AUSTRALIAN
MUTUAL BANK

2024 Annual Report

Contents

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 2024. 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 13 December 2023.

Qualifications Bachelor of Business (Accounting, Finance & Economics)

Memberships Certified Practising Accountant

Graduate member, Australian Institute of Company Directors

Experience Director since 2011

Director, Australian Mutual Bank Ltd 2019-present

Director, Neami Limited January 2024-present

Board member, Western NSW Local Health District January 2017-present

Director, Endeavour Mutual Bank Ltd 2016-2019

Director, Select Credit Union Ltd 2011-2016

Accountant since 1990

Alex Claassens

Deputy Chair (independent & non-executive)* appointed 13 December 2023

Chair of the Board Governance and Remuneration Committee appointed 13 December 2023

Memberships Member, Australian Institute of Company Directors

Super Members Council (SMC)

Experience Director since 2009

Director Australian Mutual Bank Ltd 2019-present

Director, Industry Standards Australia 2024-present

Director, Endeavour Mutual Bank Ltd 2016-2019

Director, Encompass Credit Union Ltd 2009-2016

Board member, State Super 2012-2024

Board member, Sydney Alliance for Community Building 2013-present

Board member, Transport Heritage NSW 2018-present

National Secretary Australian Rail, Tram and Bus Industry Union 2024-present

Executive member, Unions NSW 2010-present

NSW State Secretary and National Executive member, Rail Tram and Bus Union 2010-2024

Train driver on the NSW rail network 1977-present

Kerrie Anne Daynes

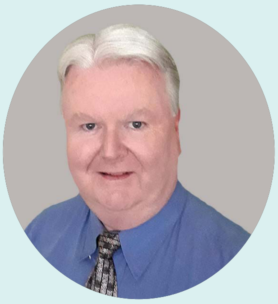
Director (independent & non-executive)*

Qualifications	Graduate Certificate in Management (Professional Practice)
Memberships	Graduate member, Australian Institute of Company Director
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 the Department of Human Services now Services Australia

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 Managers
	Fellow and Life Member of the Permanent Way Institution (NSW)
	Member of the Permanent Way Institution (QLD, VIC & SA)
Experience	Director since 2022
	Director Australian Mutual Bank Ltd 2022-present
	Director, Encompass Credit Union Ltd 2007-2016
	President of the Permanent Way Institution of NSW 2000-present
	Chair, PWI National Executive Steering Committee 2022-present
	25 years' in Leadership roles, Senior Executive and Business Development with specific expertise in risk management, governance and compliance within both the public and private sectors
	Project Director, Acciona Rail 2020-present
	Project Director & Business Development Lend Lease 2016-2020
	Business Director RAIL, Becca 2014-2016
	Business Development Manager (Rail) with Laing O'Rourke 2009-2014
	Program Director with RailCorp until 2009



Mark Edwin Sawyer

Director (independent & non-executive)*

Qualifications	Diploma of Financial Services
	Certificate of Supervision (Industrial & Human Relations)
Memberships	Fellow, Institute of Managers & Leaders
	Graduate member, Australian Institute of Company Directors
Experience	Director since 2003
	Director, Australian Mutual Bank Ltd 2019-present
	Director, Karpaty Foundation Pty Ltd 2011-present
	Director, Sydney Credit Union Ltd 2005-2019
	Director, Pinnacle Credit Union Ltd 2003-2005
	Director, licensed/registered club 1993-1994
	15 years' CEO/MD of a travel company

Anton William Usher

Director (independent & non-executive)*
Chair of the Board Audit Committee appointed 13 December 2023

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 Institute of Australasia
Experience	Director since 2017
	Director Australian Mutual Bank Ltd 2019-present
	Director, Sydney Credit Union Ltd 2017-2019
	Manager, Sutherland Shire Council, 2016-present
	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 13 December 2023

Qualifications	Bachelor of Economics (Accounting)
	Master of Commerce
Memberships	Chartered Accountant (qualified)
	Graduate member, Australian Institute of Company Directors
Experience	Director Australian Mutual Bank Ltd 2019-present
	Over 20 years' experience in asset management, corporate and investment governance

Bethany Williams
Director (independent & non-executive)*

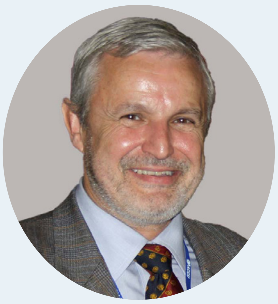
Qualifications
Bachelor of Laws
Bachelor of Arts, major in Politics
Graduate Diploma Legal Practice
Diploma of Project Management
Diploma of Quality Auditing
Diploma of Human Resource Management
Diploma of Business Administration
Diploma of Business
Diploma of Management
Certificate in Governance and Risk Management

Memberships
Graduate member, Australian Institute of Company Directors

Experience
Director since 2022
Director Australian Mutual Bank Ltd 2022-present
Director, Sylvanvale Foundation and Sylvanvale Limited 2014-present
Various Senior Project & Policy roles, NSW Department Planning & Environment 2011-present

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

Information on the Chief Executive Officer



Mark Joseph Worthington
Chief Executive Officer

Qualifications
Bachelor of Arts
Master of Business Administration

Memberships
Graduate member, Australian Institute of Company Directors

Experience
Director, TransAction Solutions Limited (trading as Experteq) 2006-present
Director, Australian Mutuals Foundation Limited 2015-present
Director, Shared Service Partners Pty Limited 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
24 years' mutual banking management experience

Directors' Meeting Attendance

Australian Mutual Bank Ltd. 2023-2024 Board and committee attendances								
Director	**Board**		**Governance and Remuneration**		**Board Audit Committee**		**Board Risk Committee**	
	H	A	H	A	H	A	H	A
Fiona Bennett	8	8	8	8	4	4	5	5
Alex Claassens	8	6	8	7			5	4
Kerrie Daynes	8	6					5	4
Mark Sawyer	8	8			4	4		
Anton Usher	8	6	8	8	4	3		
Kristen Watts	8	8	8	8			5	5
Mark Harris	8	7					5	4
Bethany Williams	8	8			4	4		

There were no Directors who were not members of the Board or 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 34 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 the giving of credit facilities as prescribed by the Bank's 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 $10,028,004 (2023 $9,115,050). As at 30 June 2024 capital adequacy was 26.47% which is well above the statutory minimum of 8%.

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

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 expected results of operations

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 9 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, pursuant to section 298 (2) (a) of the Corporations Act 2001 and is signed for and on behalf of the Directors by:

F Bennett
Chair

Sydney, 25 September 2024

A Claassens
Deputy Chair

Sydney, 25 September 2024

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

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 2024 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

Quang Dang

Partner

Sydney

25 September 2024

FINANCIAL STATEMENTS

for the Year Ended 30 June 2024

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 30 June 2024

	Note	CONSOLIDATED 2024 $'000	CONSOLIDATED 2023 $'000	PARENT 2024 $'000	PARENT 2023 $'000
Interest income	3.a	79,883	57,356	79,883	57,356
Interest expense	3.b	34,113	16,576	34,113	16,576
NET INTEREST INCOME		45,770	40,780	45,770	40,780
Other income	3.c	3,947	3,294	3,947	3,294
TOTAL OPERATING INCOME		49,717	44,074	49,717	44,074
NON INTEREST EXPENSES					
Fee and commission expenses	3.d	5,142	4,858	5,142	4,858
Impairment losses on financial assets	3.e	140	199	140	199
Employees' compensation and benefits	3.f	17,349	16,216	17,349	16,216
Depreciation and amortisation	3.g	2,215	2,112	2,215	2,112
Information technology		5,399	4,264	5,399	4,264
Other operating expenses	3.h	4,650	4,431	4,650	4,431
TOTAL NON INTEREST EXPENSES		34,895	32,080	34,895	32,080
PROFIT BEFORE INCOME TAX		14,822	11,994	14,822	11,994
Income tax expense	4	4,794	2,879	4,794	2,879
PROFIT AFTER INCOME TAX		10,028	9,115	10,028	9,115
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	25	4,298	(1,944)	4,298	(1,944)
Movement in reserve for land and buildings at fair value through other comprehensive income	25	163	-	163	-
TOTAL COMPREHENSIVE INCOME		14,489	7,171	14,489	7,171

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 2024

	Note	CONSOLIDATED 2024 $'000	CONSOLIDATED 2023 $'000	PARENT 2024 $'000	PARENT 2023 $'000
ASSETS					
Cash and cash equivalents	5	21,271	19,015	21,271	19,015
Receivables	6	5,150	6,956	5,150	6,956
Prepayments		834	809	834	809
Non-current assets held for sale	7	1,368	2,143	1,368	2,143
Receivables due from other financial institutions	8	151,542	140,004	151,542	140,004
Current tax assets	9	553	252	553	252
Right-of-use assets	10	1,475	1,764	1,475	1,764
Investment securities	11	342,830	351,925	342,830	351,925
Equity investments	12	14,794	8,841	14,794	8,841
Intangible assets	13	370	641	370	641
Loans and advances	14 & 15	1,275,951	1,169,767	1,275,951	1,169,767
Property, plant and equipment	16	20,614	20,792	20,614	20,792
Investment property	17	5,110	6,242	5,110	6,242
TOTAL ASSETS		1,841,862	1,729,151	1,841,862	1,729,151
LIABILITIES					
Creditor accruals and settlement accounts	18	20,510	12,812	20,510	12,812
Borrowings	19	70,641	23,501	70,641	23,501
Deposits from members	20	1,529,054	1,487,634	1,529,054	1,487,634
Current tax liabilities	21	1,362	-	1,362	-
Lease liabilities	22	1,509	1,793	1,509	1,793
Provisions	23	5,971	6,117	5,971	6,117
Deferred tax liability	24	4,432	3,400	4,432	3,400
TOTAL LIABILITIES		1,633,479	1,535,257	1,633,479	1,535,257
NET ASSETS		208,383	193,894	208,383	193,894
MEMBERS' EQUITY					
Reserves	25	116,547	113,671	116,547	113,671
Retained earnings		91,836	80,223	91,836	80,223
TOTAL MEMBERS' EQUITY		208,383	193,894	208,383	193,894

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 2024

	Note	CONSOLIDATED and PARENT		
		Reserves	Retained Earnings	Total
		$'000	$'000	$'000
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 reserves	25	17	(17)	-
Total at 30 June 2023		113,671	80,223	193,894
Balance at 1 July 2023		113,671	80,223	193,894
Profit for the year		-	10,028	10,028
Other comprehensive income for the year		4,461	-	4,461
Transfer from reserves	25	(1,585)	1,585	-
Total at 30 June 2024		116,547	91,836	208,383

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 2024

	Note	CONSOLIDATED		PARENT	
		2024	2023	2024	2023
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		79,355	54,723	79,355	54,723
Fees and commissions		4,981	1,184	4,981	1,184
Dividends		978	429	978	429
Other income		419	549	419	549
Interest paid		(31,278)	(11,752)	(31,278)	(11,752)
Suppliers and employees		(28,523)	(30,099)	(28,523)	(30,099)
Income taxes paid		(4,072)	(1,888)	(4,072)	(1,888)
(Increase)/decrease in member loans (net)		(103,210)	63,823	(103,210)	63,823
(Increase)/decrease in non-member loans (net)		(3,023)	186	(3,023)	186
Increase/(decrease) in member deposits and shares (net)		41,420	(59,471)	41,420	(59,471)
Net cash (used in)/from operating activities	38(b)	(42,953)	17,684	(42,953)	17,684
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on sale of property, plant and equipment and investment property		2,275	107	2,275	107
Purchase on intangible assets		(208)	(261)	(208)	(261)
Purchase of property, plant and equipment		(482)	(713)	(482)	(713)
Increase in receivables due from other financial institutions (net)		(11,538)	(36,245)	(11,538)	(36,245)
Decrease in investment securities		9,095	21,502	9,095	21,502
Net cash used in investing activities		(858)	(15,610)	(858)	(15,610)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in borrowings		47,140	-	47,140	-
Lease payments		(1,073)	(1,348)	(1,073)	(1,348)
Net cash from/(used) in financing activities		46,067	(1,348)	46,067	(1,348)
NET CASH INCREASE IN CASH AND CASH EQUIVALENTS		2,256	726	2,256	726
Cash and cash equivalents at the beginning of the year		19,015	18,289	19,015	18,289
Cash and cash equivalents at the end of the year	38(a)	21,271	19,015	21,271	19,015

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 2024

1 BASIS OF PREPERATION

(a) Nature of Operations

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 the giving of credit facilities as prescribed by the Bank's Constitution.

(b) General information and statement of compliance

These financial statements as at and for the year ended 30 June 2024 comprise 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 2024. Australian Mutual Bank Ltd is a company registered under the Corporations Act 2001. 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 2024.

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 25 September 2024 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 2024 and the results of the subsidiary for the year ended 30 June 2024. 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 MATERIAL 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, or where appropriate, to a shorter period, to the net carrying amount of the financial asset or liability. The calculation of the effective interest rate does not include future credit losses. Loan origination fees and transaction costs that are integral to the lending arrangement are measured at amortised cost using the effective interest rate method.

Non interest revenue

Non interest revenue earned by the Bank comprises fee and commission income, dividend income, operating lease income and the sale of non-current assets. The fee and commission income includes fees earned on a range of products and service platforms and is brought to account on an accruals basis over the period that they cover once a right to receive consideration has been attained and the performance obligation is satisfied. Other fee and commission income which comprises commission on insurances, BPAY and Visa is recognised when the performance obligation is satisfied. Dividend income is recognised only when the dividend income is received. Operating lease income is recognised on a straight-line basis over the lease term.

Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

(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 for transactions costs and fees where applicable, that are an integral part of the effective interest rate. 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 has expired.

(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.

Business model assessment

The Bank determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- How the performance of the financial assets held within the business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular the way in which those risks are managed; and
- Frequency, value, timing of and reasons for sales of assets in the portfolio and expectations about future sales activity.

Assessment of whether contractual cash flows meet the solely payments of principal and interest ('SPPI') test.

In making the assessment of whether the contractual cash flows have SPPI characteristics, management considers whether the cash flows represent solely the payment of principal and interest. Principal is the fair value of the financial assets on initial recognition. Interest typically comprises compensation for the time value of money and credit risk. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss.

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 or 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 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.

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 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.

(iii) 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.

(iv) Investment securities

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

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

(v) Equity investments

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 investments 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 Limited and TransAction Solutions Limited (trading as Experteq). These companies supply services to the Bank which designate its equity investments 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 Level 3 unobservable inputs to assess the fair value of the TransAction Solutions shares. The financial reports of TransAction Solutions 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 for TransAction Solutions shares.

Management have used the Level 3 unobservable inputs to assess the fair value of the Cuscal shares. The fair value of these shares has been estimated using the last transaction price which the Bank considered a reasonable basis to estimate the fair value as at 30 June 2024 (2023: the fair value was estimated using the net tangible asset of the investee).

(vi) Intangible assets

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

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

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

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

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

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. Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

(vii) 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 loan origination fees and transaction costs that are directly attributable to the origination of the loan or advance. These loan origination fees and transaction 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.

(viii) Loan Impairment

The Bank's AASB 9 'expected credit loss model' (ECL) is applied to financial assets measured at amortised cost such as loans and Off-Statement of Financial Position loan commitments.

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 26 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 Asset 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.

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, the EAD includes the amount drawn, as well as potential future amounts that are available to be drawn under the contract.

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 modified when its original contractual cash flows are renegotiated or modified. If the terms of a financial asset are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, ECL are measured based on the expected cash flows arising from the modified financial asset which are included in calculating the cash shortfalls from the existing 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.

(ix) 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. 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. A deferred tax liability is provided when a revaluation increase occurs. The asset revaluation reserve included in equity in respect of an item of land and buildings is transferred directly to retained earnings when the asset is disposed.

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

The gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the property, plant and equipment and are recognised net within other income or other expenses in profit or loss.

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 - 3 to 5 years.

(x) 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.

(xi) Assets measured at Fair Value

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

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

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

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

(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 the 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 a lessor

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

As a lessor the Bank classifies its leases as either operating or finance leases. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank leases out certain property and all the leases are classified as operating leases. The Bank recognises lease payments received under operating leases as income on a straight line basis over the period of the lease as part of 'other income'.

(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, it is probable that an outflow of resources will be required to settle the obligation and the amount of the provision can be reliably measured.

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.

(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 Statements of Profit or Loss and Other 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 30%.

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 presented on a gross basis. 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 investments held in Cuscal Limited and TransAction Solutions Limited (trading as Experteq) - 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

The AASB has issued AASB 18 Presentation and Disclosure in Financial Statements which sets out the requirements for the presentation and disclosure of information in general purpose financial statements. AASB 18 is effective for annual reporting periods beginning on or after 1 January 2027.

(k) New or amended Accounting standards and Interpretations adopted

The Bank has adopted all applicable new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Bank.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
3 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
a. Interest income				
Cash - deposits at call	752	326	752	326
Receivables due from other financial institutions	24,715	15,722	24,715	15,722
Loans and advances	54,416	41,308	54,416	41,308
TOTAL INTEREST INCOME	79,883	57,356	79,883	57,356
b. Interest expense				
Deposits from members, borrowings and lease liability interest	34,113	16,572	34,113	16,572
Other interest	-	4	-	4
TOTAL INTEREST EXPENSE	34,113	16,576	34,113	16,576
c. Other income				
Commission income	1,521	1,578	1,521	1,578
Dividend income	978	429	978	429
Loan fee income	469	400	469	400
Other fee income	368	310	368	310
Rental income	365	423	365	423
Gain on disposal of assets	130	28	130	28
Net gain from fair value adjustment on investment property	62	-	62	-
Other income	54	126	54	126
TOTAL OTHER INCOME	3,947	3,294	3,947	3,294
d. Fee and commission expenses				
Switching and settlement	1,204	1,174	1,204	1,174
Visa and Bpay	1,196	1,328	1,196	1,328
Other	2,742	2,356	2,742	2,356
TOTAL FEE AND COMMISSION EXPENSES	5,142	4,858	5,142	4,858
e. Impairment losses on financial assets				
Loans and advances to members				
Bad debts written off	120	185	120	185
Total impairment losses on loans to members	120	185	120	185
Other loans to non-members				
Bad debts written off - SocietyOne loans	20	14	20	14
Total impairment losses on loans to non-members	20	14	20	14
TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS	140	199	140	199

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
f. Employees' compensation and benefits				
Salaries and on costs	14,995	13,528	14,995	13,528
Superannuation costs	1,614	1,398	1,614	1,398
Directors' remuneration	411	392	411	392
Amounts set aside to provisions - employee entitlements	329	898	329	898
TOTAL EMPLOYEES' COMPENSATION AND BENEFITS	17,349	16,216	17,349	16,216
g. Depreciation and amortisation				
Buildings	325	436	325	436
Plant and equipment	262	237	262	237
Leasehold improvements (includes leasehold make good provision)	156	10	156	10
Intangibles	479	525	479	525
Right-of-use assets	993	904	993	904
TOTAL DEPRECIATION AND AMORTISATION	2,215	2,112	2,215	2,112
h. Other operating expenses				
Office occupancy	986	951	986	951
Other administration	1,941	2,139	1,941	2,139
Other operating expenses	1,723	1,341	1,723	1,341
TOTAL OTHER OPERATING EXPENSES	4,650	4,431	4,650	4,431
i. Auditor's remuneration (GST exclusive)				
Audit services				
- Audit of financial statements	179	171	179	171
- Taxation services	15	14	15	14
TOTAL AUDIT SERVICES	194	185	194	185
Non-audit services				
- APRA and AFSL assurance fees	59	52	59	52
TOTAL NON-AUDIT SERVICES	59	52	59	52
TOTAL AUDITOR'S REMUNERATION	253	237	253	237

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

4 INCOME TAX

a. The income tax expense comprises amounts set aside as:-				
Provision for income tax - current year	4,955	2,631	4,955	2,631
Under provision in prior years	560	16	560	16
(Increase)/decrease in deferred tax assets	(1,049)	232	(1,049)	232
Increase in deferred tax liabilities	328	-	328	-
TOTAL INCOME TAX EXPENSE	4,794	2,879	4,794	2,879
b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:				
Profit before tax	14,822	11,994	14,822	11,994
Prima facie tax payable on profit before income tax at 30% (2023:25%)	4,447	2,999	4,447	2,999
Add tax effect of expenses not deductible				
- Other non-deductible expenses	429	4	429	4
- Imputation adjustments	110	45	110	45
- Underprovided for prior year	560	16	560	16
Add Increase in deferred tax liabilities	328	-	328	-
Subtotal	5,874	3,064	5,874	3,064
Less:				
- Adjustments to recognise deferred tax assets	(694)	(6)	(694)	(6)
- Other non-assessable income	(19)	-	(19)	-
- Rebate on fully franked dividends	(367)	(179)	(367)	(179)
INCOME TAX EXPENSE ATTRIBUTABLE TO CURRENT YEAR PROFIT	4,794	2,879	4,794	2,879
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:	30,769	26,343	30,769	26,343

5 CASH AND CASH EQUIVALENTS

	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Cash on hand	304	310	304	310
Deposits at call	20,967	18,705	20,967	18,705
TOTAL CASH AND CASH EQUIVALENTS	21,271	19,015	21,271	19,015

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
6 RECEIVABLES				
Interest receivable on deposits with other financial institutions	3,847	3,410	3,847	3,410
Sundry debtors and settlement accounts	1,303	3,546	1,303	3,546
TOTAL RECEIVABLES	5,150	6,956	5,150	6,956

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
7 NON-CURRENT ASSETS HELD FOR SALE				
Buildings - at fair value	1,368	2,143	1,368	2,143
TOTAL NON-CURRENT ASSETS HELD FOR SALE	1,368	2,143	1,368	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 2024, the Castlereagh Street ($1,280,000) and the Clarence Street ($87,805) properties became held for sale. As at 30 June 2024, an independent valuation of the held for sale Castlereagh Street property was performed by Erin O'Keeffe API No. 105561 of Herron Todd White and the revaluation adjustment for the year ended 30 June 2024 was a devaluation of $120,000. During 2023, a Directors' valuation of the Clarence Street property was performed and the Board of Directors are satisfied that there is no revaluation adjustment for the year ended 30 June 2024 (2023:$88,911). During 2024, the Springwood ($1,850,000) and Parkes ($292,631) properties were sold. These properties are valued consistently with investment property as disclosed in Note 2(c).

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
8 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
- Securitisation Trust deposits	23,742	33,704	23,742	33,704
- Term deposits with Authorised deposit-taking Institutions (ADIs)	127,800	106,300	127,800	106,300
TOTAL RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	151,542	140,004	151,542	140,004

Included within the Securitisation Trust deposits at 30 June 2024 is the liquidity reserve $6,348,038 (2023: $8,491,446), the swap reserve $11,822,406 (2023: $13,793,776), the expense reserve $110,430 (2023: $110,355) and the collection account $5,460,965 (2023: $11,308,716) 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		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
9 CURRENT TAX ASSETS				
Income tax refundable	-	80	-	80
GST recoverable	553	172	553	172
TOTAL CURRENT TAX ASSETS	553	252	553	252
Current income tax refundable comprises:				
Provision for income tax receivable - previous year	80	839	80	839
Under statement in prior year	(560)	(16)	(560)	(16)
Amount paid/(recovered)	480	(823)	480	(823)
Income tax refundable	-	-	-	-
Provision for tax current year	(4,955)	(2,631)	(4,955)	(2,631)
Less: Instalments paid in current year	3,593	2,711	3,593	2,711
CURRENT INCOME TAX (LIABILITY)/ASSET	(1,362)	80	(1,362)	80

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
10 RIGHT-OF-USE ASSETS				
Balance at the beginning of the year	1,764	2,032	1,764	2,032
Additions (new lease)	671	635	671	635
Modifications/revaluations	33	1	33	1
Depreciation	(993)	(904)	(993)	(904)
Balance at the end of the year	1,475	1,764	1,475	1,764

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	1-3 years	2 years	2	-	6	3

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
11 INVESTMENT SECURITIES				
Investment securities measured at amortised cost				
- Negotiable certificates of deposit	174,148	194,865	174,148	194,865
- Floating rate notes	167,682	156,060	167,682	156,060
- Subordinated debt	1,000	1,000	1,000	1,000
TOTAL INVESTMENT SECURITIES	342,830	351,925	342,830	351,925

12 EQUITY SECURITIES

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Equity investments designated as at FVOCI				
- Cuscal Limited (refer note 35)	11,045	5,466	11,045	5,466
- TransAction Solutions Limited (trading as Experteq) (refer note 35)	3,709	3,335	3,709	3,335
- Shared Services Partners Pty Limited	40	40	40	40
TOTAL EQUITY INVESTMENTS	14,794	8,841	14,794	8,841

	CONSOLIDATED and PARENT
	$'000
Cuscal Limited	
Level 3 fair values	
Balance as at 1 July 2022	7,249
- Net change in fair value recognised in OCI (excluding tax impact)	(1,783)
Balance as at 30 June 2023	5,466
Balance as at 1 July 2023	5,466
- Net change in fair value recognised in OCI (excluding tax impact)	5,579
Balance as at 30 June 2024	11,045
TransAction Solutions Limited (trading as Experteq)	
Level 3 fair values	
Balance as at 1 July 2022	4,144
- Net change in fair value recognised in OCI (excluding tax impact)	(809)
Balance as at 30 June 2023	3,335
Balance as at 1 July 2023	3,335
- Net change in fair value recognised in OCI (excluding tax impact)	374
Balance as at 30 June 2024	3,709

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 Australian banks, mutuals, corporates and fintechs. The Bank holds shares in Cuscal to enable the Bank to receive essential banking services – refer also to Note 35. 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 investments often represent investments that the Bank intends to hold long term for strategic purposes. The fair value of these assets has been estimated using the last transaction price which the Bank considered a reasonable basis to estimate the fair value as at 30 June 2024 (2023: the fair value was estimated using the net tangible asset of the investee). 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 $1.10m.

b. TransAction Solutions Limited (trading as Experteq)

This company operates to service mutual banks, credit unions and other non-mutual bank customers. The Bank holds shares in TransAction Solutions to enable the Bank to receive essential core banking IT services – refer also to Note 35. The shares are able to be traded but within a market limited to other TransAction Solutions 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 investments 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. 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 $0.37m.

13 INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Computer software	4,860	4,652	4,860	4,652
Less accumulated amortisation	(4,490)	(4,011)	(4,490)	(4,011)
TOTAL INTANGIBLE ASSETS	370	641	370	641
Movement in the carrying amount of intangible assets during the year were:				
Balance at the beginning of the year	641	905	641	905
Purchases	208	261	208	261
Less				
Amortisation charge	(479)	(525)	(479)	(525)
Balance at the end of the year	370	641	370	641

14 LOANS AND ADVANCES

		CONSOLIDATED		PARENT	
		2024	2023	2024	2023
		$'000	$'000	$'000	$'000
a.	**Amount due comprises:**				
	Overdrafts and revolving credits	17,490	18,042	17,490	18,042
	Term loans	1,257,107	1,153,465	1,257,107	1,153,465
	SocietyOne loans	18	196	18	196
	LeasePlus leases	6,684	3,503	6,684	3,503
	Subtotal	1,281,299	1,175,206	1,281,299	1,175,206
	Less:				
	Unamortised loan origination fees and transaction costs	(36)	(139)	(36)	(139)
	Unearned income	(25)	(13)	(25)	(13)
	Subtotal	1,281,238	1,175,054	1,281,238	1,175,054
	Less:				
	Provision for loan losses (Note 15)	(5,287)	(5,287)	(5,287)	(5,287)
	NET LOANS AND ADVANCES	1,275,951	1,169,767	1,275,951	1,169,767
b.	**Credit Quality - type of security held**				
	Secured by mortgage over business assets	9,733	15,548	9,733	15,548
	Secured by mortgage over real estate	1,239,949	1,126,466	1,239,949	1,126,466
	Partly secured by goods mortgage	14,228	11,325	14,228	11,325
	Wholly unsecured	17,389	21,867	17,389	21,867
	TOTAL LOANS	1,281,299	1,175,206	1,281,299	1,175,206

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	
	2024	2023	2024	2023
	$'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%	1,099,656	967,378	1,099,656	967,378
- loan to valuation ratio of less than 80% with home guarantee scheme	509	1,581	509	1,581
- loan to valuation ratio of more than 80% with mortgage insurance	51,853	78,575	51,853	78,575
- loan to valuation ratio of more than 80% with home guarantee scheme	68,786	62,529	68,786	62,529
- loan to valuation ratio of more than 80% and less than 90% and not mortgage insured	19,145	16,403	19,145	16,403
	1,239,949	1,126,466	1,239,949	1,126,466

c. **Concentration of loans**

The loan balances outlined below represent the total loan exposure as at 30 June 2024 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	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
New South Wales	1,008,099	1,005,926	1,008,099	1,005,926
ACT	19,504	18,563	19,504	18,563
Victoria	110,316	57,238	110,316	57,238
Queensland	98,229	67,805	98,229	67,805
Other	45,151	25,674	45,151	25,674
TOTAL	1,281,299	1,175,206	1,281,299	1,175,206

(iii) Loans by purpose were:

Loans to natural persons				
Residential loans and facilities	1,233,359	1,120,179	1,233,359	1,120,179
Personal loans, overdrafts and revolving credits	29,718	33,489	29,718	33,489
SocietyOne loans	18	196	18	196
LeasePlus leases	6,684	3,503	6,684	3,503
	1,269,779	1,157,367	1,269,779	1,157,367
Loans to corporations				
Business loans and facilities	11,520	17,839	11,520	17,839
TOTAL	1,281,299	1,175,206	1,281,299	1,175,206

Included as part of the loans as at 30 June 2024 were securitised loans of $304,984,661 (2023: $387,822,411) 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.

d. Fair value of loans

	CONSOLIDATED		PARENT	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Level 3 Reconciliation				
Balance at the beginning of the year	1,155,402	1,213,787	1,155,402	1,213,787
Movement in loans and advances in the financial year	116,503	(58,385)	116,503	(58,385)
Balance at the end of the year	1,271,905	1,155,402	1,271,905	1,155,402

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.

15 PROVISION FOR LOAN LOSSES

	CONSOLIDATED and PARENT			
2024	**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2023	4,741	320	226	5,287
Transfers to stage 1	-	-	-	-
Changes in credit risk, balances and overlay	(794)	425	369	-
Balance at 30 June 2024	3,947	745	595	5,287

	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

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

	CONSOLIDATED and PARENT							
2024	**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	17,251	317	57	19	182	122	17,490	458
Term loans	1,251,171	3,484	5,344	726	592	472	1,257,107	4,682
SocietyOne loans	16	2	-	-	2	1	18	3
LeasePlus leases	6,684	144	-	-	-	-	6,684	144
Balance at 30 June 2024	1,275,122	3,947	5,401	745	776	595	1,281,299	5,287

2023	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		PARENT	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due not impaired	1,254,752	1,162,027	1,254,752	1,162,027
Past due but not impaired	25,771	12,882	25,771	12,882
Impaired	776	297	776	297
TOTAL	1,281,299	1,175,206	1,281,299	1,175,206
Gross loans and advances which are past due but not impaired				
1-30 days	16,343	9,804	16,343	9,804
31- 60 days	2,120	698	2,120	698
61-90 days	3,281	260	3,281	260
> 90 days	4,027	2,120	4,027	2,120
TOTAL	25,771	12,882	25,771	12,882

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 2024 ($5.29 million at 30 June 2023).

The Bank segments its credit portfolio into representative groupings which are based on shared risk characteristics when assessing ECL. Exposures are monitored for potential indicators of default. Forward looking information is incorporated in the determination of ECL allowances by analysing historical data and applying professional judgement in determining predictive outcomes. The ECL reported by the Bank is considered a best estimate in the current environment and the Bank continues to closely monitor and measure the ECL provision with appropriate adjustments and professional judgement applied. Refinement of ECL outlooks includes benchmarking to external data from reputable sources including but not limited to forecasts published from economists and official data sources.

The rate of inflation is moderating but does remain elevated and movements in the official cash interest rates have contributed to 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 increased the Upside risk from 5% to 12%, maintained the Base risk at 50% and amended the Downside risk from 45% to 38%. The probability of default and loss given default weighting for downside risk was also reviewed 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 2024 of upside 12%, base case 50% and downside 38% 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. Consideration in the current period has been the continued uncertainty regarding implications of geopolitical events, inflationary pressures and the changes in monetary policy.
In assessing this the Bank has made adjustments to the underlying scenario forecasts.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

16 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2024 $'000	CONSOLIDATED 2023 $'000	PARENT 2024 $'000	PARENT 2023 $'000
Land and buildings at fair value	20,695	21,171	20,695	21,171
Less: accumulated depreciation	(1,195)	(1,431)	(1,195)	(1,431)
Total land and buildings	19,500	19,740	19,500	19,740
Plant and equipment - at cost	3,381	3,318	3,381	3,318
Less: accumulated depreciation	(2,734)	(2,750)	(2,734)	(2,750)
Total plant and equipment	647	568	647	568
Capitalised leasehold Improvements at cost	1,792	1,990	1,792	1,990
Less: accumulated depreciation	(1,475)	(1,680)	(1,475)	(1,680)
	317	310	317	310
Leasehold make good asset	348	377	348	377
Less: accumulated amortisation	(198)	(203)	(198)	(203)
	150	174	150	174
Total leasehold improvements and make good	467	484	467	484
TOTAL PROPERTY, PLANT AND EQUIPMENT	20,614	20,792	20,614	20,792

Movement in carrying value of property plant and equipment:

CONSOLIDATED and PARENT

	2024				2023			
	Property at fair value	Plant and equipment	Leasehold	Total	Property at fair value	Plant and equipment	Leasehold	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the year	19,740	568	484	20,792	20,068	417	395	20,880
Revaluation adjustment	233	-	-	233	-	-	-	-
Purchases in the year	-	341	141	482	120	440	153	713
Total	19,973	909	625	21,507	20,188	857	548	21,593
Less								
Transfer to held for sale assets	(89)	-	-	(89)	-	-	-	-
Transfer to investment property	(59)	-	-	(59)	-	-	-	-
Assets disposed	-	-	(2)	(2)	(12)	(52)	(54)	(118)
Depreciation charge	(325)	(262)	(156)	(743)	(436)	(237)	(10)	(683)
Balance at the end of the year	19,500	647	467	20,614	19,740	568	484	20,792

As at 30 June 2024, an independent valuation of the land and buildings was performed and the revaluation adjustment for the year ended 30 June 2024 was $232,975. The fair value measurement during 2024 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 valuation techniques used for the property are the market approach using the net market rent, comparable market price and the capitalisation rate. (2023: Directors' valuation using the net market rent, comparable market price and the capitalisation rate). The revaluation adjustments of property are booked through Other Comprehensive Income.

Property categorised as Property, plant and equipment 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 2024, the Clarence Street, Sydney ($87,805) property previously categorised in property, plant and equipment became held for sale.

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Building location	Valuation amount	Valuation Technique 2024	Valuer 2024
59 Buckingham Street, Surry Hills NSW 2010	$12,500,000	Market and Income Approach.	Keen Property Pty Ltd Kathryn M Kendall Dziura AAPI,LREA Certified Practising Valuer No. 75974 Darren M Keen AAPI,LREA Certified Practising Valuer No. 67676
Lot 1, 18 Third Avenue, Blacktown NSW 2148	$7,000,000	Direct Comparison & Capitalisation.	Herron Todd White Andrew Tran AAPI / Certified Practising Valuer API No. 101178 Jerrard Fairhurst Quality Assurance Director AAPI / Certified Practising Valuer API No. 68154

	CONSOLIDATED		PARENT	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
17 INVESTMENT PROPERTY				
Buildings - at fair value opening balance	6,242	8,385	6,242	8,385
Fair value adjustment during the year	209	-	209	-
Transfer from property, plant and equipment	59	-	59	-
Transfer to held for sale assets	(1,400)	(2,143)	(1,400)	(2,143)
TOTAL INVESTMENT PROPERTY	5,110	6,242	5,110	6,242

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.

As at 30 June 2024, an independent valuation of the investment property was performed and the revaluation adjustment for the year ended 30 June 2024 was $208,617. 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 valuation techniques used for the property were the market approach using the net market rent, comparable market price and the capitalisation rate. (2023: Directors' valuation using the net market rent, comparable market price and the capitalisation rate).
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 2024, the Castlereagh Street, Sydney ($1,280,000) property became held for sale.

Building location	Valuation amount	Valuation Technique 2024	Valuer 2024
138 Waterloo Road, Greenacre NSW 2190	$2,460,000	Direct Comparison & Capitalisation.	Herron Todd White Andrew Tran AAPI / Certified Practising Valuer API No. 101178 Ian Walker Associate Director - Commercial & Quality Assurance AAPI / Certified Practising Valuer API No. 69858
Lot 53/5 Aird Street, Parramatta NSW 2150	$1,310,000	Direct Comparison & Capitalisation.	Herron Todd White Andrew Tran AAPI / Certified Practising Valuer API No. 101178 Jerrard Fairhurst Quality Assurance Director AAPI / Certified Practising Valuer API No. 68154
Lot 54/5 Aird Street, Parramatta NSW 2150	$1,340,000	Direct Comparison & Capitalisation.	Herron Todd White Andrew Tran AAPI / Certified Practising Valuer API No. 101178 Ian Walker Associate Director - Commercial & Quality Assurance AAPI / Certified Practising Valuer API No. 69858

18 CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Creditors and accruals	9,769	5,772	9,769	5,772
Interest payable on deposits	8,115	5,365	8,115	5,365
Interest payable on borrowings	513	51	513	51
Accrual for GST payable	462	82	462	82
Sundry creditors	1,651	1,542	1,651	1,542
TOTAL CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS	20,510	12,812	20,510	12,812

19 BORROWINGS

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
RBA Term Funding Facility	-	23,501	-	23,501
Negotiable certificates of deposit issued	70,641	-	70,641	-
TOTAL BORROWINGS	70,641	23,501	70,641	23,501

With respect to the $23.5m of outstanding TFF borrowings as at financial year 2023 these borrowings have been repaid in full during financial year 2024.

The negotiable certificates of deposit are issued by Australian Mutual Bank Ltd.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

20 DEPOSITS FROM MEMBERS

Member deposits				
- at call	1,043,057	1,022,341	1,043,057	1,022,341
- term	485,821	465,105	485,821	465,105
Member withdrawable shares	176	188	176	188
TOTAL DEPOSITS AND SHARES	1,529,054	1,487,634	1,529,054	1,487,634

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	1,433,601	1,397,429	1,433,601	1,397,429
ACT	9,334	8,325	9,334	8,325
Victoria	23,895	20,718	23,895	20,718
Queensland	30,655	29,890	30,655	29,890
Other	31,569	31,272	31,569	31,272
TOTAL	1,529,054	1,487,634	1,529,054	1,487,634

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

21 CURRENT TAX LIABILITIES

Income tax payable/(refundable) (refer note 9)	-	(80)	-	(80)
Current income tax refundable comprises:				
Provision for income tax receivable - previous year	(80)	(839)	(80)	(839)
Under statement in prior year	560	16	560	16
Amount (paid)/recovered	(480)	823	(480)	823
Income tax refundable	-	-	-	-
Provision for tax current year	4,955	2,631	4,955	2,631
Less: Instalments paid in current year	(3,593)	(2,711)	(3,593)	(2,711)
CURRENT INCOME TAX LIABILITY/(ASSET)	1,362	(80)	1,362	(80)

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

22 LEASE LIABILITIES

Lease liabilities				
Current	972	856	972	856
Non-current	537	937	537	937
TOTAL LEASE LIABILITIES	1,509	1,793	1,509	1,793
Balance at the beginning of the year	1,793	2,437	1,793	2,437
Additions (new lease)	671	635	671	635
Payments for leases	(1,073)	(1,348)	(1,073)	(1,348)
Interest expense	85	63	85	63
Modifications	33	6	33	6
Balance at the end of the year	1,509	1,793	1,509	1,793

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

23 PROVISIONS

Long service leave	3,876	3,786	3,876	3,786
Annual leave	1,308	1,266	1,308	1,266
Other provisions	787	1,065	787	1,065
TOTAL PROVISIONS	5,971	6,117	5,971	6,117
Movement in provision for long service leave				
Balance at the beginning of the year	3,786	4,150	3,786	4,150
Additional provision recognised	205	465	205	465
Amounts utilised during the year	(115)	(829)	(115)	(829)
Balance at the end of the year	3,876	3,786	3,876	3,786
Movement in provision for annual leave				
Balance at the beginning of the year	1,266	1,334	1,266	1,334
Additional provision recognised	100	126	100	126
Amounts utilised during the year	(58)	(194)	(58)	(194)
Balance at the end of the year	1,308	1,266	1,308	1,266
Movement in provision for other provisions				
Balance at the beginning of the year	1,065	2,055	1,065	2,055
Additional provision recognised	75	347	75	347
Amounts utilised during the year	(353)	(1,337)	(353)	(1,337)
Balance at the end of the year	787	1,065	787	1,065
TOTAL PROVISIONS	5,971	6,117	5,971	6,117

24 DEFERRED TAX LIABILITY

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Deferred tax liability	9,519	6,995	9,519	6,995
Less:				
Deferred tax asset	5,087	3,595	5,087	3,595
TOTAL DEFERRED TAX LIABILITY	4,432	3,400	4,432	3,400
Total deferred tax liability comprises:				
Revaluation of assets at fair value through OCI and investment properties through profit or loss	9,076	6,995	9,076	6,995
Right-of-use assets	443	529	443	529
Total deferred tax liability	9,519	7,524	9,519	7,524
Less:				
Provisions for employee benefits	1,624	1,365	1,624	1,365
Provisions for impairment on loans	1,586	1,322	1,586	1,322
Depreciation on fixed assets	1,156	600	1,156	600
Lease liabilities	453	538	453	538
Accrued expenses not deductible until incurred	138	162	138	162
Other	130	137	130	137
Total deferred tax asset	5,087	4,124	5,087	4,124
NET DEFERRED TAX LIABILITY	4,432	3,400	4,432	3,400

25 RESERVES

	CONSOLIDATED and PARENT					
	Capital Reserve	Asset Revaluation Reserve	Equity Investments Revaluation Reserve	General Reserve	Transfer of Business Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	1,461	9,750	3,698	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	9,750	1,754	14,041	86,648	113,671
Balance at 1 July 2023	1,478	9,750	1,754	14,041	86,648	113,671
Fair value through other comprehensive income	-	163	4,298	-	-	4,461
Transfer from retained earnings on share redemption	12	-	-	-	-	12
Transfer to retained earnings on sale of investment property	-	(1,597)	-	-	-	(1,597)
Total at 30 June 2024	1,490	8,316	6,052	14,041	86,648	116,547

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 building valuations net of deferred tax liability. For buildings the fair value includes the cumulative net change in fair value, net of applicable income tax. The asset revaluation reserve included in equity in respect of an item of land and buildings is transferred directly to retained earnings when the asset is disposed.

Equity Investments Revaluation Reserve

This comprises the cumulative net changes in the fair value of investments in equity 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.

General Reserve

This general reserve was created into which funds were allocated for the business of the Bank. The funds may be used for the business of the Bank subject that the funds must not be distributed to members except upon the winding up of the Bank.

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.

26 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 (or their delegate) 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 APS 116. The Bank is only exposed to interest rate risk arising from the structural balance sheet position, which is an inherent risk associated with interest-bearing positions such as deposit and funding sourced by the treasury department (i.e. interest-bearing liabilities), and loan and liquid investment (i.e. interest-bearing assets). 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) arises 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 29 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

	2024	**2023**
As at 30 June	0.38%	0.68%
Average for the year	0.58%	0.77%
Minimum during the year	0.38%	0.13%
Maximum during the year	0.75%	1.87%

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.

With respect to the $23.5m of outstanding TFF borrowings as at financial year 2023 these have been repaid in full during financial year 2024. The Bank commenced issuing short-term wholesale funding in the form of Negotiable Certificate of Deposits (NCDs) after the fourth quarter of 2023. This provides an alternative source of funding which complements the current suite of deposit products available to members.

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 Standard APS 210 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 Limited (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 32. 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 27. The ratio of liquid funds over the past year is set out below:

	CONSOLIDATED and PARENT	
	2024	**2023**
Minimum Liquidity Holdings (MLH)	$386,998,729	$393,317,693
MLH Ratio		
As at 30 June	21.86%	23.86%
Average for the year	23.78%	22.71%
Minimum during the year	21.05%	21.17%
Maximum during the year	26.13%	24.08%
Total Liquid Investments	$495,748,435	$480,650,011
Total Liquidity Ratio		
As at 30 June	28.00%	29.15%
Average for the year	29.02%	26.68%
Minimum during the year	26.43%	25.02%
Maximum during the year	31.37%	29.20%

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					
	2024	**2024**	**2024**	**2023**	**2023**	**2023**
	Carrying value	**Commitments**	**Max exposure**	**Carrying value**	**Commitments**	**Max exposure**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Mortgage	1,233,359	125,942	1,359,301	1,120,179	106,843	1,227,022
Personal loans, overdrafts and revolving credits	36,420	49,116	85,536	37,188	50,236	87,424
Total to natural persons	1,269,779	175,058	1,444,837	1,157,367	157,079	1,314,446
Corporate borrowers	11,520	10,346	21,866	17,839	5,688	23,527
Total	1,281,299	185,404	1,466,703	1,175,206	162,767	1,337,973

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 31.

All loans and facilities are within Australia. The geographic distribution is detailed 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 Statements of Profit or Loss and Other 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 per cent 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 APS 112), 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 Limited, 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 APS 221 large exposure requirement), lower limits apply to individual ADI counterparty rated Credit Risk Grade 3 and Unrated. 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 APS 112. 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 2024				
	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	-	18,432	18,432	-	-
Grade 2 – rated below AA- to A-	23,003	179,947	202,950	-	-
Grade 3 – rated below A- to BBB-	108,769	145,799	254,568	-	-
Unrated Approved Deposit-taking institutions	15,066	27,162	42,228	-	-
Total	146,838	371,340	518,178	-	-

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	-	-

(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 2024 amounted to $3,642,355 (30 June 2023: $1,904,256).

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.

Capital resources

Tier 1 capital

The Tier 1 Capital of the Bank comprises:

- Retained profits
- Realised reserves
- Asset revaluation reserve on properties and equity investments reserve

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	
	2024	**2023**
	$'000	**$'000**
Tier 1 Common equity capital		
Capital reserve account	1,490	1,478
Asset revaluation reserve on properties and equity investments reserve	14,368	11,504
General reserves	14,041	14,041
Transfer of Business Reserve	86,648	86,648
Retained earnings	91,871	80,362
Total Fundamental Tier 1 capital	208,418	194,033
Less prescribed deductions	(16,370)	(10,539)
Tier 1 capital	192,048	183,494
Tier 2 capital		
Provisions eligible for inclusion in Tier 2 capital	3,947	4,741
Tier 2 capital	3,947	4,741
TOTAL CAPITAL	195,995	188,235

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:

2024	2023	2022	2021	2020
26.47%	25.07%	21.12%	20.67%	21.53%

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.

Capital on operational risk

Operational Risk is calculated using 10% of credit risk weighted assets.

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

Operational risk capital $67,324,435 (2023: $68,244,770)

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.

27 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						
2024	**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	21,271	20,967	-	-	-	-	304	21,271
Receivables	5,150	2,588	1,137	636	780	9	-	5,150
Due from other financial institutions and investment securities	494,372	108,754	162,168	96,291	126,127	19,696	-	513,036
Equity investments	14,794	-	-	-	-	-	14,794	14,794
Loans and advances	1,281,299	23,150	18,235	80,674	411,968	1,623,961	-	2,157,988
Total financial assets	1,816,886	155,459	181,540	177,601	538,875	1,643,666	15,098	2,712,239
FINANCIAL LIABILITIES								
Creditors	20,510	13,593	2,713	4,068	136	-	-	20,510
Borrowings	70,641	28,717	41,276	994	-	-	-	70,987
Deposits from members – at call	1,043,233	1,043,057	-	-	-	-	176	1,043,233
Deposits from members – term	485,821	58,935	118,352	303,502	13,879	-	-	494,668
Lease liabilities	1,509	93	187	796	604	-	-	1,680
On statement of financial position	1,621,714	1,144,395	162,528	309,360	14,619	-	176	1,631,078
Undrawn commitments Note 31	-	-	-	-	-	-	185,404	185,404
Total financial liabilities	1,621,714	1,144,395	162,528	309,360	14,619	-	185,580	1,816,482

		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
Receivables	6,956	4,089	1,051	860	948	8	-	6,956
Due from other financial institutions and investment securities	491,929	52,028	117,867	160,713	157,904	23,822	-	512,334
Equity investments	8,841	-	-	-	-	-	8,841	8,841
Loans and advances	1,175,206	22,166	16,126	70,078	347,668	1,327,759	-	1,783,797
Total financial assets	1,701,947	96,988	135,044	231,651	506,520	1,351,589	9,151	2,330,943
FINANCIAL LIABILITIES								
Creditors	12,812	8,365	1,867	2,519	61	-	-	12,812
Borrowings	23,501	-	-	23,521	-	-	-	23,521
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
Lease liabilities	1,793	87	173	672	1,034	-	-	1,966
On statement of financial position	1,525,740	1,100,018	147,524	275,979	8,318	-	188	1,532,027
Undrawn commitments Note 31	-	-	-	-	-	-	162,767	162,767
Total financial liabilities	1,525,740	1,100,018	147,524	275,979	8,318	-	162,955	1,694,794

28 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 and lease payments for property due 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					
	2024			2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	21,271	-	21,271	19,015	-	19,015
Receivables	4,361	789	5,150	6,000	956	6,956
Due from other financial institutions and investment securities	363,459	130,913	494,372	326,097	165,832	491,929
Equity investments	-	14,794	14,794	-	8,841	8,841
Loans and advances	55,767	1,225,532	1,281,299	57,335	1,117,871	1,175,206
Total financial assets	444,858	1,372,028	1,816,886	408,447	1,293,500	1,701,947
FINANCIAL LIABILITIES						
Creditors	20,374	136	20,510	12,751	61	12,812
Borrowings	70,641	-	70,641	23,501	-	23,501
Deposit from members - at call	1,043,057	176	1,043,233	1,022,341	188	1,022,529
Deposit from members - term	472,790	13,031	485,821	458,202	6,903	465,105
Lease liabilities	972	537	1,509	856	937	1,793
Total financial liabilities	1,607,834	13,880	1,621,714	1,517,651	8,089	1,525,740

29 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, short-term and long-term investments and fixed rate loans) or after adequate notice is given (variable loans and savings) or when the lease liability is remeasured if there is a change in the lease. 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					
2024	**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	20,967	-	-	-	304	21,271
Receivables	1,829	1,631	189	198	1,303	5,150
Due from other financial institutions and investment securities	177,371	256,581	42,038	18,382	-	494,372
Equity investments	-	-	-	-	14,794	14,794
Loans and advances	769,304	45,955	197,572	268,468	-	1,281,299
Total financial assets	969,471	304,167	239,799	287,048	16,401	1,816,886
FINANCIAL LIABILITIES						
Creditors	1,711	2,713	4,068	136	11,882	20,510
Borrowings	28,660	41,006	975	-	-	70,641
Deposits from members	1,101,880	117,467	296,500	13,031	176	1,529,054
Lease liabilities	-	-	-	-	1,509	1,509
On statement of financial position	1,132,251	161,186	301,543	13,167	13,567	1,621,714
Undrawn loan commitments Note 31	-	-	-	-	185,404	185,404
Total financial liabilities	1,132,251	161,186	301,543	13,167	198,971	1,807,118

	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
Receivables	1,092	1,567	721	30	3,546	6,956
Due from other financial institutions and investment securities	133,958	218,889	133,322	5,760	-	491,929
Equity investments	-	-	-	-	8,841	8,841
Loans and advances	606,354	40,191	208,962	319,699	-	1,175,206
Total financial assets	760,109	260,647	343,005	325,489	12,697	1,701,947
FINANCIAL LIABILITIES						
Creditors	969	1,867	2,519	61	7,396	12,812
Borrowings	-	-	23,501	-	-	23,501
Deposits from members	1,091,467	144,603	244,473	6,903	188	1,487,634
Lease liabilities	-	-	-	-	1,793	1,793
On statement of financial position	1,092,436	146,470	270,493	6,964	9,377	1,525,740
Undrawn loan commitments Note 31	-	-	-	-	162,767	162,767
Total financial liabilities	1,092,436	146,470	270,493	6,964	172,144	1,688,507

30 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 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					
	2024			2023		
	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	494,751	494,372	2	491,382	491,929	2
Equity investments	14,794	14,794	3	8,841	8,841	3
Gross loans and advances	1,271,905	1,281,299	3	1,155,402	1,175,206	3
FINANCIAL LIABILITIES						
Borrowings	70,658	70,641	2	23,501	23,501	2
Deposit from members	1,530,001	1,529,054	2	1,487,593	1,487,634	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 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 Cuscal Limited are valued using the last transaction price and equity investments in TransAction Solutions Limited (trading as Experteq) 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 to maturity.

Borrowings

The quoted gross price was used to calculate debt securities. The fair value of issued debt securities, borrowings and loan capital is based on quoted prices in active markets, where available. Where quoted prices are not available the fair value is based on discounted cash flows using the market rates that correspond to the residual term to maturity, and (where applicable) the prevailing credit rating of the Bank.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000

31 FINANCIAL COMMITMENTS

	CONSOLIDATED 2024 $'000	CONSOLIDATED 2023 $'000	PARENT 2024 $'000	PARENT 2023 $'000
a. Outstanding loan commitments				
The loans approved but not funded	19,932	3,575	19,932	3,575
b. Loan redraw facilities				
The loan redraw facilities available	113,533	108,042	113,533	108,042
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	69,429	69,192	69,429	69,192
Less: amount advanced	(17,490)	(18,042)	(17,490)	(18,042)
Net undrawn value	51,939	51,150	51,939	51,150
Total financial commitments	185,404	162,767	185,404	162,767

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

d. Material service contract commitments

As referred to in Note 35, the Bank has a management contract with TransAction Solutions Limited (trading as Experteq), Ultradata Australia Pty Limited and Cuscal Limited. TransAction Solutions supplies computer support staff and services to meet the day to day needs of the Bank and compliance with the relevant Prudential Standards, Ultradata provides and maintains the core banking system application software utilised by the Bank and Cuscal provides the Bank transactional switching and settlement services with Cuscal.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
The costs committed under these contracts are as follows:				
Not later than one year	5,462	1,667	5,462	1,667
Later than 1 year but not 2 years	4,659	3,439	4,659	3,439
Later than 2 years but not 5 years	9,832	2,431	9,832	2,431
	19,953	7,537	19,953	7,537

e. Future capital commitments

The Bank has entered into contracts to purchase plant and equipment and intangible assets.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
The costs committed under these contracts are as follows:				
Not later than one year	743	419	743	419
Later than 1 year but not 2 years	154	14	154	14
	897	433	897	433

32 STANDBY BORROWING FACILITIES

The Bank has borrowing facilities as follows:

2024	**CONSOLIDATED and PARENT**		
		Current	**Net**
	Gross	**Borrowing**	**Available**
	$'000	**$'000**	**$'000**
Overdraft Facility	4,000	-	4,000
TOTAL STANDBY BORROWING FACILITIES	4,000	-	4,000

2023	**CONSOLIDATED and PARENT**		
		Current	**Net**
	Gross	**Borrowing**	**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 Limited 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 entire balance was repaid during the financial year 2024.

33 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 2024 amounted to $3,642,355 (30 June 2023 $1,904,256).

34 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 (2023: 8) and 6 (2023: 5) members of Executive Management as at 30 June 2024 responsible for the day to day financial and operational management of the Bank. During the year 1 Executive Manager was appointed. (2023: 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	
	2024	2023	2024	2023
	Directors & Other KMP	Directors & Other KMP	Directors & Other KMP	Directors & Other KMP
	$'000	$'000	$'000	$'000
i) Short-term employee benefits*	2,199	2,136	2,199	2,136
ii) Post-employment benefits - superannuation contributions	206	188	206	188
iii) Other long-term benefits – net increases in long service leave and annual leave and personal leave provision	125	130	125	130
iv) Termination benefits	-	1,350	-	1,350
Total	2,530	3,804	2,530	3,804

* Short-term benefits include movements in annual leave entitlements expected to be used within 12 months.

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, 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 held on 29 November 2023.

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
b. Loans to Directors and other KMP				
(i) The aggregate value of loans and revolving credit facilities to KMP	908	841	908	841
(ii) The total value of revolving credit facilities to KMP	195	190	195	190
Less amounts drawn down and included in (i)	(1)	(1)	(1)	(1)
Net balance available	194	189	194	189
(iii) During the year the aggregate value of loans disbursed to KMP amounted to:				
Term loans	271	-	271	-
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	29	77	29	77
(v) Interest and other income earned on loans and revolving credit facilities to KMP	34	24	34	24

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 members 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.

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

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Total value term and savings deposits from KMP	1,769	1,890	1,769	1,890
Total interest paid on deposits to KMP	53	23	53	23

The KMP note includes individuals who had an Accountability Statement under the Financial Accountability Regime Act 2023.

35 OUTSOURCING ARRANGEMENTS

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

a. Cuscal Limited

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.

Cuscal also supplies financial banking services to the Bank including money market and treasury facilities. The Bank maintains security deposits with Cuscal to comply with the settlement exposure cover.

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 (trading as Experteq)

The Bank has outsourced IT systems management to TransAction Solutions 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 TransAction Solutions. 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.

36 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 one 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.

37 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	
	2024	**2023**
	$'000	**$'000**
Carrying amount of transferred assets	304,985	387,822
Carrying amount of associated liabilities	(304,985)	(387,822)
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	304,985	387,822
Fair value of transferred liabilities	(304,985)	(387,822)
Net position	-	-

38 NOTES TO STATEMENT OF CASH FLOWS

	CONSOLIDATED		PARENT	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
a. Reconciliation of cash and cash equivalents				
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:				
Cash on hand	304	310	304	310
Deposits at call	20,967	18,705	20,967	18,705
Total Cash and cash equivalents	21,271	19,015	21,271	19,015

	CONSOLIDATED		PARENT	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
b. Reconciliation of cash from operations to accounting profit				
The net cash from operating activities is reconciled to the operating profit after tax:				
Profit after income tax	10,028	9,115	10,028	9,115
Non-cash adjustments to reconcile profit after tax to net cash flows from operations:				
Net gain from fair value adjustment on investment property	(62)	-	(62)	-
Adjustments for:				
Bad debts written off expenses	140	199	140	199
Net interest on loans and advances	(91)	(33)	(91)	(33)
Depreciation expense and amortisation	2,215	2,112	2,215	2,112
Adjustment for lease outgoings	-	5	-	5
(Gain)/loss on disposal of property, plant and equipment and investment property	(128)	11	(128)	11
Net changes in assets and liabilities				
Increase/(decrease) in provisions	(146)	(1,422)	(146)	(1,422)
Increase in creditor accruals and settlement accounts	4,568	1,127	4,568	1,127
Increase/(decrease) in GST payable	380	(12)	380	(12)
Increase in interest payable	2,835	4,824	2,835	4,824
Increase in prepayments	(25)	(99)	(25)	(99)
Increase in interest receivable	(437)	(2,600)	(437)	(2,600)
Decrease/(increase) in sundry debtors and other receivables	2,243	(1,093)	2,243	(1,093)
Increase in current income Tax	1,442	759	1,442	759
(Increase)/decrease in GST recoverable	(381)	21	(381)	21
Increase in deferred tax liabilities	328	-	328	-
(Increase)/decrease in deferred tax assets	(1,049)	232	(1,049)	232
(Increase)/decrease in loan balances	(106,233)	64,009	(106,233)	64,009
Increase/(decrease) in member deposits and shares	41,420	(59,471)	41,420	(59,471)
Net cash from operating activities	(42,953)	17,684	(42,953)	17,684

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 in subsequent years, the opertations or state of affairs of Australian Mutual Bank.

40 CORPORATE INFORMATION

Australian Mutual Bank Ltd is a company limited by shares and 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

CONSOLIDATED ENTITY DISCLOSURE STATEMENTS
for the Year Ended 30 June 2024

Entity name	Body corporate or trust	Place incorporated/ formed	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident	Jurisdiction for Foreign tax resident
Australian Mutual Bank Ltd	Body corporate	Australian	N/A	Australian	N/A
SCU Trust No.1	trust	Australian	N/A	Australian	N/A

The Consolidated Entity consists 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”).

Key assumptions and judgements

Determination of Tax Residency
Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, “Australian resident” has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency
The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation’s public guidance in Tax Ruling TR 2018/5.

Trusts
Australian tax law does not contain specific residency tests for trusts. Generally, these entities are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax. Additional disclosures on the tax status of and trusts have been provided where relevant.

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 11 to 55 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 2024 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) the Consolidated entity disclosure statement as at 30 June 2024 set out on page 55 is true and correct;

and

(c) 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

Sydney, 25 September 2024

A Claassens
Deputy Chair

Sydney, 25 September 2024

KPMG

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 gives a true and fair view, including the Bank and the ***Group***'s financial position as at 30 June 2024 and of their financial performance for the year then ended, in accordance with the *Corporations Act 2001,* in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statements of financial position as at 30 June 2024.
- 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 material accounting policies
- Directors' Declaration.

The ***Group*** consists of the Bank and the entities 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 report 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 in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Bank and Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Bank and the Group, and that is free from material misstatement, whether due to fraud or error
- assessing the Bank and the Group'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 Bank and the Group 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: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our Auditor's Report.

KPMG

KPMG

Quang Dang

Quang Dang

Partner

Sydney

25 September 2024

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 MUTUAL BANK

www.australianmutual.bank

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2024 Annual Report of
Australian Mutual Bank Ltd ABN 93 087 650 726,
AFSL 236476, Australian credit license 236476

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2010