	1,266	1,334
Movement in provision for other provisions				
Carrying amount at beginning of the year	2,055	3,489	2,055	3,489
Additional provision recognised	347	1,128	347	1,128
Amounts utilised during the year	(1,337)	(2,562)	(1,337)	(2,562)
Carrying amount at end of the year	1,065	2,055	1,065	2,055
TOTAL PROVISIONS	6,117	7,539	6,117	7,539

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000

23 DEFERRED TAX LIABILITY

Deferred Tax Liability	6,995	7,643	6,995	7,643
Less:				
Deferred Tax Asset	3,595	3,827	3,595	3,827
TOTAL DEFERRED TAX LIABILITIES	3,400	3,816	3,400	3,816
Deferred tax liability comprises:				
Revaluation of assets at fair value through OCI and investment properties through profit or loss	6,995	7,643	6,995	7,643
Deferred Tax Liability	6,995	7,643	6,995	7,643
Less:				
Accrued expenses not deductible	162	86	162	86
Provisions for impairment on loans	1,322	1,322	1,322	1,322
Provisions for employee benefits	1,365	1,487	1,365	1,487
Provision for leasehold make good	106	132	106	132
Provisions for branch closures	-	40	-	40
Other	31	23	31	23
Depreciation on fixed assets	609	737	609	737
Total Deferred Tax Asset	3,595	3,827	3,595	3,827
NET DEFERRED TAX LIABILITY	3,400	3,816	3,400	3,816

24 RESERVES

	Capital Reserve	Asset Revaluation Reserve	General Reserve	Transfer of Business Reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	1,454	9,279	14,041	86,648	111,422
Fair value through other comprehensive income	-	4,169	-	-	4,169
Transfer from retained earnings on share redemption	7	-	-	-	7
Total at 30 June 2022	1,461	13,448	14,041	86,648	115,598
Balance at 1 July 2022	1,461	13,448	14,041	86,648	115,598
Fair value through other comprehensive income	-	(1,944)	-	-	(1,944)
Transfer from retained earnings on share redemption	17	-	-	-	17
Total at 30 June 2023	1,478	11,504	14,041	86,648	113,671

Capital Reserve Account

The accounts represent the amount of redeemable member shares redeemed by the Bank 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.

Asset Revaluation Reserve

This comprises the cumulative net changes in the fair value of investments in equity and building valuations net of deferred tax liability. For equity instruments the amounts are subsequently transferred to retained earnings, and not profit or loss, when the revaluated asset is derecognised or impaired. For buildings the fair value includes the cumulative net change in fair value, net of applicable income tax.

General Reserve

This reserve is created into which funds are allocated to meet future needs.

Transfer of Business Reserve

This reserve is used to record mergers with other mutual entities. The identifiable assets and liabilities of the transferred entity are recognised on the Statement of Financial Position at their fair value at the acquisition date. The reserve represents the excess of the fair value of assets taken up over liabilities assumed in a merger.

25 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 Bank.

The Bank'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 Bank 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 Bank 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 has representatives from the Board as well as the Bank's Chief Risk Officer.

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

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 Bank'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,
- Business process risks,
- Cybersecurity risks, and
- Outsourcing risks.

Its responsibilities include ensuring that the Bank 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 Bank. 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 Bank has undertaken the following strategies to minimise the risks arising from financial instruments.

A MARKET RISK

The objective of the Bank'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 Bank's financial condition or results. The Bank 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 Bank 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 Bank'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 Bank'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 28 outlines the repricing profiles of the interest rate repricing profiles of the Bank's interest-sensitive assets and interest-sensitive liabilities.

Method of Managing IRRBB

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

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

The Bank 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 Bank 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 Bank's policy also permits the usage of derivatives to hedge (i.e. reduce) IRRBB exposures, however, no derivative trades have been undertaken.

Based on the positions as at 30 June, the impacts on the net economic value (measured as a percentage of the Bank's 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	
	2023	**2022**
As at 30 June	0.68%	1.85%
Average for the year	0.77%	0.68%
Minimum during the year	0.13%	0.18%
Maximum during the year	1.87%	1.85%

Given the above, the Bank 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 Bank's structural balance sheets.

It should be noted that the Bank 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 Bank's Policy stipulates that the Bank must have a risk management framework in place to measure, monitor and manage liquidity risk, and that the Bank must maintain a portfolio of liquid assets that is sufficient in size to withstand a severe liquidity stress.

The Bank manages liquidity risk by:

- Ongoing monitoring of actual and forecasted cash flows, in particular, the maturity profiles of the Bank'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 Bank'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 Bank's core memberships.

In response to the volatile market conditions arising from the incidents related to some US regional banks and Credit Suisse AG in March 2023, APRA had elevated the intensity of its supervision activities across the industry. More frequent liquidity reports, in conjunction with other ad-hoc information requests, were produced and submitted to the regulator as requested. Ongoing internal liquidity reports continued to be produced daily throughout the period and the Bank's strong liquidity position has provided sufficient buffer to weather the uncertainties brought by the crisis.

With respect to the $23.5m of outstanding TFF borrowings due to mature in financial year 2024, a material portion of these upcoming cash flows have already been matched with liquid investments with identical maturity profiles. It is envisaged that the MLH ratio will drop by 1.10% subsequent to the repayment of all outstanding TFF borrowings during the financial year 2024.

To complement the current suite of deposit products available to the members, the Bank will have additional funding capacity to raise new short-term wholesale funding, if required, by issuing its own Negotiable Certificates of Deposits (NCDs) during financial year 2024.

The Bank 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 of CUFSS, the Bank has contractually committed emergency liquidity funding available from the members.

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 Bank's payment service provider). The Bank'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 Bank or APRA minimum requirement.

In addition to the above, the Bank also has in place a Standby borrowing / overdraft facility, and the details are outlined in Note 31. 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 26. The ratio of liquid funds over the past year is set out below:

	CONSOLIDATED and PARENT	
	2023	**2022**
Minimum Liquidity Holdings (MLH)	$393,317,693	$411,763,344
MLH Ratio		
As at 30 June	23.86%	23.96%
Average for the year	22.71%	25.13%
Minimum during the year	21.17%	23.11%
Maximum during the year	24.08%	26.68%
Total Liquid Investments	$480,650,011	$458,327,296
Total Liquidity Ratio		
As at 30 June	29.15%	26.67%
Average for the year	26.68%	30.77%
Minimum during the year	25.02%	26.39%
Maximum during the year	29.20%	33.02%

C. CREDIT RISK

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

(i) CREDIT RISK – LOANS

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

	CONSOLIDATED and PARENT					
	2023	**2023**	**2023**	**2022**	**2022**	**2022**
	Carrying value	**Commitments**	**Max exposure**	**Carrying value**	**Commitments**	**Max exposure**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Mortgage	1,120,179	106,843	1,227,022	1,187,224	115,483	1,302,707
Personal loans, overdrafts and revolving credits	37,188	50,236	87,424	40,945	59,366	100,311
Total to natural persons	1,157,367	157,079	1,314,446	1,228,169	174,849	1,403,018
Corporate borrowers	17,839	5,688	23,527	11,245	5,565	16,810
Total	1,175,206	162,767	1,337,973	1,239,414	180,414	1,419,828

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 30.

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 14(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 Bank 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 Bank 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 Bank 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 an LVR of 80% or less. Note 14b 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 Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank'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 14c. The Bank 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 Bank'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 Bank to a financial loss.

The Bank'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 Bank 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 Bank's Tier 1 capital.

Under the CUFSS Industry's liquidity support scheme (of which the Bank 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 Bank uses the credit grade determination approach as per APRA prudential standard APS112. APRA reformed the bank capital framework from 1 January 2023.

The credit exposure values associated with the investment portfolio are as follows and excludes financial instruments that are deducted for regulatory capital purposes:

Investments with authorised deposit-taking institutions:	CONSOLIDATED and PARENT 30 June 2023 Up to 3 months	Over 3 months	Total carrying value	Past due value	Provision
	$'000	$'000	$'000	$'000	$'000
Grade 1 – rated AA- and above	-	20,442	20,442	-	-
Grade 2 – rated below AA- to A-	8,705	166,776	175,481	-	-
Grade 3 – rated below A- to BBB-	24,023	254,246	278,269	-	-
Unrated Approved Deposit-taking institutions	1,002	37,841	38,843	-	-
Total	33,730	479,305	513,035	-	-

The carrying value as at 30 June 2023 is reported in accordance with the Credit Rating Grade approach as stipulated in the new prudential standard APS112 effective from 1 January 2023.

Investments with authorised deposit-taking institutions:	CONSOLIDATED and PARENT 30 June 2022 Up to 3 months	Over 3 months	Total carrying value	Past due value	Provision
	$'000	$'000	$'000	$'000	$'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	-	-

(iii) CREDIT RISK – GUARANTEES

The Bank 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 Bank, or by funds lodged as a term deposit with the Bank. The total value of guarantees and authorities at 30 June 2023 amounted to $1,904,256 (30 June 2022: $1,935,195).

D OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

The Bank manages these risks on a daily basis through the operational responsibilities of Executive Management and Senior Management and the functioning of the Operational Risk Committee under policies approved by the Board after recommendation from the Audit Committee or Risk Committee covering specific areas, such as outsourcing risk, fraud risk, cybersecurity risk and business continuity risk.

Information Security risk is a growing area of focus for the bank, with the bank requiring to comply with APRA's prudential standard, CPS234 Information Security.

The Bank works with a number of consultants, outsourcing parties and in-house teams to uplift compliance for this risk and its associated regulatory requirements.

Through a combination of mechanisms, namely:

- supplier assurance capability reviews;
- incident management protocols;
- internal control libraries and information asset classifications;
- independent audit and assurance engagements;
- clearly defined roles and responsibilities; and
- policy and procedural frameworks.

The Bank can demonstrate compliance with this risk and its regulatory requirements.

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 Bank is not engaged in a trading book for financial instruments. APRA reformed the bank capital framework from 1 January 2023. The Capital Adequacy ratio has been calculated for this financial year based on the revised prudential capital standard.

Capital resources

Tier 1 capital

The Tier 1 Capital of the Bank 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 Bank comprises:

- Provisions eligible for inclusion in Tier 2 capital

Capital in the Bank is made up as follows:

	CONSOLIDATED and PARENT	
	2023	2022
	$'000	$'000
Tier 1 Common equity capital		
Capital reserve account	1,478	1,461
Asset revaluation reserves on property	11,504	13,448
General reserves	14,041	14,041
Transfer of Business Reserve	86,648	86,648
Retained earnings	80,362	71,294
Total Fundamental Tier 1 capital	194,033	186,892
Less prescribed deductions	(10,539)	(13,910)
Tier 1 capital	183,494	172,982
Tier 2 capital		
Provisions eligible for inclusion in Tier 2 capital	4,741	4,326
Tier 2 capital	4,741	4,326
TOTAL CAPITAL	188,235	177,308

The Bank 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:

2023	2022	2021	2020	2019
25.07%	21.12%	20.67%	21.53%	17.36%

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 Bank's capital the Bank 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 14.0%. 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 Bank 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 Bank's operational risk requirement is as follows:

- Operational risk capital $68,244,770 (2022: $100,386,742)

The Operational risk as at 30 June 2023 is as stipulated in the new prudential standard APS112 effective from 1 January 2023.

Internal capital adequacy management

The Bank 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 APRA's material risk categories. The outputs are communicated to the Board and APRA, and are used in the capital management and planning processes of the Bank.

26 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				
2023	**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	19,015	18,705	-	-	-	-	310	19,015
Due from other financial institutions and investment securities	491,929	52,028	117,867	160,713	157,904	23,822	-	512,334
Receivables	6,956	4,089	1,051	860	948	8	-	6,956
Loans and advances	1,175,206	22,166	16,126	70,078	347,668	1,327,759	-	1,783,797
Equity investment securities	8,841	-	-	-	-	-	8,841	8,841
Total financial assets	1,701,947	96,988	135,044	231,651	506,520	1,351,589	9,151	2,330,943
FINANCIAL LIABILITIES								
Deposits from members – at call	1,022,529	1,022,341	-	-	-	-	188	1,022,529
Deposits from members – term	465,105	69,225	145,484	249,267	7,223	-	-	471,199
Borrowings	23,501	-	-	23,521	-	-	-	23,521
Creditors	12,812	8,365	1,867	2,519	61	-	-	12,812
On statement of financial position	1,523,947	1,099,931	147,351	275,307	7,284	-	188	1,530,061
Undrawn commitments Note 30	-	-	-	-	-	-	162,767	162,767
Total financial liabilities	1,523,947	1,099,931	147,351	275,307	7,284	-	162,955	1,692,828

				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 30	-	-	-	-	-	-	180,414	180,414
Total financial liabilities	1,577,542	1,233,454	114,998	194,079	35,648	-	180,619	1,758,798

27 CURRENT AND NON CURRENT PROFILE

The table below represents the maturity profile of the Bank'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					
	2023			**2022**		
	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	19,015	-	19,015	18,289	-	18,289
Due from other financial institutions and investment securities	326,097	165,832	491,929	329,387	147,799	477,186
Receivables	6,000	956	6,956	3,011	252	3,263
Loans and advances	57,335	1,117,871	1,175,206	67,695	1,171,719	1,239,414
Equity investment securities	-	8,841	8,841	-	11,433	11,433
Total financial assets	408,447	1,293,500	1,701,947	418,382	1,331,203	1,749,585
FINANCIAL LIABILITIES						
Deposit from members - at call	1,022,341	188	1,022,529	1,164,846	205	1,165,051
Deposit from members - term	458,202	6,903	465,105	370,144	11,910	382,054
Borrowings	23,501	-	23,501	-	23,501	23,501
Creditors	12,751	61	12,812	6,878	58	6,936
Total financial liabilities	1,516,795	7,152	1,523,947	1,541,868	35,674	1,577,542

28 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					
2023	**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	18,705	-	-	-	310	19,015
Due from other financial institutions and investment securities	133,958	218,889	133,322	5,760	-	491,929
Receivables	1,092	1,567	721	30	3,546	6,956
Loans and advances	606,354	40,191	208,962	319,699	-	1,175,206
Equity investment securities	-	-	-	-	8,841	8,841
Total financial assets	760,109	260,647	343,005	325,489	12,697	1,701,947
FINANCIAL LIABILITIES						
Deposits from members	1,091,467	144,603	244,473	6,903	188	1,487,634
Borrowings	-	-	23,501	-	-	23,501
Creditors	969	1,867	2,519	61	7,396	12,812
On statement of financial position	1,092,436	146,470	270,493	6,964	7,584	1,523,947
Undrawn loan commitments Note 30	-	-	-	-	162,767	162,767
Total financial liabilities	1,092,436	146,470	270,493	6,964	170,351	1,686,714

	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 30	-	-	-	-	180,414	180,414
Total financial liabilities	1,227,114	114,922	193,500	35,469	186,951	1,757,956

29 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					
		2023			2022	
	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	491,382	491,929	2	475,744	477,186	2
Gross Loans and advances	1,155,402	1,175,206	3	1,213,787	1,239,414	3
Equity investment securities	8,841	8,841	3	11,433	11,433	3
FINANCIAL LIABILITIES						
Deposit from members	1,487,593	1,487,634	2	1,546,178	1,547,105	2
Borrowings	23,501	23,501	2	23,501	23,501	2

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

Receivables from other financial institutions and investment securities
The carrying values of cash and liquid assets and receivables due from other financial institutions approximate their fair value. 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 values of outstanding borrowings, which only comprise of TFF borrowing from the RBA, approximates the fair values of the borrowing given that the TFF is not a trade-able instrument and that the settlement amount associated with early TFF repayment does not equal to the "fair value" as determined by the prevailing interest rate curve.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000

30 FINANCIAL COMMITMENTS

a. Outstanding loan commitments				
The loans approved but not funded	3,575	11,546	3,575	11,546
b. Loan redraw facilities				
The loan redraw facilities available	108,042	113,861	108,042	113,861
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	69,192	75,714	69,192	75,714
Less: amount advanced	(18,042)	(20,707)	(18,042)	(20,707)
Net undrawn value	51,150	55,007	51,150	55,007
Total financial commitments	162,767	180,414	162,767	180,414

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

d. Computer expense commitments

As referred to in Note 34, the Bank has a management contract with TransAction Solutions Limited (TAS) to supply computer support staff and services to meet the day to day needs of the Bank and compliance with the relevant Prudential Standards.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
The costs committed under contracts with TAS are as follows:				
Later than 1 year but not 2 years	1,772	1,624	1,772	1,624
e. Computer commitments				
The costs committed under contracts with Ultradata (UDA) are as follows:				
Not later than one year	1,667	1,529	1,667	1,529
Later than 1 year but not 2 years	1,667	1,529	1,667	1,529
Later than 2 years but not 5 years	2,431	3,759	2,431	3,759
	5,765	6,817	5,765	6,817
f. Computer capital commitments				
Not later than one year	419	249	419	249
Later than 1 year but not 2 years	14	-	14	-
	433	249	433	249

31 STANDBY BORROWING FACILITIES

The Bank has borrowing facilities as follows:

2023	CONSOLIDATED and PARENT		
	Gross	Current Borrowing	Net Available
	$'000	$'000	$'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

2022	CONSOLIDATED and PARENT		
	Gross	Current Borrowing	Net Available
	$'000	$'000	$'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

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 Bank overdrawing its main bank account held at Cuscal. The overdraft facility is secured by an overdraft security deposit of $4m that the Bank 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 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 and the entire balance will be repaid during financial year 2024.

32 CONTINGENT LIABILITIES

Liquidity Support Scheme

The Bank 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 Bank 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 Bank'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 Bank provides financial guarantees on behalf of members. All guarantees provided are fully secured against either an existing registered mortgage facility already held by the Bank, or by funds lodged as a term deposit with the Bank. The total value of guarantees and authorities at 30 June 2023 amounted to $1,904,256 (30 June 2022 $1,935,195).

33 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 Bank, 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 (2022: 8) and 5 (2022: 6) members of executive management as at 30 June 2023 responsible for the day to day financial and operational management of the Bank. During the year 2 of the Executive Managers retired and 1 Executive Manager was appointed.

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

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	Directors & Other KMP	Directors & Other KMP	Directors & Other KMP	Directors & Other KMP
	$'000	$'000	$'000	$'000
i) Short-term employee benefits	2,136	1,937	2,136	1,937
ii) Post-employment benefits - superannuation contributions	188	220	188	220
iii) Other long-term benefits – net increases in long service leave and annual leave and personal leave provision	130	180	130	180
iv) Termination benefits	1,350	-	1,350	-
Total	3,804	2,337	3,804	2,337

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 Bank.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
b. Loans to Directors and other KMP				
(i) The aggregate value of loans and revolving credit facilities to KMP	841	1,471	841	1,471
(ii) The total value of revolving credit facilities to KMP	190	208	190	208
Less amounts drawn down and included in (i)	(1)	(1)	(1)	(1)
Net balance available	189	207	189	207
(iii) During the year the aggregate value of loans disbursed to KMP amounted to:				
Term loans	-	-	-	-
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	77	24	77	24
(v) Interest and other income earned on loans and revolving credit facilities to KMP	24	31	24	31

The Bank'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 Personal loans at the Fringe Benefits Benchmark Rate. 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 close family members of Directors and other KMP.

The Bank'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.

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Total value term and savings deposits from KMP	1,890	1,454	1,890	1,454
Total interest paid on deposits to KMP	23	3	23	3

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

34 OUTSOURCING ARRANGEMENTS

The Bank 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 Bank 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 Bank holds shares in Cuscal to enable the Bank to receive essential banking services – refer also to Note 12. 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 Bank.

c. TransAction Solutions Limited (TAS)

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

The Bank 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 12.

35 SUPERANNUATION LIABILITIES

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

The Bank 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 Bank 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 Bank is unlikely to be required to have any further liability to these funds.

36 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 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	
	2023	2022
	$'000	$'000
Carrying amount of transferred assets	387,822	501,196
Carrying amount of associated liabilities	(387,822)	(501,196)
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	387,822	501,196
Fair value of transferred liabilities	(387,822)	(501,196)
Net position	-	-

37 NOTES TO STATEMENT OF CASH FLOWS

a. Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Cash on hand	310	511	310	511
Deposits at call	18,705	17,778	18,705	17,778
Total Cash	19,015	18,289	19,015	18,289

	CONSOLIDATED		PARENT	
	2023	2022	2023	2022
	$'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	9,115	5,429	9,115	5,429
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)
Adjustments for:				
Bad debts written off expenses	199	435	199	435
Net interest on loans and advances	(33)	(16)	(33)	(16)
Depreciation expense & amortisation	2,112	2,783	2,112	2,783
Adjustment for lease outgoings	5	-	5	-
Loss/(gain) on disposal of property, plant and equipment	11	(103)	11	(103)
Loss on sale of assets due to Branch Restructure	-	2	-	2
Net changes in assets and liabilities				
Decrease in provisions	(1,422)	(881)	(1,422)	(881)
Increase/(Decrease) in creditor accruals and settlement accounts	1,127	(3,831)	1,127	(3,831)
(Decrease)/Increase in GST payable	(12)	19	(12)	19
Increase/(Decrease) in interest payable	4,824	(205)	4,824	(205)
Increase in prepayments	(99)	(108)	(99)	(108)
Increase in interest receivable	(2,600)	(129)	(2,600)	(129)
Increase in sundry debtors and other receivables	(1,093)	(203)	(1,093)	(203)
Decrease/(Increase) in taxation assets	759	(1,062)	759	(1,062)
GST recoverable	21	82	21	82
Decrease in deferred tax assets	232	775	232	775
Decrease/(Increase) in loan balances	64,009	(80,690)	64,009	(80,690)
(Decrease)/Increase in member deposits and shares	(59,471)	59,411	(59,471)	59,411
Net cash from operating activities	17,684	(19,402)	17,684	(19,402)

38 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 236476
ACL 236476

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Bank in subsequent financial years.

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

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2010

AUSTRALIAN
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Australian Mutual Bank Ltd
ABN 93 087 650 726, AFSL 236476,
Australian credit licence 236476

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SURRY HILLS NSW 2010