Annual Report 2024

FY24 Financial and Operational Snapshot.

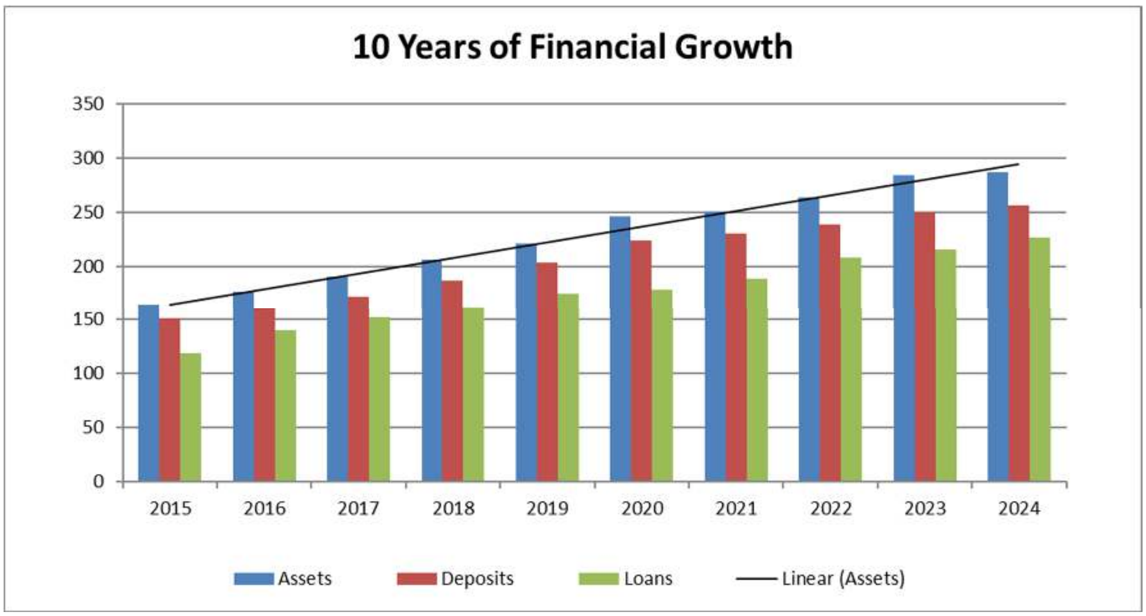
Profit after Tax $963,590 Total Loan Growth 5.0%

Return on Assets 0.34% Total Deposit Growth 2.4%

Capital Ratio 17.58% Total Assets $286.5m

Liquidity Ratio 19.6% Membership 8,671

10 Year Performance Graph



Overview

First Option Bank had a very successful FY24, delivering a strong financial result along with continued high quality member services. New products and improvements in technology were implemented, benefitting both members and staff.

Strong competition for deposits and loans continued throughout the year. The Bank's strategic initiative to implement a low interest rate Simple Mortgage product allowed First Option to strongly compete in the mortgage loan market, resulting in solid growth over the year.

Member withdrawals from At Call Deposit Accounts during the year were above normal trading levels reflecting member cost of living pressures, post COVID-19 adjustments and industry competition generally. Growth in Total Deposits for FY24 was 2.4%.

The Bank's interest rate margin of 2.36% was slightly above last year's 2.26%. The upward movement during the year in deposit interest rates, particularly Term Deposits, softened the Bank's interest rate margin.

The year saw a more stable period for official interest rates, with the RBA only increasing the cash rate once by 0.25% to 4.35% in November 2023. At the time of writing this report, the cash rate remains at this level and speculation about potential interest rate reductions before the New Year is being dismissed by the RBA Governor due to inflation still being above the RBA's target level of 2 – 3%.

The property market continues to be impacted by ongoing supply issues, resulting in property prices increasing further during the year. Attempts by Federal and State Governments to stabilise the market have only been partially successful, with major challenges still remaining for first time homebuyers and renters trying to gain entry into the respective markets.

The implementation of new legislation and the review of existing legislation continued to be a major burden from a cost and staff resources viewpoint. Although good legislation is essential in the financial market, the application in a more proportional manner could be applied to smaller ADI's as opposed to being the same as a mid to large bank.

First Option, as a member owned Bank, will continue to assist members by providing high quality personalised services and other levels of support to ensure the wellbeing of members during these challenging times.

First Option is committed to protecting our mutual status and returning the benefits of mutuality to our Members and chosen community partners.

Prudential capital and liquidity ratios remain comfortably above statutory requirements at year-end.

Financial Performance

Total Assets increased by $2.1 million to $286.5 million, Total Loans increased by $11.0 million (5.1%) to $226.7 million and Total Deposits reached $255.9 million, up $6.1 million (2.4%).

Operating profit after income tax for the full year was $963,590 compared to the FY23 result of $1,220,706. Although below last year's profit, the result was pleasing considering the inflationary environment during the year, the cost of living pressures impacting depositors and borrowers and the strong competition in the financial markets.

Management of our cost base, prudent investment in technology innovation that benefits members and improving corporate processes continues to be a major focus of Directors.

Effective lending practices and debt control processes continue to ensure the Bank operates within a low bad debts/arrears environment. At year-end the Banks debt to loan ratio is below the industry average.

Members' Equity increased by $0.96 million to $18.4 million.

Directors remain focused on reinvesting the Bank's profits, ensuring a strong Balance Sheet that underpins the ongoing growth of the organisation and security of funds, as well as providing continuing value to Members.

As at financial year end the capital ratio was 17.58% (FY23 16.65%). Total liquidity was 19.6% (FY23 23.01%).

Operational Highlights

FY24 has been a busy year for First Option, with major achievements being:

- Providing high quality services and support to members, particularly mortgage loan holders impacted by both the high mortgage interest rates and financial difficulties caused by cost-of-living pressures.

- Core Banking Upgrade – this large and complex project was successfully implemented during the first quarter of FY24. The new Internet and Mobile Apps have been well received by members.

- Recognising the impact on members of elevated inflation and high mortgage loan interest rates, First Option endeavoured to ease these cost-of-living pressures, supporting members by offering high interest rates on Bonus Saving Accounts, a low interest rate credit card, a low interest rate Simple Mortgage Loan product and competitive interest rates across savings and term deposit products.

- In November '23, the Bank reviewed the award-winning Kids Bonus Saver product. As a consequence, a number of enhancements were made relating to the interest rate paid, the minimum monthly deposit amount required and the bonus interest tiers.

- A new product was introduced in February '24 for businesses. The Business Bonus Saver Account provides members with the ability to earn a high interest rate, subject to a minimum monthly deposit and a low number of withdrawals.

- Continued implementation, documenting and testing of systems to manage risk and compliance requirements within the ever-changing regulatory financial services framework.

- The Bank continues to invest in new customer service processes that will enable on-line real time interaction with members, better management of products and services and improve operational efficiencies.

- During the year, the Bank implemented major changes to its technology systems to enable members to benefit from improved security over data, further strengthening our fraud prevention controls. Sadly, scammers are continually finding ways to gain access to customer data that often leads to financial losses.

- The proposed Sydney office move from Parramatta to Granville did not eventuate; however favourable premises were located at Bankstown. The relocation of staff to the more comfortable and work-friendly office environment was completed in April 2024.

The Future

Looking forward, First Option has a clear focus for FY25, which is to drive growth, deliver competitive products, provide high quality services to our members via personalised service and to support user-friendly and secure technology platforms.

The Governor of the RBA continues to stress that the Board of Directors of the RBA does not expect the Australian economy to be improving sufficiently enough to allow an interest rate cut prior to year end. The slower than expected contraction of inflation is one of the main concerns of the RBA. In addition, recent GDP figures suggest the economy is barely growing and some economists are now predicting a mild recession in 2025.

As members continue to use digital channels as their preferred means of banking, First Option is committed to investing in systems and processes to ensure the safety and security of member data. This commitment and ongoing member education on how to avoid being a victim to scammers will lead to greater fraud prevention and cyber security protection.

During FY25, significant investment and staff resources will be committed to implement member friendly on-line loan application and membership application forms.

Cybercrime continues to be a major threat to businesses, particularly those within the financial and finance related environments. First Option recognises this threat and is developing and implementing a comprehensive cyber security program that identifies, mitigates and manages threats to ensure member's data and the Bank's technology systems are secure.

Directors continue to oversee the implementation of a positive workplace culture and the promotion of a safe and respectful work environment. Work is ongoing to ensure the Bank has the correct structure and processes in place to maintain this.

Appreciations

Along with my fellow directors, I would like to offer sincere thanks to Dean and our staff for their outstanding level of member service and contribution to the growth of the Bank during what has been another challenging year. Members appreciate your friendly approach to customer service and continue to provide positive feedback on the excellent service received.

At the 2023 Annual General Meeting, two additional directors were elected to the Board. The skills and experience that Cathryn Garrigan and Mathew Chivers bring to the Board will be invaluable to the future operation and growth of the Bank.

I also thank my fellow directors for their dedication and contribution to what has been a very successful and rewarding year.

Finally, I thank all our members for supporting First Option, as without this continuing support, the financial strength, quality member services and competitive products offered by your Bank could not be maintained.

Graeme Yeo
Chairman
September 2024

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Bank.

Review of Operations

The results of the Bank's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

Significant Changes in State Of Affairs

There were no significant changes in the state of the affairs of the bank during the financial 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 the operations, or state of affairs of the Bank in subsequent financial years.

Likely Developments and Results

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

- The operations of the Bank;
- The results of those operations; or
- The state of affairs of the Bank

in the financial years subsequent to this financial year. There are no likely developments in the Bank's operations in the future financial years.

Environmental legislation

First Option 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.

Auditors' Independence

The auditors have provided the declaration of independence to the board as prescribed by the Corporations Act 2001.

Mr Graeme Yeo	Mr Timothy Mathews
Chairman of the Board	Chairman of the Audit Committee

Signed and dated 24th September 2024

Grant Thornton

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Auditor's Independence Declaration

To the Directors of First Option Bank Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of First Option Bank Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

D M Scammell
Partner – Audit & Assurance

Melbourne, 24 September 2024

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Independent Auditor's Report

To the Members of First Option Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of First Option Bank Limited (the Company), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Company 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The directors of the Company are responsible for the preparation of:

a the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and

b the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this 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/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

D M Scammell
Partner – Audit & Assurance

Melbourne, 24 September 2024

Directors' Declaration

In the opinion of the directors of First Option Bank Ltd:

1. The financial statements and accompanying notes of the company are in accordance with the Corporations Act 2001, including:

    a. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b. giving a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The financial statements comply with International Financial Reporting Standards as stated in Note 2.

4. The information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

Chairman ______________________________

Mr Graeme Yeo

Dated this 24th day of September 2024.

Consolidated entity disclosure statement

First Option Bank does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001. The Company has determined that it does not control any entities based on the criteria for control under AASB 10 Consolidated Financial Statements (AASB 10).

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2024

	Note	2024 $	2023 $
Interest revenue	7.a	14,214,088	9,643,649
Interest expense	7.c	7,465,713	3,371,997
Net interest income		6,748,375	6,271,651
Other income	7.b	457,758	495,792
Net Income		7,206,133	6,767,443
Non interest expenses			
Impairment losses / (write back) on loans and advances	7.d	9,959	173,531
General administration			
- Employees compensation and benefits		2,234,703	1,945,879
- Depreciation and amortisation		314,599	117,816
- Information technology		1,987,077	1,688,325
- Office occupancy		97,318	92,211
- Other administration		211,200	237,609
Total general administration		4,844,897	4,081,840
Other operating expenses		1,051,833	893,541
Total non interest expenses		5,906,689	5,148,912
Operating Profit before Income Tax		1,299,444	1,618,531
Income tax expense	8	335,854	397,825
Operating Profit after Income Tax		963,590	1,220,706
Other Comprehensive Income		-	-
Total Comprehensive Income		963,590	1,220,706

This statement should be read in conjunction with the attached notes

Statement of Financial Position
as at 30 June 2024

	Note	2024 $	2023 $
ASSETS			
Cash	9	15,179,611	17,320,884
Liquid investments	10	42,570,000	49,070,000
Receivables	11	622,364	604,144
Current taxation assets	17	15,458	56,522
Loans and advances to members	12 & 13	226,462,532	215,715,379
Investments	16	46,445	46,445
Right-of-use assets	14	632,997	715,168
Property, plant and equipment	15	36,223	30,592
Deferred taxation assets	17	258,774	237,089
Intangible assets	18	615,627	573,488
Total Assets		286,440,032	284,369,711
LIABILITIES			
Deposits from members	20	255,900,500	249,802,427
Short term borrowings	19	8,000,000	10,000,000
Lease liabilities	14	547,398	630,169
Creditors	21	2,837,624	2,128,274
Provisions	22	756,559	799,302
Long term borrowings	19	-	3,575,179
Total Liabilities		268,042,082	266,935,351
Net Assets		18,397,950	17,434,360
MEMBERS' EQUITY			
Capital reserve	23	35,826	35,124
General Reserve	24	18,362,124	17,399,236
Total Members' Equity		18,397,950	17,434,360

This statement should be read in conjunction with the attached notes

Statement of Changes in Member Equity
for the year ended 30 June 2024

	Redeemed Capital Reserve $	General Reserves $	Retained Profits $	Total $
Total at 1 July 2022	34,530	16,179,124	-	16,213,654
Profit for the year	-	-	1,220,706	1,220,706
Totals brought forward	34,530	16,179,124	1,220,706	17,434,360
Transfers to (from) Reserves	594	1,220,112	(1,220,706)	-
Total as at 30 June 2023	35,124	17,399,236	-	17,434,360
Total at 1 July 2023	35,124	17,399,236	-	17,434,360
Profit for the year	-	-	963,590	963,590
Totals brought forward	35,124	17,399,236	963,590	18,397,950
Transfers to (from) Reserves	702	962,888	(963,590)	-
Total as at 30 June 2024	35,826	18,362,124	-	18,397,950

This statement should be read in conjunction with the attached notes

Statement of Cash Flows
for the year ended 30 June 2024

	Note	2024	2023
OPERATING ACTIVITIES		**$**	**$**
Interest received		14,188,431	9,702,495
Interest paid		(6,833,819)	(2,389,805)
Other income		451,708	495,792
Income Tax Paid		(316,476)	(463,703)
Cash Paid to Suppliers & Employees		(5,938,152)	(4,745,923)
Net cash from revenue operations	36.b	1,551,692	2,598,856
Other operating activities			
Net increase in deposits and other borrowings		6,473,172	10,553,656
Net increase in loans and advances		(10,773,409)	(8,355,670)
Total cash from/(used in) operations		(2,748,544)	4,796,842
INVESTING ACTIVITIES			
Increase/(decrease) in liquid investments		6,500,000	(6,750,000)
Purchase of shares		-	-
Purchase of equipment and software		(131,197)	(444,309)
Divident Received		6,050	-
Net cash used in investing activities		6,374,853	(7,194,309)
FINANCING ACTIVITIES			
Funds received from borrowings		(5,575,179)	7,000,000
Lease principal payments		(192,402)	(76,023)
Net cash from/(used in) used in financing activities		(5,767,581)	6,923,977
Net increase / (decrease) in cash held		(2,141,272)	4,526,510
Cash at the beginning of reporting period		17,320,884	12,794,374
Cash at the End of the Reporting Period	36.a	15,179,611	17,320,884

This statement should be read in conjunction with the attached notes

Notes to the Financial Statements

1. Nature of operations

First Option Bank's principal activities include the provision of retail financial services to members in the form of deposit-taking and provision of financial loans to members.

First Option Bank's does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

2. General information and statement of compliance

This financial report is prepared for First Option Bank Ltd for the year ended 30 June 2024. The general purpose financial statements of the Bank have 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) as issued by the International Accounting Standards Board (IASB).

First Option Bank Ltd is a for-profit entity for the purpose of preparing the financial statements.

First Option Bank Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 6, 574 St Kilda Rd, Melbourne VIC 3004.

The report was authorised for issue on 24 September 2024 in accordance with a resolution of the board of Directors. The financial report is presented in Australian dollars.

3. Basis of measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs.

The accounting policies are consistent with the prior year unless otherwise stated.

4. Changes in Accounting Policies – New Standards applicable for the Current Year

There were no amended accounting standards and interpretations issued by the Australian Accounting Standards Board effective for the year ended 30 June 2024 that had an impact on the Bank.

5. Material Accounting Policies

a) Interest income

Deposits - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

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

Credit cards –interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 45 days interest free until the due date for payment.

Non-accrual loan interest – while still legally recoverable, interest is not brought to account as income where the Bank is informed that the member has deceased, or the loan is impaired.

b) Non-interest revenue

Loan and account fees – The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

The Bank's performance obligation is to provide ongoing services related to account maintenance, a service from which the customer benefits as the service is provided and is recognised over time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Unless otherwise discounted and included in the initial measurement of a loan, fees are charged at their stand-alone selling price and recognised as revenue in the period for which services are delivered. Where fees are discounted due to other relationships, the fees are estimated and recognised as a contract liability measured at the estimated value of the promised services, based on their stand-alone selling price and estimated period of delivery.

Loan origination fees and discounts – Loan establishment fees and discounts are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan as interest revenue.

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

c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Reserve Bank of Australia (RBA) and cash on deposits and call accounts with other Authorised Deposit-taking Institutions (ADIs) and other short-term, highly liquid investments that are readily convertible and subject to 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.

d) Classification of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- 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 finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented within other expenses.

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The bank's cash and cash equivalents and receivables fall into this category of financial instruments as well as NCDs, Bonds and Term Deposits.

Financial assets at 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 fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. 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 clearly represents return of capital.

e) Loans and advances

Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the bank's financial statements.

f) Impairment of loans and advances

Provision for impairment of loans and advances reflects Expected Credit Losses (ECL) measured using the three-stage approach prescribed under AASB 9 Financial Instruments as further described in Note 13.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. 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
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The critical assumptions used in the calculation are as set out below. Note 37(d)(i) details the credit risk management approach for loans.

g) Property, plant and equipment

Property, plant and equipment 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 lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the reporting date are as follows:

- Plant and Equipment - 3 to 7 years
- Assets less than $1,000 are not capitalised

h) Intangible Assets

Items of computer software which are not integral to the computer hardware owned by the Bank are classified as 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. These useful lives range from 2 to 7 years. Residual values and useful lives are reviewed at each reporting date.

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 asset, and is recognised in profit or loss within other income or other expenses.

i) Leases

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

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or the company is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the company's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

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

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured when:

- there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the company's assessment of whether it will exercise a purchase, extension or termination option: or
- if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

The company has not elected to recognise right-of-use assets and leases liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment.

j) Receivables

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

k) Taxation

Goods and services tax (GST)

As a financial institution the Bank is input taxed on all income except for 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.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the 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. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement 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.

Current and deferred tax assets

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Bank and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period, currently 25% (2023: 25%).

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Bank's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Bank undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Bank estimates the amount to be paid to / (recovered from) taxation authorities based on the Bank's understanding and interpretation of law, including case law. Where the Bank considers it probable that the tax treatment applied in the current or historic periods is not probable to be accepted by the taxation authority, it is included within current or deferred taxes, as appropriate.

l) Borrowings

All short term borrowings are initially recognised at cost, being the fair value of the consideration received net of direct incremental issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and 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.

Superannuation contributions are made by the Bank to defined contribution superannuation funds and are charged as expenses when incurred.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Bank based on the present value of its estimated future cash flows.

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 the reporting date. Annual leave is reflected as part of the sundry creditors and accruals.

Leasehold make good

The Bank is required to restore the lease premises of its office building to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. The provision is assessed at each balance date for new, amended and expired leases. The estimate of the costs have been calculated using historical costs.

Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

n) 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 and "Stage 2" and "Stage 3" lifetime expected credit losses, and determining criteria for significant increase in credit risk – refer to Note 13
- Determination of lease term – refer to Note 14

6. New or Emerging Standards not yet Mandatory

The Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Bank in future periods.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

7.	Statement of Profit or Loss and Other Comprehensive Income	2024 $	2023 $
a.	**Analysis of interest revenue**		
	Cash – deposits at call	719,405	458,424
	Receivables from financial institutions	570,362	329,141
	Investment Securities	1,539,456	767,903
	Loans and advances to members	11,384,866	8,088,181
	Total interest revenue	**14,214,088**	**9,643,649**
b.	**Other Income**		
	Fee income	243,078	276,474
	Other commissions	195,394	189,836
	Bad debts recovered	8,221	18,869
	Miscellaneous revenue	11,066	10,613
	Total other income	**457,758**	**495,792**
c.	**Analysis of interest expense**		
	Deposits from members	6,984,346	2,912,923
	Borrowings	459,864	432,913
	Lease interest	21,502	26,161
	Total interest expense	**7,465,713**	**3,371,997**
d.	**Impairment losses**		
	Net increase / (decrease) in provision for impairment	9,959	173,531
	Total impairment losses	**9,959**	**173,531**
e.	**Prescribed expense disclosures**		
	General Administration - depreciation expense:		
	Plant and equipment	18,365	16,803
	Amortisation of software	125,933	51,151
	Amortisation of right of use asset	170,301	49,862
	Lease expenses		
	- Expense related to leases of low-value assets	4,970	3,809
	- Expense related to variable lease payments	61,066	47,423
	Other Operating expenses include:		
	Defined contribution superannuation expenses	197,768	152,702
	Auditor’s remuneration (excluding GST)		
	- Audit fees - Grant Thornton	67,000	62,500

8.	Income Tax Expense	2024 $	2023 $
a.	**Income tax expense comprises amounts set aside as:**		
	Provision for income tax - current year	324,861	432,172
	Decrease / (Increase) in deferred tax	21,685	(59,614)
	Under/(Over) provision from the previous year	(10,692)	25,267
	Income tax expense attributable to profit	**335,854**	**397,825**

b.	**The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:**		
	Prima facie tax payable on profit before tax at 25% (2023: 25%)	324,861	404,633
	Add/(less) tax effect of:		
	Franking credits	2,017	203
	Other deductible expenses	19,668	(32,278)
	Under provision from the previous year	(10,692)	25,267
	Income tax expense attributable to profit	**335,854**	**397,825**

		2024	2023
9.	**Cash**	**$**	**$**
	Deposits at call	15,179,611	17,320,884
		15,179,611	**17,320,884**

10. Liquid Investments

a.	**Investments at amortised cost**		
	Negotiable Certificates of Deposit	23,000,000	31,000,000
	Bonds	14,450,000	12,950,000
	Receivables – Term Deposits / Other Deposits	5,120,000	5,120,000
		42,570,000	**49,070,000**
b.	**Dissection of receivables**		
	Deposits with banks	5,120,000	5,120,000
		5,120,000	**5,120,000**

11. Receivables

Interest receivable	143,214	108,577
Prepayments	124,017	103,613
Other receivables	355,133	391,954
	622,364	**604,144**

12. Loans to Members

a.	**Amount due comprises**		
	Overdrafts and revolving credit	343,027	385,318
	Credit cards	1,299,504	1,347,294
	Term loans	225,037,688	214,175,585
	Subtotal	226,680,219	215,908,197
	Less:		
	Unearned Income	17,955	1,658
	Subtotal	226,662,264	215,906,538
	Less:		
	Provision for impaired loans (note 13)	199,732	191,159
		226,462,532	**215,715,379**

		2024	2023
12.	**Loans to Members - continued**	**$**	**$**

b. Credit quality - security held against loans

	2024	2023
Secured by mortgage over business assets	969,607	2,468,064
Secured by mortgage over real estate or cash	223,286,892	211,679,142
Partly secured by goods mortgage	718,918	1,086,882
Wholly unsecured	1,704,803	674,109
	226,680,219	**215,908,197**

It is not practicable to value all collateral as at the reporting date due to the variety of assets and condition of the assets. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

	2024	2023
Loan to valuation ratio of less than 80%	220,509,240	204,082,423
Loan to valuation ratio of more than 80% but mortgage insured	2,777,652	3,996,466
Loan to valuation ratio of more than 80% and not mortgage insured	-	3,600,253
	223,286,892	**211,679,142**

c. Concentration of loans

	2024	2023
(i) Total of loans to individual or related groups of members which exceed 10% of member funds in aggregate	-	-

(ii) Loans to members are concentrated to individuals employed in the Australian Public Service, the recreation services, energy, telecommunications and manufacturing industries, and their families.

	2024	2023
(iii) Geographical concentrations		
New South Wales	79,482,693	81,872,171
Victoria	98,417,951	93,877,422
Queensland	19,308,243	15,370,402
South Australia	4,104,684	1,440,274
Western Australia	2,108,366	721,534
Tasmania	1,221,621	1,218,886
Northern Territory	604,846	6,580
Australian Capital Territory	21,214,128	21,208,109
	226,462,532	**215,715,379**

	2024	2023
(iv) Loans by customer type		
Residential loans and facilities	223,024,837	210,254,464
Personal loans and facilities	2,392,330	2,811,337
Business loans and facilities	1,045,365	2,649,579
	226,462,532	**215,715,379**

13. Provision on Impaired Loans

Amounts arising from Expected Credit Losses (ECL)

The loss allowance as of the year end by class of asset are summarised in the table below.

	2024 Gross Carrying Value $	2024 ECL Allowance $	2024 Carrying Value $	2023 Gross Carrying Value $	2023 ECL Allowance $	2023 Carrying Value $
Mortgage	224,048,562	(143,227)	223,905,335	212,754,926	(144,264)	212,610,662
Personal	989,126	(19,845)	969,281	1,420,659	(10,866)	1,409,793
Credit cards	1,299,504	(34,314)	1,265,189	1,347,294	(11,094)	1,336,200
Overdrafts	343,027	(2,345)	340,683	385,318	(24,935)	360,383
Total	**226,680,219**	**(199,732)**	**226,480,487**	**215,908,197**	**(191,159)**	**215,717,038**

An analysis of the Bank's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2024 Stage 1 12 month ECL $	**2024** Stage 2 Lifetime ECL $	**2024** Stage 3 Lifetime ECL $	**2024** Total $
Mortgage	(143,227)	-	-	(143,227)
Personal	(9,977)	(1,730)	(8,139)	(19,845)
Credit cards	(28,111)	(366)	(5,838)	(34,314)
Overdrafts	(1,941)	(3)	(400)	(2,345)
Loss allowance	(183,256)	(2,099)	(14,377)	(199,732)
Gross Carrying Amount	225,060,862	1,008,978	610,380	226,680,219

	2023 Stage 1 12 month ECL $	**2023** Stage 2 Lifetime ECL $	**2023** Stage 3 Lifetime ECL $	**2023** Total $
Mortgage	(144,264)	-	-	(144,264)
Personal	(10,866)	-	-	(10,866)
Credit cards	(6,955)	-	(4,139)	(11,094)
Overdrafts	(22,279)	-	(2,656)	(24,935)
Loss allowance	(184,364)	-	(6,795)	(191,159)
Gross Carrying Amount	214,615,913	316,307	975,976	215,908,197

13. Provision on Impaired Loans continued

Impairment allowance reconciliation

The reconciliation from the opening to the closing balance of the allowance for impairment is shown in the table below:

	2024 Stage 1 12 month ECL $	**2024** Stage 2 Lifetime ECL $	**2024** Stage 3 Lifetime ECL $	**2024** Overlays $	**2024** Total $
Loans to members					
Balance at 1 July per AASB 9	(184,363)	0	(6,795)	1	(191,157)
Changes in the loss allowance:					
- Transfer to stage 1	196	-	-	(1)	195
- Transfer to stage 2	-	(2,099)	-	-	(2,099)
- Transfer to stage 3	-	-	(7,582)		(7,582)
- Credit quality-related changes	-				-
- Write-offs	911	-	-	-	911
- Recoveries of amounts previously written off	-	-	-	-	-
Balance at 30 June 24	**(183,256)**	**(2,099)**	**(14,377)**	**-**	**(199,732)**

	2023 Stage 1 12 month ECL $	**2023** Stage 2 Lifetime ECL $	**2023** Stage 3 Lifetime ECL $	**2023** Overlays $	**2023** Total $
Loans to members					
Balance at 1 July per AASB 9	(27,918)	-	(2,508)		(30,426)
Changes in the loss allowance:					
- Transfer to stage 1	(159,706)	-	-		(159,706)
- Transfer to stage 2	-	(9,538)	-	-	(9,538)
- Transfer to stage 3	-	-	(4,287)		(4,287)
- Credit quality-related changes	-				-
- Write-offs	3,260	9,538	-	-	12,798
- Reversal of COVID-19 overlay	-	-	-	-	-
- Recoveries of amounts previously written off	-	-	-	-	-
Balance at 30 June 23	**(184,364)**	**-**	**(6,795)**	**-**	**(191,159)**

13. Provision on Impaired Loans - continued

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

Overall, the total impairment of loans and advances increased by $8,574 (2023: increased by $160,734).

Stage 1: 12 months ECL not credit impaired – decreased by $1,108 due to lower balance of mortgages with LVR >80% with no LMI.

Stage 2: Lifetime ECL not credit impaired – increased by $2,099 (2023: $0) due deteriation in credit quality

Stage 3: Lifetime ECL Credit impaired – increased by $7,582 (2023: $4,287) due to changes a deteriation in credit quality.

13. Provision on Impaired Loans continued

Key assumptions in determining the ECL

Measurement of ECL

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

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

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

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

LGD is the magnitude of the likely loss if there is a default. The 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. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

Grouping of similar assets

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

- instrument type
- credit risk grading
- collateral type
- LVR ratio for retail mortgages

13. Provision on Impaired Loans continued

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

• Residential owner occupied mortgages
• Residential investment mortgages
• Commercial loans
• Personal loans
• Other – representing credit cards, overdrafts.

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 homogeneous.

Significant increase in credit risk

In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in the Bank's current model:

• Loans more than 30 days past due
• Probability of default - based on historical loans in stage 2 proceeding to stage 3
• Loss given default - based on historical data for loans written off

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.

The Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when the exposure is more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

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. Given the lack of loss experience by the Bank and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information. 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, which resulted a 5% floor rate been applied to mortages where LVR is greater than 80% with no LMI. This is reviewed and monitored for appropriateness on a quarterly basis. 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.

		2024	2023
14.	**Leases**		

a. Right of use assets

	2024	2023
Property leases	853,160	765,030
Less: provision for depreciation	(220,163)	(49,862)
	632,997	**715,168**

Movement in asset balances during the year:

	2024 $	2023 $
Balance 1 July	715,168	763,320
Additions	88,130	-
Revaluations	-	1,710
Disposals	-	-
Impairment	-	-
Depreciation	(170,301)	(49,862)
Balance 30 June	**632,997**	**715,168**

The Bank has a Property lease and some IT equipment under lease. With the exception of short-term leases and leases of low-value underlying assets (all IT equipment), leases are reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or are excluded from the initial measurement of the lease liability and asset.

The Property lease agreement does 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.

The Property lease is subject to an extension option and termination options which are exercisable by the Bank.

The entity has not committed to any further lease assets that would otherwise commence subsequent to reporting date.

b. Lease liabilities

	2024 $	2023 $
Current	218,617	163,233
Non-current	328,782	477,742
	547,398	**630,169**

14. Leases - continued

b. Lease liabilities

	2024 $	2023 $
Opening Balance	630,169	763,320
Additions/(Disposal)	88,130	
Remeasument	(601)	(83,290)
Principal Repayment	(170,301)	(49,861)
Balance 30 June	**547,398**	**630,169**

c. Short-term and low value leases

	2024 $	2023 $
Leases of low value assets	4,970	3,808
Variable lease payments	61,066	47,423
	66,036	**51,231**

15. Property, Plant and Equipment

	2024 $	2023 $
Total property, plant and equipment		
Plant and equipment - at cost	143,091	131,924
Less: provision for depreciation	(106,868)	(101,331)
	36,223	**30,592**

Movement in the assets balances during the year were:

	2024 Plant & equipment $	2024 Total $	2023 Plant & equipment $	2023 Total $
Opening balance	30,592	30,592	37,587	37,587
Purchases	11,168	11,168	9,808	9,808
Less				
Assets disposed	-	-	-	-
Depreciation charge	(5,537)	(5,537)	(16,803)	(16,803)
Closing balance	**36,223**	**36,223**	**30,592**	**30,592**

16. Investments

	2024 $	2023 $
Shares in Experteq (TAS) Ltd*	46,445	46,445
Total Investments	**46,445**	**46,445**

* Transaction Solutions Limited (TAS) is an unlisted Australian public company trading under the name of Experteq. Experteq provides managed services and IT solutions to organisations such as mutual banks and credit unions. The trading of its share is vey limited in the market. As per Note 28, the Bank has reviewed its investment in Experteq and has deem cost is the fair value as the investment is held to enable the Bank to received essential services rather than with a view to profit on subsequent sale and there are no plans to dispose the investment during short term.

		2024	2023
17.	**Taxation Assets**	**$**	**$**
	Current taxation assets		
	Income tax refund estimate	15,458	56,522
		15,458	**56,522**
	Deferred taxation assets		
	Accrued expenses not deductible until incurred	72,207	63,111
	Provisions for impairment on loans	49,933	47,790
	Provisions for employee benefits	136,634	126,188
		258,774	**237,089**

18.	**Intangible Assets**		
	Computer software	1,179,510	1,059,480
	Less provision for amortisation	(563,882)	(485,992)
		615,627	**573,488**
	Movement in the assets balances during the year were:		
	Opening balance	573,488	190,138
	Purchases	168,072	434,501
	Less		
	Assets disposed	-	-
	Amortisation charge	(125,933)	(51,151)
	Balance at the end of the year	**615,627**	**573,488**

19.	**Borrowings**		
	Short Term Borrowings		
	Term deposits - Credit Unions	8,000,000	10,000,000
	Long Term Borrowings		
	RBA Term Funding Facility	-	3,575,179
	Total Borrowings	**8,000,000**	**13,575,179**

20.	**Deposits from Members**		
a.	**Total deposits comprises:**		
	Member Deposits		
	- At Call	172,388,148	178,059,965
	- Term	83,498,752	71,728,940
	Member withdrawable shares	13,600	13,522
	Total deposits and shares	**255,900,500**	**249,802,427**
b.	**Concentration of member deposits**		
	(i) Total of significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	-	-

(ii) Member deposits at balance date were received from individuals employed in the Australian Public Service, the recreation services, energy, telecommunications and manufacturing industries, and their families.

	2024	2023
20. Deposits from Members - continued	**$**	**$**

b. Concentration of member deposits - continued

(iii) Geographical Concentrations		
New South Wales	137,488,016	132,438,348
Victoria	93,154,772	93,946,064
Queensland	12,871,254	13,093,200
South Australia	2,418,905	1,887,890
Western Australia	5,823,572	3,437,555
Tasmania	1,109,339	1,333,018
Northern Territory	402,077	331,084
Australian Capital Territory	2,632,565	3,335,267
	255,900,500	**249,802,427**

21. Creditors

Creditors and accruals	407,972	627,096
Settlement and Clearing Accounts	928,713	643,336
Interest payable on borrowings	37,301	45,154
Interest payable on deposits	1,463,638	812,688
Total amounts payable	**2,837,624**	**2,128,274**

22. Provisions

Annual leave	179,849	175,289
Long service leave	364,361	327,137
Provisions – other	212,349	296,876
Total provisions	**756,559**	**799,302**

		2024	2023
23.	**Capital Reserve**	**$**	**$**
	Balance at the beginning of the financial year	35,124	34,530
	Transfer from general reserve on share redemptions	702	594
	Balance at the end of financial year	**35,826**	**35,124**

Share redemption

The accounts represent the amount of redeemable preference 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.

24.	**General Reserve**		
	Balance at the beginning of the financial year	17,399,236	16,179,124
	Operating profit transferred from retained earnings	963,590	1,220,706
	Transfer to Capital Reserve for Share redemption	(702)	(594)
	Balance at the end of the financial year	**18,362,124**	**17,399,236**

General Reserve

The balance of retained profits less shares redeemed at the end of each year is transferred to the general reserve.

25. 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 and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2024	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	Non interest bearing $	Total $
Assets							
Cash	15,179,611	-	-	-	-	-	15,179,611
Advances to other financial institutions	10,870,000	26,200,000	2,000,000	3,500,000	-	-	42,570,000
Receivables	-	-	-	-	-	622,364	622,364
Loans & Advances	191,010,430	10,779,989	9,897,908	14,642,141	349,751	-	226,680,219
Investments	-	-	-	-	-	46,445	46,445
Total Financial Assets	217,060,041	36,979,989	11,897,908	18,142,141	349,751	668,809	285,098,639
Liabilities							
Borrowings	1,000,000	7,000,000	-	-	-	-	8,000,000
Deposits from members	183,768,266	26,092,283	44,495,044	1,544,907	-	-	255,900,500
Creditors	-	-	-	-	-	2,837,624	2,837,624
Total Financial Liabilities	184,768,266	33,092,283	44,495,044	1,544,907	-	2,837,624	266,738,125

2023	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	Non interest bearing $	Total $
Assets							
Cash	17,320,884	-	-	-	-	-	17,320,884
Advances to other financial institutions	11,870,000	32,200,000	-	5,000,000	-	-	49,070,000
Receivables	-	-	-	-	-	660,666	660,666
Loans & Advances	142,934,819	20,900,366	48,218,470	3,707,766	146,776	-	215,908,197
Investments	-	-	-	-	-	46,445	46,445
Total Financial Assets	172,125,703	53,100,366	48,218,470	8,707,766	146,776	707,111	283,006,192
Liabilities							
Borrowings	-	10,000,000	3,575,179	-	-	-	13,575,179
Deposits from members	185,775,379	20,955,256	42,460,631	611,161	-	-	249,802,427
Creditors	-	-	-	-	-	2,128,274	2,128,274
Total Financial Liabilities	185,775,379	30,955,256	46,035,810	611,161	-	2,128,274	265,505,880

26. Maturity Profile of Financial Assets and Liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. 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 Combined Statement of Financial Position.

2024	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Greater than 5 years $	No maturity $	Total $
Assets							
Cash	15,179,611	-	-	-	-	-	15,179,611
Advances to other financial institutions	10,870,000	26,200,000	2,000,000	3,500,000	-	-	42,570,000
Receivables	-	-	-	-	-		-
Loans & Advances	1,505,337	4,601,973	18,391,899	89,109,170	442,164,214	-	555,772,594
Investments	-	-	-	-	-	46,445	46,445
Total Financial Assets	27,554,948	30,801,973	20,391,899	92,609,170	442,164,214	46,445	613,568,650
Liabilities							
Borrowings	1,000,000	7,000,000	-	-	-	-	8,000,000
Deposits from members	183,990,677	26,678,575	46,359,902	1,650,327	-	-	258,679,481
Lease liabilities	17,704	35,579	165,333	328,782	-	-	547,398
Creditors	-	-	-	-	-	2,837,624	2,837,624
On balance sheet total	185,008,381	33,714,154	46,525,235	1,979,109	-	2,837,624	270,064,504
Undrawn Commitments	-	-	-	-	-	30,434,392	30,434,392
Total Financial Liabilities	185,008,381	33,714,154	46,525,235	1,979,109	-	33,272,016	300,498,895

2023	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Greater than 5 years $	No maturity $	Total $
Assets							
Cash	17,320,884	-	-	-	-	-	17,320,884
Advances to other financial institutions	6,000,000	25,000,000	5,120,000	12,950,000	-	-	49,070,000
Receivables	-	-	-	-	-	707,745	707,745
Loans & Advances	1,238,681	3,794,210	15,162,292	73,380,329	377,860,675	-	471,436,187
Investments	-	-	-	-	-	46,445	46,445
Total Financial Assets	24,559,565	28,794,210	20,282,292	86,330,329	377,860,675	754,190	538,581,261
Liabilities							
Borrowings	-	10,000,000	3,575,179	-	-	-	13,575,179
Deposits from members	185,903,300	21,325,914	43,960,956	651,179	-	-	251,841,349
Lease liabilities	2,373	13,222	136,831	477,742	-	-	630,168
Creditors	-	-	-	-	-	2,128,274	2,128,274
On balance sheet total	185,905,673	31,339,136	47,672,966	1,128,921	-	2,128,274	268,174,970
Undrawn Commitments	-	-	-	-	-	25,331,504	25,331,504
Total Financial Liabilities	185,905,673	31,339,136	47,672,966	1,128,921	-	27,459,778	293,506,474

27. Financial Assets and Liabilities Maturing Within 12 Months

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits within 12 months. While the liquid investments and 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.

	2024			2023		
	Within 12 months $	**After 12 months** $	**Total** $	**Within 12 months** $	**After 12 months** $	**Total** $
Financial assets						
Cash	15,179,611	-	15,179,611	17,320,884	-	17,320,884
Liquid assets	34,820,000	7,750,000	42,570,000	36,120,000	12,950,000	49,070,000
Loans & Advances	4,169,708	222,510,511	226,680,219	211,592,179	4,316,018	215,908,197
Receivables	622,364	-	622,364	660,666	-	660,666
Investments	-	46,445	46,445	-	46,445	46,445
Total Financial Assets	54,791,684	230,306,956	285,098,639	265,693,729	17,312,463	283,006,192
Financial						
Borrowings	8,000,000	-	8,000,000	13,575,179	-	13,575,179
Deposits from members	254,355,593	1,544,907	255,900,500	249,191,267	611,161	249,802,427
Creditors	2,837,624	-	2,837,624	2,128,274	-	2,128,274
Total Financial Liabilities	265,193,217	1,544,907	266,738,124	264,894,720	611,161	265,505,880

28. Fair Value of Financial Assets and Liabilities

A review of the fair value calculation indicated that there were no significant variances between the book and fair values for the Bank. As a result the fair value details have not been included. 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 they will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Bank and there is no active market to assess the value of the financial assets and liabilities. Assets where the fair value is lower than the book value have not been written down in the accounts of the Bank on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 3 months approximate their fair value as they are short term in nature or are receivable on demand.

28. Fair Value of Financial Assets and Liabilities - continued

Loans and advances

The carrying value of loans and advances is net of unearned income and provisions for expected credit losses. For variable rate loans, (excluding impaired 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 rate 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 maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The carrying value is not significantly different from fair value due to the majority of First Option's loans being variable rate loans.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

The fair value of non interest bearing, call and variable rate deposits and fixed rate deposits repricing within six months is the amount shown in the Statement of Financial Position as at June 30. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other term deposits.

The carrying value is not significantly different from the fair value due to the majority of the fixed rate deposits maturing in less than six months.

Borrowings

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

The Reserve Bank of Australia has established a Term Funding Facility (TFF) to offer three year fixed rate funding to authorised deposit-taking institutions (ADIs). This facility aims to ensure that ADIs are in a position to continue offering credit to the market throughout the COVID-19 pandemic. The Bank has obtained funding from this scheme and was repaid in FY24 as shown in note 19.

		2024	2023
29.	**Financial Commitments**	**$**	**$**
a.	**Outstanding loan commitments**		
	Loans approved but not funded	3,113,345	2,630,000
b.	**Loan redraw facilities**		
	Loan redraw facilities available	23,653,008	18,786,449
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	5,310,570	5,647,666
	Less: Amount advanced	(1,642,531)	(1,732,611)
	Net undrawn value	**3,668,039**	**3,915,055**
	These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
d.	**Future capital commitments**		
	The Bank has entered into a contract to purchase (computer equipment and software) for which the amount is to be paid over the following periods:-		
	Within 1 year	25,618	22,669
	1 to 2 years	51,064	26,169
	2 to 5 years	51,064	26,169
		127,745	**75,007**
e.	**Lease expense commitments for low-value leases**		
	Not later than one year	4,320	811
	Later than one year but not later than five years	15,300	-
	Over five years	-	-
		19,620	**811**

30. Standby Borrowing Facilities

The Bank has a borrowing facility with Credit Union Services Corporation (Australia) Limited (CUSCAL) of:

	2024		
	Gross	**Current borrowing**	**Net available**
	$	**$**	**$**
Overdraft facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000

	2023		
	Gross	**Current borrowing**	**Net available**
	$	**$**	**$**
Overdraft facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000

Withdrawal of the overdraft facility is subject to the availability of funds at CUSCAL.

Secured by cash on deposit with Cuscal.

31. 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 Credit Unions / Mutuals in the event of a liquidity or capital issue. As a member, the Bank is committed to maintaining 3% of its total assets as either deposits with CUSCAL or investments held within the Austraclear system.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union/mutual bank would be 3% of that credit union/mutual bank's total assets. This amount represents the participating credit union/mutual bank's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

Guarantees

The Bank has issued guarantees on behalf of members for the purpose of security bond. The guarantee is payable only on the member defaulting on the contractual repayments to the Lessor / supplier. The guarantees are fully secured against registered first mortgages or cash deposits. The total value of guarantees as at 30 June 2024 was $240,000 (2023: $297,500).

32. Disclosures on Directors and Other Key Management Personnel

a. Remuneration of key management persons [KMP]

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any Director (whether executive or otherwise) of that entity. 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 Directors and the 4 (2023: 4) members of the executive management responsible for the day to day financial and operational management of the Bank.

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

		2024 $	2023 $
(i)	Short-term employee benefits	760,398	492,001
(ii)	Director fees	94,491	75,976
(iii)	Other long-term benefits – net increases in long service leave provision	-	13,011
	Total compensation	**854,889**	**580,988**

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, paid sick leave, bonuses and the 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.

b. Loans to Directors and KMP

2024	Mortgage Secured $	Other Term Loans $	Credit Cards /Revolving Credit $
Funds available to be drawn (redraws, overdrafts, credit cards, LOC)	336,465	-	12,871
Balance as at end of year	4,998,260	-	2,129
Amounts disbursed or facilities increased during the year	1,500,000	-	3,000
Interest and other revenues earned	253,017	-	55

2023	Mortgage Secured $	Other Term Loans $	Credit Cards /Revolving Credit $
Funds available to be drawn (redraws, overdrafts, credit cards, LOC)	472,736	-	3,952
Balance as at end of year	3,199,150	-	3,048
Amounts disbursed or facilities increased during the year	99,029	-	-
Interest and other revenues earned	129,364	-	-

32. Disclosures on Directors and Other Key Management Personnel - continued

b. Loans to Directors and KMP - continued

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.

There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

Staff may have received a concessional rate of interest on their loans and facilities. There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

Other transactions between related parties include deposits from Directors and other KMP:

	2024 $	2023 $
Total value term and savings deposits from Directors/KMP	1,025,794	2,351,169
Total Interest paid on deposits to Directors/KMP	50,908	37,748

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

c. Transactions with related parties

Other transactions between related parties include deposits from Director related entities or 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 KMP.

There are no service contracts to which KMP or their close family members are an interested party.

33. Outsourcing Arrangements

The Bank has arrangements with other organisations to facilitate the supply of services to members.

a. Cuscal Limited

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. This entity:

(i) Acts as the Bank's banker

(ii) Provides the licence rights to Visa Card in Australia and settlement with other financial institutions for ATM, Visa card, direct entry and cheque transactions, as well as the production of Visa cards for use by members;

(iii) Provides treasury and money market facilities to the Bank. The Bank has invested sufficient liquid assets to comply with the Liquidity Support Scheme requirements; and

(iv) Operates the computer network used to link Visa cards operated through RediATMs and other approved ATM suppliers to the Bank’s EDP systems.

b. Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Bank.

c. TransAction Solutions Limited

This entity operates the computer facility on behalf of the Bank in conjunction with other Banks. The Bank has a management contract with the company to supply computer support staff and services to meet the day to day needs of the Bank and compliance with the relevant Prudential Standards.

d. Deloitte Australia

This entity acts as a Proxy Settlement service for settling transactions in the Austraclear system on behalf of the Bank.

34. Superannuation Liabilities

The Bank mainly contributes to the NGS Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plans are administered by independent corporate trustees.

The Bank has no interest in the superannuation plans (other than as a contributor) and is not liable for the performance of the plans, or the obligations of the plans.

35. Securitisation

The Bank does not currently have any securitisation programs in place. The outstanding balance of securitised loans is $0 (2023: $0)

		2024	2023
36.	**Notes to Consolidated Statement of Cash Flows**	**$**	**$**
a.	**Reconciliation of cash**		
	Cash includes cash on hand, and deposits at call with other financial institutions and comprises:	-	-
	Deposits at call	15,179,611	17,320,884
	Total Cash	**15,179,611**	**17,320,884**
b.	**Reconciliation of cash from operations to accounting profit**		
	Operating Profit after income tax	963,590	1,220,706
	Non-cash movements:		
	Provision for Impairment & ROU assets	9,959	173,532
	Depreciation & Amortisation of fixed assets	314,599	117,816
	Changes in assets and liabilities:		
	Receivables	(55,041)	27,629
	Taxation assets	(19,378)	(65,878)
	Payables	295,221	1,126,919
	Taxation liabilities	-	-
	Provisions for employee entitlements	(41,784)	50,802
	Other provisions	84,526	(52,670)
	Total operating cash flows	**1,551,692**	**2,598,856**

37. Financial Risk Management Objectives and Policies

a. Introduction

The Board has endorsed a framework of compliance and risk management to suit the risk profile of the Bank. The Bank's risk management focuses on the major areas of strategic risk, market & interest rate risk, credit risk, liquidity risk and operational risk. Authority flows from the Board of Directors to the Risk Committee and to the Audit Committee which are integral to the management of risk. Authority flows from the Board of Directors to the Risk Committee and to the Audit Committee which are integral to the management of risk.

The main elements of risk 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.

Risk Committee

This is a key body in the control of risk. It has representatives from the Board as well as the Chief Risk Officer. The Risk Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Committee through quarterly review 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 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.

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

37. Financial Risk Management Objectives and Policies - continued

a. Introduction - continued

Audit Committee

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the risk committee for their consideration.

Asset and Liability Committee (ALCO)

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms the significant risks and controls that are to be assessed within the internal audit plan. The 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 role of this committee of Senior Management is:
1. to review the Bank's net interest margin and the profitability of its interest-rate based products, within a framework of endeavouring to provide a fair exchange between the members receiving value from the products, and the Bank maintaining strength and soundness in its financial results.
2. provide direction on the mix, size and growth of the Bank's balance sheet interest bearing assets and liabilities to achieve strategic objectives, and to assist in the oversight of the balance sheet risk profile.
3.ensure that the Bank's liquidity and funding strategy is appropriately managed in accordance with the Board approved Liquidity Management Policy and oversee the liquidity risk management framework.
4.ensure that the Bank's market and interest rate risk is appropriately managed in accordance with the Board approved Market and Interest Rate Risk Policy.
5.provide recommendations to the Board on the setting of FOB’s interest rate, liquidity and funding risk appetite and risk limits.

Chief Risk Officer

The Chief Risk Officer assists the Board, Risk Management Committee and senior management to develop and maintain risk management frameworks, whilst promoting a sustainable risk and compliance culture. The Chief Risk Officer provides effective challenge to management and the Board to support sound risk-based decision-making that is in accordance with the Bank's Risk Management Framework. The Chief Risk Officer reports directly to the Chief Executive Officer; attends the Audit Committee and Risk Management Committee meetings; and has direct access to the Board of Directors.

Internal Audit

Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

37. Financial Risk Management Objectives and Policies - continued

b. Market and interest rate risk

The objective of the Bank's market risk management is to monitor, manage, control, identify and report market risk exposures in order to optimise the balance between risk and return. Market risk is the financial impact through changes in interest rates, foreign exchange rates or other prices and volatilities that may have an adverse effect on the Bank's financial performance and position. The Bank is not exposed to foreign exchange or currency risk. The Bank does not trade in the financial instruments it holds on its books. The Bank is exposed only to interest rate risk arising from changes in market interest rates within its own banking book.

Interest rate risk in the banking book

The Bank is exposed to interest rate risk in its banking book (IRRBB) due to mismatches between the repricing dates of assets and liabilities. The interest rate risk in the banking book is monitored by the Asset and Liability Committee (ALCO). Oversight of interest rate risk is also carried out by the Board through its Risk Appetite Statement reporting. The level of mismatch on the banking book is set out in Note 25. Note 25 displays the period over which each asset or liability will reprice. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing interest rate risk

The Bank manages its interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

Interest rate sensitivity

The Bank’s exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Bank to manage the risk is to maintain a balanced ‘on book’ strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. Large exposures to interest rate movements are measured monthly with any being rectified through targeted fixed rate interest products (available through investment assets), and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Bank is not to undertake derivatives to match the interest rate risks. The Banks exposure to interest rate risk is set out in note 26 which details the contractual interest change profile.

The Bank performs a sensitivity analysis to measure market risk exposures.

Based on the calculations as at 30 June 2024, the pre-tax profit impact for a 1% (2023: 1%) change in interest rates over the next 12 months would be an incrase of $274,425 (2023: $195,057).

The method used in determining the sensitivity was to evaluate the profit based on the timing of the

- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would reprice in 1 month;

37. Financial Risk Management Objectives and Policies - continued

b. Market risk - continued

- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would all reprice to the new interest rate in 1 month;
- personal loans would reprice to the new interest rate in 1 month;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Bank's exposure to market risk or the way the Bank manages and measures market risk in the reporting period.

The interest rate sensitivity is not representative of the risk inherent in the financial instruments during the financial year due to the changes in asset mix of fixed rate loans and longer term deposits / investments.

c. Liquidity and funding risk

Liquidity and funding risk is the risk that the Bank may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or customers' withdrawal demands. Board policy requires the Bank to maintain adequate liquidity and funding arrangements along with committed credit facilities to meet the cash flow needs of customers for withdrawal demands and borrowings as and when required.
The Bank is required to adopt prudent practices in managing liquidity risks and to maintain adequate levels of liquidity to meet obligations as they fall due across a wide range of operating circumstances.

The Bank manages its liquidity and funding risk by:

- Continuously monitoring actual and forecast daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining an adequate funding structure and approach that reflects the size, business mix and operational complexity of the organisation;
- Monitoring and managing liquidity ratios on a daily basis and forecasting future liquidity requirements;
- Maintaining a portfolio of high quality liquid assets that reflects the Bank's size, business mix and operational complexity that enables the Bank to withstand a severe liquidity stress event; and
- Maintaining membership of the Credit Union Financial Support Scheme (CUFSS). CUFSS is the Australian Mutual banking industry self-funded and operated "emergency" liquidity support scheme. It is certified by APRA under s11CB of the Banking Act 1959.

The Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 2 business days under the APRA Prudential standards. The Bank policy is to apply 10% of total adjusted liabilities as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, management and Board will review the situation and act according to the Liquidity Risk Management Policy. Note 30 describes the borrowing facilities as at balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and liabilities, based on the contractual repayment terms are set out in the specific note 26.

37. Financial Risk Management Objectives and Policies - continued

d. 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:

	2024 Carrying value $	2024 Undrawn Facilities $	2024 Maximum exposure $	2023 Carrying value $	2023 Undrawn Facilities $	2023 Maximum exposure $
Mortgage	222,943,837	26,360,409	249,304,246	210,132,777	21,267,614	231,400,391
Personal	1,124,244	68,286	1,192,531	1,574,744	76,705	1,651,449
Credit cards	1,299,504	2,302,217	3,601,721	1,347,294	2,424,257	3,771,551
Overdrafts	267,269	1,365,822	1,633,091	203,803	1,490,797	1,694,600
Total to natural persons	225,634,854	30,096,734	255,731,588	213,258,618	25,259,373	238,517,992
Corporate borrowers	1,045,365	337,657	1,383,023	2,649,579	72,130	2,721,709
Total	226,680,219	30,434,392	257,114,611	215,908,197	25,331,504	241,239,700

Carrying value is the value on the balance sheet. Maximum exposure is the value on the balance sheet plus the undrawn facilities (Loans approved not advanced, redraw facilities, overdraft facilities and credit cards limits). The details are shown in note 29 and a summary is in note 12a.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in note 12c.

The method of managing credit risk is by way of strict adherence to the Bank's credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The lending policy has been endorsed by the Board 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;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the Internal Audit Program.

(i) Credit risk - loans - continued

Past due loans

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Bank that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that 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 the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of profit or loss and other comprehensive income. In estimating these cash flows, management makes a judgement about the counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the Bank makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance sheet provisions are maintained at a level that management deems sufficient to cover expected credit losses in the Bank's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for expected credit losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors. The Bank considers a broadange 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 financial asset.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are as set out in note 13.

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 into account 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.

A reconciliation of the movement of both past due and impaired exposure provisions is provided in note 13.

37. Financial Risk Management Objectives and Policies - continued

(i) Credit risk - loans - continued

Collateral securing loans

A sizeable proportion of the loans portfolio is primarily secured by residential property, all of which is located in Australia. Therefore, the Bank is exposed to risks related to the Loan to Value Ratio (LVR) should the property market be subject to a substantial negative change in valuations.

The risk of losses from loans is reduced by the diverse nature, geographic spread and quality of the security taken as well as the quality of credit assessments.

Concentration risk – individuals

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 Tier 1 Capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark to be higher than acceptable.

The Bank holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of Tier 1 Capital.

The Bank's policy on exposures of this size is to insist on an initial LVR of 80 per cent or less and annual reviews of compliance with this policy are conducted.

Concentration risk – industry

The Bank has a concentration in retail lending to members employed in the Australian Public Service, the recreation services, energy, telecommunications and manufacturing industries, and their families. This concentration is considered acceptable on the basis that the Bank was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in note 12.

37. Financial Risk Management Objectives and Policies - continued

(ii) Credit risk - liquid investments

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Bank incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Bank.

The Bank’s liqudity policy is that investments are only made to institutions that are creditworthy. Directors have established policies that enforce maximum exposure limits to different counterparties. These policies have been determined in line with APRA prudential standards.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the maximum exposure limits. Also the relative size of the Bank as compared to the industry is relatively low such that the risk of loss is reduced.

Under the CUFSS' Liquidity Support Scheme at least 3% of total assets must be invested in Cuscal and/or other CUFSS-approved ADI to allow the scheme to have adequate resources to meet its obligations if needed.

Board policy limits investments outside of Cuscal to Australian Authorised Deposit-Taking Institutions (ADI) with a rating of BBB- or higher. ADIs with a rating less than this may be approved at the discretion of the Board of Directors. Investments in non-ADIs may also be permitted at the discretion of the Board of Directors.

External Credit Assessment for Institution Investments

The Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are as follows:

	2024 Carrying value $	2024 Past due value $	2024 Provision $	2023 Carrying value $	2023 Past due value $	2023 Provision $
Cuscal (A+)	5,120,000	-	-	5,120,000	-	-
Banks (A+ and above)	7,500,000	-	-	7,000,000	-	-
Banks (between BBB and A+)	29,950,000	-	-	36,950,000	-	-
Other ADIs	-	-	-	-	-	-
Total	42,570,000	-	-	49,070,000	-	-

37. Financial Risk Management Objectives and Policies - continued

e. Capital management

The Bank's minimum capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operational risk

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

Common Equity Tier 1 Capital (CET1)

Common Equity Tier 1 capital comprises:

- Retained profits
- Realised reserves

Additional Tier 1 Capital (AT1)

The Bank holds no Additional Tier 1 capital.

Tier 2 Capital (T2)

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.

The Bank holds no Tier 2 capital.

Capital in the Bank is made up as follows:

	2024 $	2023 $
Tier 1 Capital		
Common Equity Tier 1 Capital:		
General/Capital reserve	17,434,360	16,213,654
Retained earnings	963,590	1,220,706
	18,397,950	17,434,360
Less prescribed deductions	(874,401)	(810,576)
Net Common Equity Tier 1 Capital	17,523,549	16,623,784
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	17,523,549	16,623,784
Total Capital	**17,523,549**	**16,623,784**

37. Financial Risk Management Objectives and Policies - continued

e. Capital management - continued

The Bank is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk that came in effect from January 2023. Calcualation for risk weighted asset from 2023 has been updated in accordance with APS 112. The 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
Basel III	Basel III	Basel III	Basel III	Basel III
17.58%	16.65%	14.32%	14.56%	14.01%

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.

To manage 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 APRA if the capital ratio falls below certain levels. Further a capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Operational risk is the risk of loss to the Bank resulting from inadequate or failed internal processes, people and systems or from external events as distinct from other material risks. Operational risks in the Bank relate to risks arising from a number of sources including legal matters, compliance, business continuity, information technology, outsourced service failures, fraud, and employee errors.

Operational risk requirement	2024:	$9,064,036	2023:	$9,075,555

38. Categories of Financial Instruments

a. Financial instruments classified by measurement class

	Note	2024 $	2023 $
Financial assets - carried at amortised cost			
Cash	9	15,179,611	17,320,884
Negotiable Certificates of Deposit	10	23,000,000	31,000,000
Deposits with financial institutions	10	19,570,000	18,070,000
Receivables	11	622,364	604,144
Loans to members	12 & 13	226,462,532	215,715,379
Investments	16	46,445	46,445
Total Financial Assets		**284,880,952**	**282,756,852**
Financial liabilities			
Short term borrowings	19	8,000,000	10,000,000
Long term borrowings	19	-	3,575,179
Creditors	21	2,837,624	2,128,274
Deposits from members	20	255,900,500	249,802,427
Lease liabilities	14	547,398	630,169
Total Financial Liabilities		**267,285,522**	**266,136,049**

39. Events occurring after the reporting period

There are no events occurring after the reporting period that materially impact the financial statements measurement of assets and liabilities.

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