



Acknowledgement of Country

At Bank Australia we respectfully acknowledge the Traditional Owners of all the lands on which we live and work, and we pay our respects to Elders past and present. We recognise their continued connection to the land, waters and culture and we acknowledge their sovereignty has never been ceded. Our head office is located on the land of the Wurundjeri people of the Kulin Nation.

**Bank Australia exists to inspire
and empower our customers to use
their money to create a world where
people and the planet thrive.**

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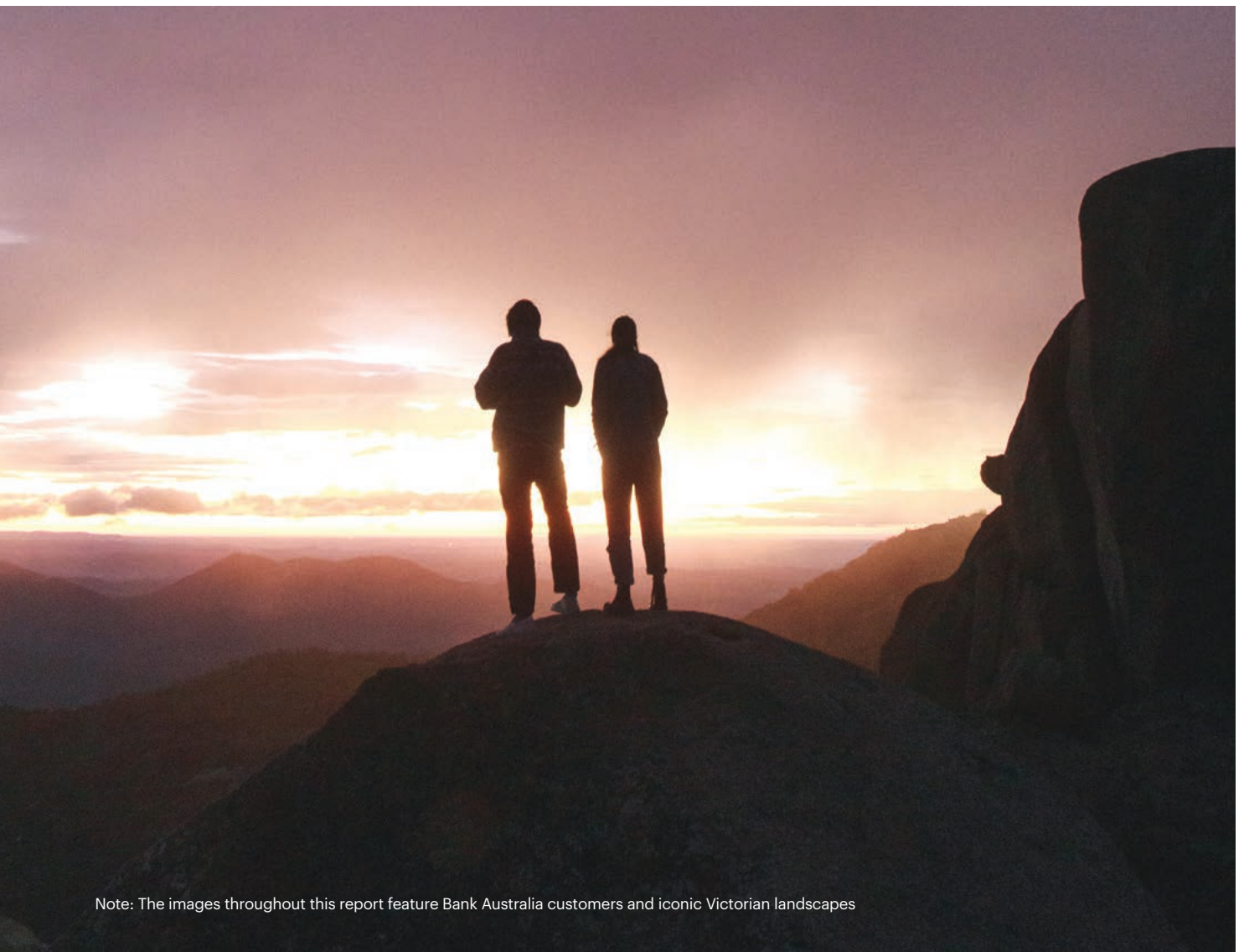
Introduction

About Bank Australia and this report

Bank Australia started in 1957 as the CSIRO Cooperative Credit Society and has grown and evolved, adding 72 credit unions and cooperatives to become Australia's first customer owned bank.

As a customer-owned bank, we are committed to taking action on the issues that matter most to our customers. That's why we provide customers with competitive rates and fees and our investments are used to create positive social and environmental change.

This report highlights our financial performance for the year ending 30 June 2022. We produce this report in part to meet our obligations under the Corporations Act 2001. This report also shows how we use the business of banking to create a positive impact for people and the planet, while delivering positive social and environmental outcomes for our customers. This is responsible banking in action.



Note: The images throughout this report feature Bank Australia customers and iconic Victorian landscapes



Commitment to our customers

As a mutual organisation, Bank Australia is committed to operating for the benefit of our customers. We use the business of banking to support our customers and create positive impact for people, their communities and the planet.



Key highlights

FY22 was a year of significant financial achievement, we strengthened our financial position

Total deposits



\$7.4 billion

(FY21: \$6.6b)

Total assets



\$9.7 billion

(FY21: \$8.5b)

Customer total loans



\$7.4 billion

(FY21: \$6.3b)

Loans funded



\$2.6 billion

(FY21: \$2.0b)

Impact assets

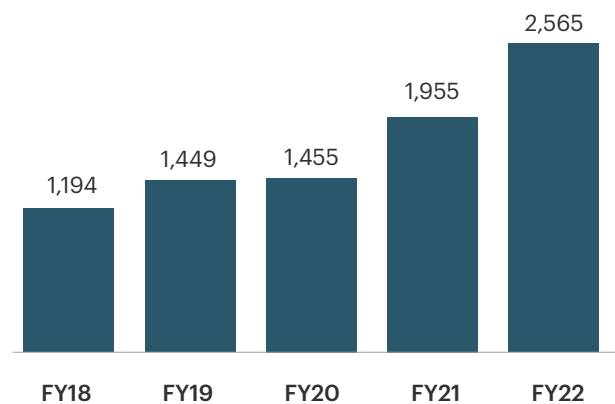
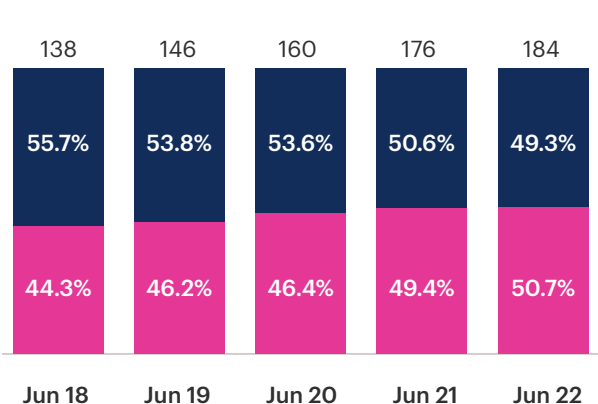


\$1.4 billion

(FY21: \$1.1b)

continued to grow our customer numbers ('000)

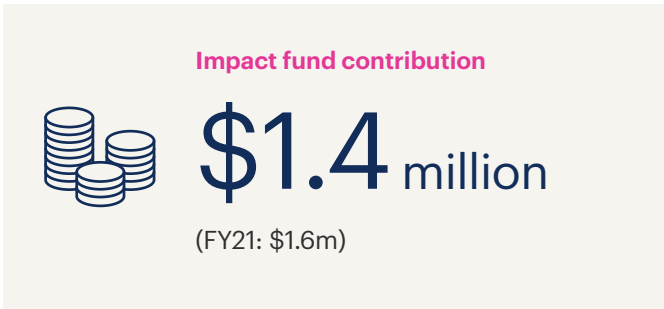
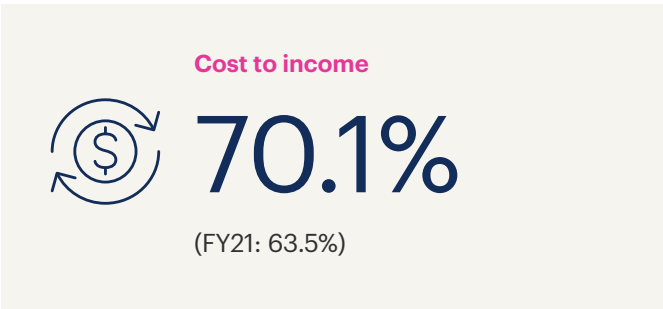
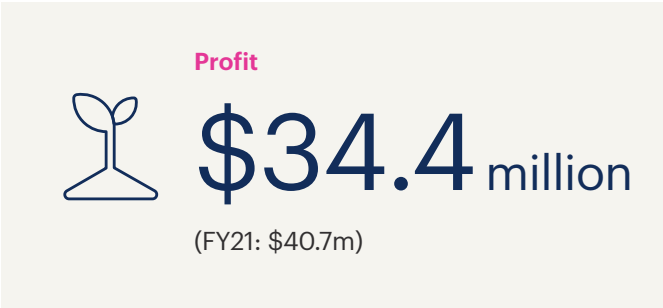
and funded a record number of customer loans (\$'m)



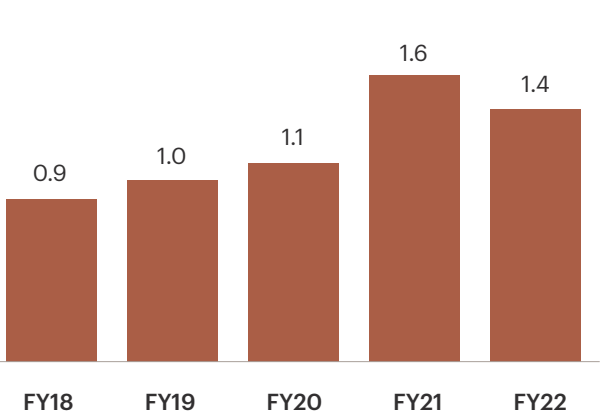
● Target Market¹ ● Non Target Market

¹ We define our target audience according to Roy Morgan's 2014 Helix Personas. The target market consists of those personas that index over 100 for social awareness. Personal customer records are updated quarterly with a Helix Code and the target percentage tabulated for existing and new customers.

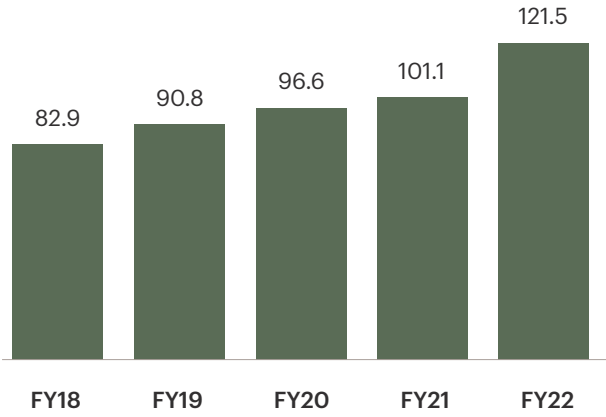
With strong financial performance and an above budget profit which will be reinvested back into the business



through impact fund contributions (\$'m)



and increases in operating costs to support the demands of our growing business (\$'m)

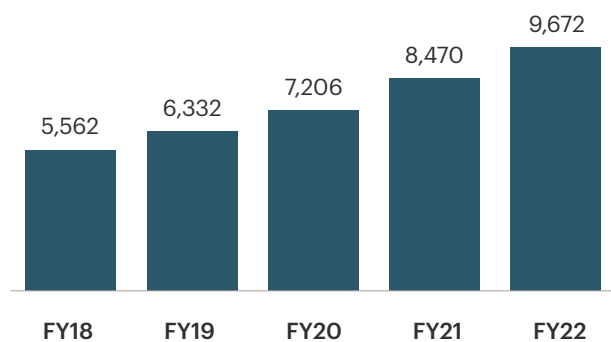


^{*} NIM presented on a normalised basis and excludes the impact of the fixed rate lock derivative

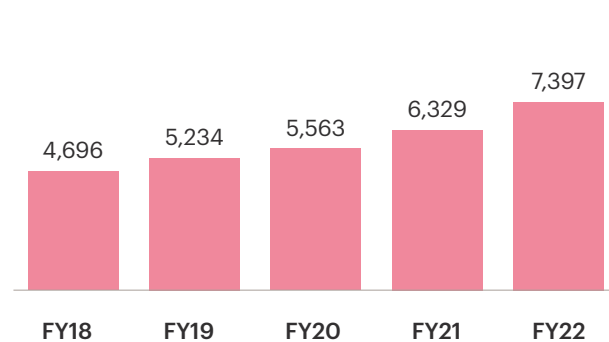
Key highlights

Our performance over the past 5 years

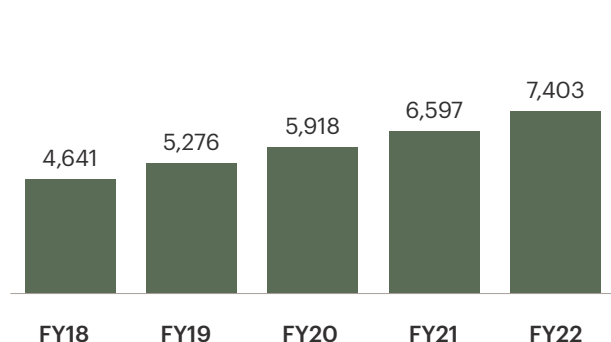
Total assets (\$m)



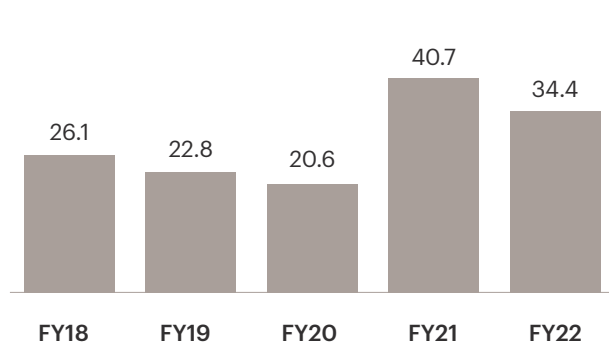
Loans (\$m)



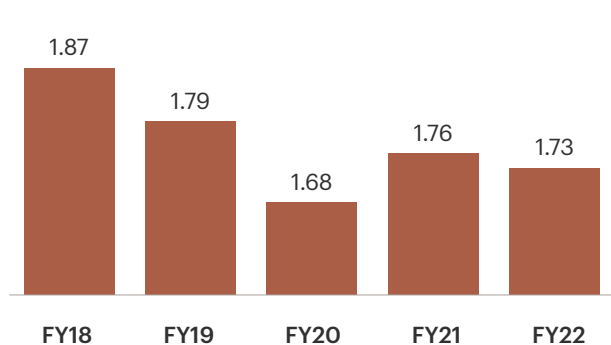
Customer deposits (\$m)



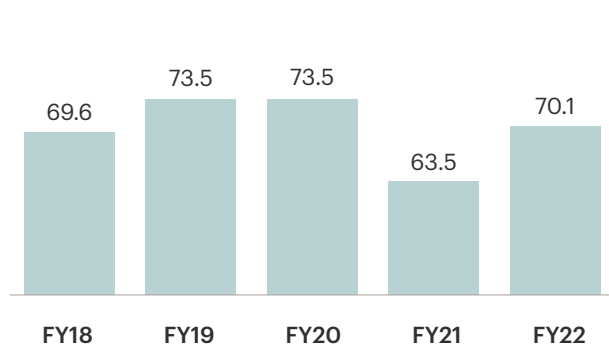
Net profit after tax (\$m)



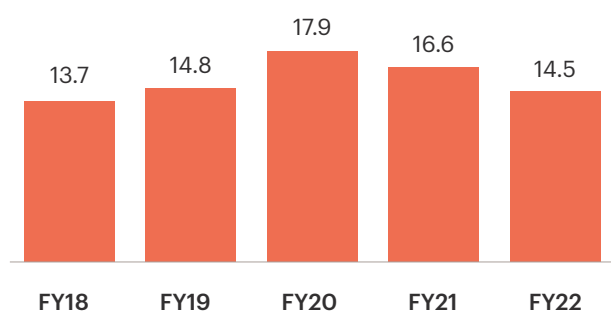
Net interest margin (%)



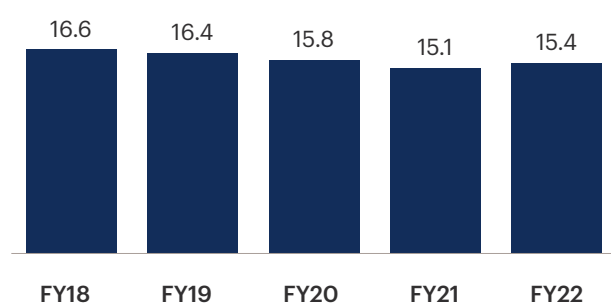
Cost to income (%)



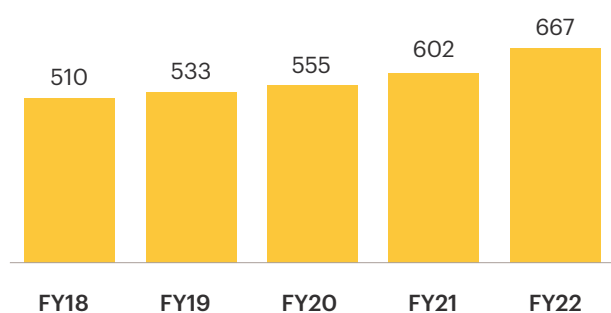
Liquidity %



Capital adequacy ratio (%)



Customer owners' funds (\$m)



Directors' report

The following section of the report includes the Directors' report together with the financial report of Bank Australia Limited and the consolidated financial report of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2022.



1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and qualifications

J S Downes

*BA (Hons), DipEd,
GradDipBus (Acct),
FAICD, FCPA, FCA,
FRSV*

Independent: Yes

Term of office: Director since March 2012. Appointed Chair 28 March 2014.

Skills and Experience:

Judith is a non-executive director with extensive experience in finance, banking and accounting. She has over 25 years experience as a company Director.

Judith has worked in senior executive and non-executive roles in banking, funds management, life insurance, medical technology, mining and property. She held senior roles in ANZ for 12 years, including Chief Financial Officer and Chief Operating Officer Institutional Division and Group General Manager Finance.

Prior to working as an accountant, Judith taught secondary mathematics.

Judith has been a member of both international and Australian bodies that are involved with the development of accounting standards. Other past positions include Director, ING Australia and Director, Australian Mathematical Science Institute.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Non-executive Director, Victorian Academy of Teaching and Leadership (since January 2022)
- Non-executive Director, ImpediMed Limited (since October 2018)
- Non-executive Director, Clean TeQ Holdings Limited (October 2018 to June 2021)
- Non-executive Director, The Spinal Research Institute (April 2016 to December 2020)
- Member, AICD APRA forum (since 2016)
- Member, Global Alliance for Banking on Values Governing Board Forum (since 2015, Chair 2017 – 2019)

Board Committee membership:

Member of the Nominations Committee

Ex officio member of the Audit, Governance and Remuneration and Risk Committees

Directors' report

M J Bastian

*LLB(Hons), GDLP,
BBus(Mgt),
RN, FAICD, A Fin*

Independent: Yes

Term of office: Director since November 2012.

Skills and Experience:

Melissa has a diverse background and experience in a variety of industries including banking, law, health, local and federal government, education, insurance and leadership development. She has advanced leadership and communication skills and extensive management, business planning, compliance, strategy development, financial management and corporate governance experience.

She is currently the Managing Director of Just Better Care Gippsland.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Non-executive Director, Gippsland Primary Health Network (since November 2019 to May 2022)
- Executive Director, MJB Enterprises Pty Ltd (since June 2017)
- Non-executive Director, Lewian Holdings Pty Ltd (since November 2015)

Board Committee membership:

Member of the Governance and Remuneration Committee (since November 2020)
Member of the Risk Committee (since November 2017)



G J Camm

*MBA, BBus, CPA,
SF Fin, MAICD*

Independent: No

Term of office: Director since February 2012, retired July 2021.

Skills and Experience:

Greg has extensive experience in finance, working in credit unions, mortgage insurance, securitisation, retail banking and superannuation. He joined the ANZ Banking Group in 1989 where he worked for 16 years, including roles as Managing Director, Mortgages; Managing Director, ANZ Bank (New Zealand); and Managing Director, Australian Retail Banking. He later worked in New Zealand as Managing Director of AMP Financial Services (New Zealand) and in Australia as CEO of Superpartners Ltd.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Chairman, AMIST Super Fund (since May 2018)
- Trustee of the Australian Cancer Research Foundation (since December 2000)
- Non-executive Director, Data Action Pty Ltd (since May 2021)
- Member, AusNet Customer Services Forum (February 2018 to February 2020)

Board Committee membership:

Member of the Risk Committee (Chair to May 2021)

Member of the Audit Committee (since November 2020 to July 2021)

Member of the Governance and Remuneration Committee (since December 2017 to November 2020)

Directors' report (continued)

<p>Director A-M O'Loghlin (formerly, A-M Corboy) <i>BA, DipEd, BEd, Diploma of Superannuation Management (part), GAICD</i></p>	<p>Independent: Yes</p> <p>Term of office: Director since November 2015.</p> <p>Skills and Experience:</p> <p>Anne-Marie has extensive experience in strategic planning, corporate governance, financial management, stakeholder management and the ability to manage growth in a competitive environment. She has over 30 years' experience as a company Director for a range of organisations including the Peter MacCallum Cancer Centre, Victorian Superannuation Board and Australian Council for Superannuation Investors and was a trustee on the MCG Trust.</p> <p>Anne-Marie was CEO of HESTA, the industry superannuation fund for health and community services, and Company Secretary to its trustee company HEST Australia Ltd from May 1998 to February 2015. Prior to this role she was Victorian Branch Secretary of the Australian Education Union and a primary school teacher.</p> <p>Directorships of listed entities within the last three years, other directorships and offices (current and recent):</p> <ul style="list-style-type: none"> • Chair, Telstra Super (since July 2019) • Chair, Telstra Super Financial Planning (since June 2019) • Deputy Chair, Ovarian Cancer Research Foundation (since November 2019, Committee of Management member since April 2019) • Member, Australian Commonwealth Games Foundation Investment Committee (since February 2019) <p>Board Committee membership:</p> <p>Chair of the Governance and Remuneration Committee (Member since November 2015 and Chair since November 2017) Member of the Audit Committee (since November 2021) Member of the Risk Committee (since December 2017 to December 2021)</p>
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S J Ferguson
BComm, GAICD, ACA

Independent: Yes

Term of office: Director since November 2020.

Skills and Experience:

Stephen (Steve) has extensive experience in financial auditing and assurance having retired from professional services firm EY (Ernst & Young) as a Senior Partner in 2018. Throughout his career, Steve advised and led the audits of a wide range of large Australian and international businesses in the banking and financial services, infrastructure, telecommunications and retail sectors.

Steve is an Independent Director of Parkinson's Australia where he chairs the Audit and Risk Committee, and he is an external member of the University of New South Wales' Audit Committee and Risk Committee.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Non-executive Director and Chair of the Audit Committee, General Reinsurance Australia Ltd (since November 2021)
- Non-executive Director and Chair of the Audit Committee, General Reinsurance Life Australia Ltd (since November 2021)
- Chief Financial Officer (part-time), BackTrack Youth Works Ltd (since August 2021)
- Non-executive Director and Chair of the Audit and Risk Committee, Parkinson's Australia (since March 2017)
- External Member, University of New South Wales Audit Committee (since July 2020) and Risk Committee (since January 2021)

Board Committee membership:

Chair of the Audit Committee (since November 2020 and Chair since November 2021)
Member of the Risk Committee (since November 2020 to November 2021)
Member of the Governance and Remuneration Committee (since November 2021)

Directors' report (continued)

H L Gluer

BComm, MBA,
FCPA, FAICD

Independent: Yes

Term of office: Director since 5 February 2018

Skills and Experience:

Helen has a diverse professional background, having commenced her career with Commonwealth Bank before moving into corporate recovery roles with Queensland Industry Development Corporation and Suncorp-Metway. Helen then took up finance roles with Brisbane City Council and Chief Executive roles with Tarong Energy Corporation and Stanwell Corporation, Under Treasurer for Queensland Treasury and Trade and Chief Executive Officer for Queensland Rail.

Helen also has over 15 years' experience as a non-executive Director including Gladstone Ports Corporation (Chair, Central Queensland Ports Authority), City Super, Queensland Resources Council and Translink Transit Authority (Chair of Audit Committee).

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- No other directorships and offices

Board Committee memberships:

Member of the Audit Committee (since February 2018 and Chair from November 2020 to November 2021)

Member of the Risk Committee (since November 2019)



A J Healy
BSc, GDipEco
GDipFin, GAICD

Independent: Yes

Term of office: Director since 1 January 2022.

Skills and Experience:

Anthony's career covers a broad range of financial services sectors, predominantly serving SME businesses, financial markets, wealth management, investment, and funds management.

Sought out as a change agent, Anthony has led start-ups, growth businesses and turnaround situations, with a strong focus on growth, innovation, and cultural transformation. Anthony has worked in senior executive roles in banking, including Chief Customer Officer for Business and Private Bank at National Australia Bank and Chief Executive Officer and Managing Director of Bank of New Zealand.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- CEO & Managing Director, Australian Business Growth Fund (since October 2020)
- Non-executive Director, Chair of Finance, Audit & Risk Committee and Chair of Property, Investment and Asset Committee, Good Shepherd Aust & NZ (since January 2021)

Board Committee membership:

Chair of the Risk Committee (Member since January 2022 and Chair since August 2022)
Member of the Audit Committee (since January 2022)

Directors' report (continued)

D K Wakeley
BEC, FCA, FAICD

Independent: Yes

Term of office: Appointed Director 1 January 2017.

Skills and Experience:

David has a diverse background and over 30 years experience in a variety of industries including professional accounting, pharmaceuticals, motoring services, education and financial services. Until March 2017, David was CEO of Autopia Management Pty Ltd and prior to this David was CEO of AIM NSW and ACT Pty Ltd and Virgin Money Australia Pty Ltd.

David is currently engaged in a range of activities including coaching, mentoring, as an advisor to a number of private companies in the technology space and a Board member of a number of organisations.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Non-executive Director, ParaFlare Holdings Pty Ltd (and group companies) (since April 2019)
- Non-executive Director, UrbnSurf Pty Ltd (and group companies) (since January 2019, Chair to March 2021)
- Non-executive Director, Robert Menzies College at Macquarie University (since April 2018)
- Non-executive Director, Streem Pty Ltd (November 2019 to April 2022)
- Chair of the Advisory Board, Wordflow Pty Ltd (June 2018 to September 2019)
- Non-executive Director, Adviser Ratings Pty Ltd (January 2017 to July 2019)

Board Committee membership:

Member of the Risk Committee (Member since January 2017 and Chair from May 2021 to August 2022)

Member of the Governance and Remuneration Committee (since November 2019)

D G Walsh

*BBus (Acct), MBA,
FAICD, FFIN,
FCA, FCPA*

Independent: No

Term of office: Appointed CEO on 1 September 2011 and Managing Director on 22 September 2011.

Skills and Experience:

Damien became Managing Director on 22 September 2011, after serving as General Manager of Corporate Services for eight years and also as Company Secretary. Damien has over 30 years of experience in the mutual banking sector.

Damien is responsible for and manages the bank's group operations. He works with the Board in setting group strategy, monitoring group performance and budget, and ensuring the bank adheres to all prudential, legal and compliance matters.

Directorships of listed entities within the last three years, other directorships and offices (current and recent):

- Non-executive Director, Global Alliance for Banking on Values (since February 2020)
- Steering Committee member, Australian Sustainable Finance Initiative (March 2019 to February 2020)
- Council member, Australian Banking Association (December 2015 to December 2020 and since December 2021)
- Alternate Director, Data Action Ltd (August 2013 to May 2021)
- Non-executive Director, Business Council of Cooperatives and Mutuals (April 2013 to March 2020)

Board Committee membership:

Nil

Directors' report (continued)

2. Nominations Committee

The function of the Nominations Committee is to provide the Board with its determinations on the fitness and propriety of potential candidates for the office of Director of the Company, in accordance with the Fit and Proper Policy and Constitution. The Committee is comprised of three members with a requirement that the majority of members are independent of the Company and the Board of Directors. The Nominations Committee met twice during the year ending 30 June 2022.

M A Bengtsson, Independent Member

Mark has been a member of the Nominations Committee since 2010 and Chair since July 2020. Mark has provided valuable input into the Committee's workings, leveraging his extensive experience advising Australian Prudential Regulation Authority (APRA) regulated organisations on corporate governance. Mark is an experienced non-executive Director and a senior lawyer, currently Managing Director at Daniels Bengtsson Pty Limited. Mark's term of office completed on 30 June 2022.

J Brown, Independent Member

Juliet has been a member of the Nominations Committee since 2020 and Chair since July 2022. Her career has been in business and law across various industries including insurance, superannuation, health and transport in both the public and private sectors. Juliet's extensive experience as a non-executive Director includes chairmanship, governance, audit and risk committee experience of APRA regulated entities. Her current roles include Chair of the Lifetime Support Authority of South Australia and Director of Medical Insurance Australia Pty Ltd where she is Chair of the Governance Committee.

R W Goudswaard, Independent Member

Robert was appointed a member of the Nominations Committee in August 2022.

J S Downes, Chair of Board

Judith has been on the Board of Bank Australia since March 2012 (Chair since March 2014) and a member of the Nominations Committee since 2014.

3. Company Secretary

L B O'Brien

BComm, MAppFin, CA, MAICD

Louise was appointed Company Secretary in August 2016.

R M Salisbury

BSc (Hons), CTA

Robert was appointed Co-Company Secretary in March 2021.

4. Executive leadership team

P R Ashkettle, Chief Risk Officer

BCA, MBA

Patrick was appointed Chief Risk Officer in March 2014.

He previously spent 24 years working across superannuation, institutional and retail banking.

Patrick has senior executive responsibility for the management of the Bank Australia Risk function subject to the directions of the Bank Australia Board and Managing Director.

Patrick has an MBA and has studied at the London Business School. He is also a member of the Risk Management Institute of Australasia.

S Clancy AM, Chief People Officer

BA, FAICD, FAIM, FAHRI

Sonya was appointed Chief People Officer in July 2018. Sonya is an experienced senior leader having previously held executive roles in human resource, marketing and communication.

Sonya has senior executive responsibility for the management of Bank Australia's People and Culture Division, subject to the directions of the Bank Australia Board and Managing Director.

Sonya is a Fellow of the Australian Institute of Company Directors and a Fellow of Australian HR Institute. Sonya holds the positions of Chair of the Board for both The Big Issue and Homes for Homes.

S Courville, Chief Impact Officer

BES, MSc, PhD

Sasha was appointed Chief Impact Officer in March 2022. She has over 20 years of experience in business and sustainability strategy development across a range of industry sectors and sustainability issues working in diverse organisation types and sizes.

Sasha has senior executive responsibility for the management of Bank Australia's Impact Division consisting of Corporate Strategic Planning, Marketing, Corporate Affairs, Sustainable Development and Impact, subject to the directions of the Bank Australia Board and Managing Director.

Sasha has a PhD from the School of Resources, Environmental and Society, ANU and an MSc from the London School of Economics. Sasha is a Commissioner for International Agricultural Research, a member of the Advisory Council at Monash Sustainable Development Institute and an independent non-executive Director at Aluminium Stewardship Initiative.

R B Dowland, Chief Development Officer

GAICD

Rowan was appointed Chief Strategy Officer in August 2017. He has over 25 years of experience in the customer owned banking sector. Rowan retired in November 2021.

Rowan had senior executive responsibility for the management of Bank Australia's Strategy and Communications Division consisting of Strategy Development and Execution, Marketing and Corporate Affairs, subject to the directions of the Bank Australia Board and Managing Director.

Directors' report (continued)

B E Jordon, Chief Operating Officer

BEc (Hons), MAICD

Brad was appointed Chief Operating Officer in October 2019. He is an experienced executive having held senior roles across the social welfare, banking and finance sectors with VincentCare, Computershare, and ANZ Bank.

The Chief Operating Officer has senior executive responsibility for the Operations and Technology Division of Bank Australia, subject to the directions of the Bank Australia Board and Managing Director.

Brad holds a Bachelor of Economics (Honours) from Monash University and is a member of the Australian Institute of Company Directors.

L B O'Brien, Chief Financial Officer

BComm, MAppFin, CA, MAICD

Louise was appointed Chief Financial Officer in August 2016. Louise has over 25 years of experience in banking and finance in both Australia and the UK.

Louise has senior executive responsibility for the management of Bank Australia's Finance function subject to the directions of the Bank Australia Board and Managing Director.

Louise has a Masters of Applied Finance and is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

S Wall, Chief Transformation Officer

BSc, MBA

Scott was appointed Chief Transformation Officer in June 2022. Scott has 30 years experience as a technology leader who has worked primarily in finance and customer focused businesses both in Australia and the UK.

Scott has senior executive responsibility for the management of Bank Australia's Transformation Division consisting of Enterprise Architecture, Transformation Strategy Execution, Operational Excellence, Enterprise Data Strategy and Digital Services, Project and Change Management, subject to the directions of the Bank Australia's Board and Managing Director.

Scott has a Bachelor of Science in Computer Science, an MBA from London Business School, and is currently studying for his Masters of Artificial Intelligence at RMIT.

J P Yardley, Deputy Chief Executive Officer

MBA, GAICD

John was appointed Deputy Chief Executive Officer in March 2016. John is an experienced executive who has held senior roles in banking, politics and management consulting.

John has senior executive responsibility for the development of Bank Australia's strategic objectives and business plan and managing the Retail Banking Division of Bank Australia, subject to the directions of the Bank Australia Board and Managing Director.

John has an MBA and is a graduate of the Australian Institute of Company Directors.



5. Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Governance and Remuneration Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
M J Bastian	9	9	–	–	6	6	4	4	–	–
J S Downes	9	9	4	4	6	6	4	4	2	2
S J Ferguson	9	9	4	4	3	3	2	2	–	–
H L Gluer	8	9	3	4	6	6	–	–	1	2
A J Healy	5	5	2	2	3	3	–	–	–	–
A-M O'Loughlin	9	9	2	2	3	3	4	4	–	–
D K Wakeley	9	9	1	1	6	6	4	4	–	–
D G Walsh	9	9	4	4	6	6	4	4	–	–
Independent Member of Nominations Committee										
M A Bengtsson									2	2
J Brown									2	2

A – Number of meetings attended.

B – Number of meetings held during the time that the Director was a member of the committee.

6. Remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the non-executive Directors, the Managing Director and senior executives of the Company. Remuneration levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board Governance and Remuneration Committee obtains independent advice on remuneration packages given trends in comparable companies. The Company does not provide incentive payments, such as bonus payments, as part of remuneration packages for key management personnel and secretaries of the Company.

Directors' report (continued)

Remuneration

		Short term benefits	Post employment benefits	
	Financial year	Fees	Super contribution	Total remuneration ¹
Current Non-Executive Directors				
Judith Downes	2022	128,925	12,893	141,818
	2021	124,554	11,833	136,387
Melissa Bastian	2022	73,277	7,163	80,440
	2021	69,196	6,574	75,770
Greg Camm (retired July 2021)	2022	5,299	530	5,829
	2021	75,414	7,164	82,578
Steve Ferguson (joined November 2020)	2022	80,121	8,012	88,133
	2021	40,187	3,818	44,005
Helen Gluer	2022	74,705	7,471	82,176
	2021	73,416	6,975	80,391
Anthony Healy (joined January 2022)	2022	34,835	3,484	38,319
	2021	–	–	–
Anne-Marie O’Loughlin	2022	88,300	3,222	91,522
	2021	76,511	7,269	83,780
Michelle Somerville (term of office ended November 2020)	2022	–	–	–
	2021	32,370	3,075	35,445
David Wakeley	2022	83,202	8,320	91,522
	2021	70,293	6,678	76,971
Total Non-Executive Directors ¹	2022	568,664	51,095	619,759
	2021	561,941	53,386	615,327

1 The collective remuneration for the seven non-executive Directors of the Board, as approved by members at the 2021 annual general meeting, is \$680,400 per year pro rata. This sum represents total Board remuneration for the non-executive Directors, including fees, superannuation and all relevant taxes payable by either the Company or the Directors. The base remuneration for a Director in 2022 was \$81,000, inclusive of superannuation. The Chairs of the three Board Committees received a 20% loading of \$16,200 taking their total remuneration to \$97,200, inclusive of superannuation. The Chair of the Board received an 80% loading of \$64,800 taking their total remuneration to \$145,800, inclusive of superannuation.

Each director is expected to undertake professional development pertaining to their role at the Company and is provided a training allowance. The training must be approved by the Chair of the Board, or, in the case of the Chair, the training is approved by the Chair of the Governance and Remuneration Committee. The Company will pay up to \$9,927 each year to cover professional development costs for each director. Training allowances may not be converted to cash and, if unused, lapse after 3 years.

Executive Leadership Team

The following table lists the remuneration bands for the bank's Executives, including the Managing Director, for the year ended 30 June 2022:

	No. of Executives
Up to \$399,999	0
\$400,000 to \$500,000	7
More than \$500,000	2
Total	9

7. Principal activities

The principal activities of the Company during the year remained unchanged and were the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority (APRA) and the Banking Act 1959, and the use of those funds in providing financial services to its customers, while delivering positive social and environmental outcomes.

8. Review of operations

The consolidated entity reported a net profit after income tax for the financial year ended 30 June 2022 of \$34.4 million (FY21: \$40.7 million). The lower profit in FY22 resulted from increased investment in recruitment and employee experience, wellbeing and development initiatives. Additionally, we increased our investment in major technology projects such as loan origination and customer relationship system upgrades. This is part of our multi-year program to uplift both customer and employee experience.

Total assets increased to \$9.7 billion with strong growth continuing in both lending and new deposits. Net loans and advances grew 16.9% to \$7.4 billion with home lending growing 19.7%, 2.6 times the overall lending growth across the banking system.

The lending business achieved a record number of loans funded during the financial year at \$2.6 billion. We participated both in the Australian Government's First Home Guarantee (FHG) and the Victorian Government's Victorian Homebuyer Fund schemes aimed at assisting first homebuyers and low and middle-income households to buy their own homes. In addition, we partnered with Indigenous Business Australia (IBA) to support home ownership for First Nations people.

Directors' report (continued)

Our impact finance business continued to grow with our portfolio of impact assets reaching \$1.4 billion, up from \$1.1 billion in 2021. Impact finance assets now represent 14.5% of total assets, an increase of 1.7% from the prior year and sees us progressing well towards our 2025 goal of 20%.

We believe in using the business of banking to create a positive impact for people and the planet through our loans and grants to customers, investments in green and sustainability bonds and our conservation reserve program. In 2022, we extended our green mortgage product offering with the introduction of the Eco Plus clean energy home loan, providing greater discounts for homes that are both energy efficient and generating their own renewable power. Our community customer grants program supported a further 22 customer organisations with grants totalling over \$400,000 and our conservation reserve program conducted a cultural heritage survey, further tree plantings and fence repairs at our Salvana property.

In March 2022, we launched our Climate Change Action strategy. Climate change is the defining issue of our time and our customers continue to identify climate change as the issue they are most concerned about. Our strategy sets out our ambitions for the coming decade across key areas such as decarbonisation, regenerative products and services, the protection of nature, climate justice and climate risk.

The headline commitment of our strategy is a target to achieve net zero emissions across our operations, and lending and investment portfolio by 2035. This is the most ambitious net zero target of any bank in the country and makes Bank Australia one of the most ambitious banks globally.

Customer deposits grew 12.2% to \$7.4 billion, driven by Home Loan Saver, Online Saver and Access accounts. Term Deposit balances reduced 6.0% to \$1.5 billion, reflecting both market conditions and low interest rates.

In December 2021, the Company raised \$40 million through the issuance of 10-year subordinated unsecured notes. The issuance forms part of our broader capital and funding strategy, including our medium term note programme and the capability to raise capital through the issuance of mutual capital instruments (MCIs) or capital instruments convertible into MCIs.

Throughout the year, we continued to support our customers through the COVID-19 pandemic and, pleasingly, the majority of our customers impacted by the pandemic have now resumed servicing their loans and other facilities following periods of payment deferral.

The consolidated entity's financial performance largely reflects the benefits of a larger balance sheet and the management of interest rate margins. Our performance also reflects the on-going transformation of our business and operating models and one-off transactions.

In 2022, Cuscal Limited returned capital to shareholders following the sale of 86 400 to National Australia Bank. We received \$4.9 million in relation to the capital return and a further \$1.0 million in fully franked dividends relating to the 2021 final dividend and 2022 interim dividend. Following the equity buy-back, the entity's shareholding in Cuscal increased from 10.55% to 10.57%, which reflects the participation by shareholders in the capital return schemes.

As reported in prior years, we continue to see increasing customer preference for digital and remote banking. This trend has accelerated throughout the COVID-19 pandemic. Our technology-first approach to meeting these needs has made significant progress this year. We commenced projects to upgrade our loan origination and customer relationship management systems and migrated our data centre to Macquarie Telecom. These initiatives will improve our customers' experience across our lending products and digital, phone and face-to-face services.



However, this trend has also resulted in making the difficult decision to close our Glen Waverley, Morwell and Castlemaine branches.

While our branch footprint has changed in recent years, we continue to employ more people in customer service roles in our contact centre and lending hubs to support customers. This expansion has been achieved through the re-location of our head office from Kew to Collingwood and the conversion of our former Morwell branch into additional office space.

The relocation of our head office also saw our Kew branch move into a new space next door to our old branch and the sale of our Kew property. We also sold our property at Castlemaine following the closure of the branch.

This year we also focused on employee experience, wellbeing and development through our leadership capability framework and expanding our range of employee benefits and leave policies. We also made progress towards increasing our service capacity through significant recruitment of new employees in our contact centre and lending hubs. However, the tight recruitment market has made both attracting and retaining talent a key challenge and, unfortunately, customer service levels were impacted. At the same time, and like many other businesses, our customer service capacity was affected by COVID-19 and challenges in recruitment to fill newly created roles. We also experienced capacity constraints in our customer-facing teams which affected our service levels. As COVID-19 began to spread throughout the community, we've continued to evolve our pandemic plans to protect our staff and manage the disruption to our services caused by unplanned leave.

For further information on performance and how the Company has worked towards achieving the best possible outcomes for customers while remaining true to our purpose during the 2022 financial year, please refer to our [2022 Impact Report](#).

9. Credit rating

During the year ended 30 June 2022, the Consolidated Entity was rated by both Standard & Poor's and Moody's. Standard & Poor's maintained long-term credit rating at 'BBB' with outlook being upgraded from stable to positive; short-term rating was maintained at 'A-2'. Moody's maintained Bank Australia's long-term credit rating of Baa1 with a stable outlook and kept short-term rating of 'P2'.

10. Dividends

The Directors do not recommend a dividend and no dividends were declared or paid during the year.

11. Events subsequent to balance date

The Directors have considered events subsequent to the balance date and, in accordance with applicable accounting standards, have disclosed within the financial statements of the Consolidated Entity and the Company as at 30 June 2022 those events where relevant.

12. Likely developments and expected results

The Directors are not aware of any other likely developments in financial years subsequent to 30 June 2022 that may significantly affect the operation and expected results of the Company.

13. Directors' interests

During or since the end of the financial year, no Directors have received or become entitled to any benefits (other than the remuneration listed above) from a contract between the Company and themselves, their firm or a company in which they have a substantial interest.

Directors' report (continued)

14. Indemnification of officers and auditors

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses contracts. The Company has not indemnified the current external auditors, EY (Ernst & Young). The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

15. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' report for the financial year ended 30 June 2022.

16. Prudential Information

For Australian Prudential Regulation Authority's (APRA) Authorised Deposit-taking Institution (ADI) Prudential Standard APS 330 Public Disclosure, refer to the Prudential Disclosures section of the Bank Australia's website (<https://www.bankaustralia.com.au/support/disclosures>).

17. Financial accommodation to Directors and associates

The provision of financial accommodation to Directors and associates of Directors does not contravene the Prudential Standards administered by APRA and is shown in the Company's accounts in accordance with applicable accounting standards.

18. Basis of preparation

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated. The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity financial statements in financial reports effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial report.

This report is made in accordance with a resolution of the Directors:



Judith Downes, Director

Signed on 29 September 2022



Steve Ferguson, Director

Signed on 29 September 2022

External Auditor's Independence Declaration



External Auditor's Independence Declaration



As lead auditor for the audit of the financial report of Bank Australia Limited for the financial year ended 30 June 2022, I declare 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;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bank Australia Limited and the entities it controlled during the financial year.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Luke Slater'.

Luke Slater, Partner

29 September 2022



Financial statements



Statement of financial position

as at 30 June 2022

	Note	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Assets					
Cash and liquid assets	5	181,436	181,434	181,436	181,434
Due from other financial institutions	5	1,401	1,370	1,401	1,370
Investment securities	6	1,832,517	1,840,996	1,832,517	1,840,996
Other assets	22	25,980	19,478	27,924	20,020
Derivative assets	17	173,587	19,311	173,587	19,311
Net loans and advances	7	7,396,849	6,329,154	7,396,849	6,329,154
Investments in associates	8	6,379	7,906	6,379	7,906
Other investments	9	36,150	36,083	39,768	39,701
Property, plant and equipment	23	17,905	34,296	17,905	21,986
Intangible assets	24	198	466	198	466
Total assets		9,672,402	8,470,494	9,677,964	8,462,344
Liabilities					
Due to other financial institutions	5	125,461	7,850	125,461	7,850
Deposits	3	7,403,019	6,596,608	7,420,406	6,600,283
Borrowings	4	1,373,915	1,196,116	1,373,915	1,196,116
Current tax payable ¹		8,494	8,555	8,494	8,555
Derivative liabilities	17	36,034	11,287	36,034	11,287
Net deferred tax liabilities	15	15,326	4,115	15,326	1,525
Other liabilities	25	32,661	35,319	32,661	35,319
Provisions	25	10,078	8,692	10,078	8,692
Total liabilities		9,004,988	7,868,542	9,022,375	7,869,627
Net assets		667,414	601,952	655,589	592,717
Customer owners' funds					
Reserves	26	667,414	601,952	655,589	592,717
Total customer owners' funds		667,414	601,952	655,589	592,717

The Statement of financial position is to be read in conjunction with the notes to the financial statements.

¹ For the year ended 30 June 2022, current tax payable has been disclosed separately in the Statement of financial position. In prior years, current tax payable or receivable has been recorded in other assets or other liabilities.

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Revenue					
Interest revenue	11	212,681	196,667	212,681	196,667
Interest expense	12	(56,404)	(57,511)	(56,404)	(57,511)
Net interest revenue		156,277	139,156	156,277	139,156
Share of profit in associate	8	(1,528)	554	(1,528)	554
Other income	13	18,624	18,744	19,257	19,287
Total revenue		173,373	158,454	174,006	158,997
Expenses					
Credit impairment charge / (write-back) ¹	10	1,069	(684)	1,069	(684)
Operating expenses	14	121,479	101,113	122,112	101,656
Total expenses		122,548	100,429	123,181	100,972
Profit before income tax		50,825	58,025	50,825	58,025
Income tax expense	15	(16,438)	(17,333)	(16,438)	(17,333)
Profit for the period		34,387	40,692	34,387	40,692
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		709	3,232	709	2,008
Income tax attributable to this item		(213)	(405)	(213)	(459)
Changes in fair value of equity instruments at fair value through other comprehensive income		774	9,464	774	9,464
Income tax attributable to this item		(232)	(2,839)	(232)	(2,839)
Items that may or may not be reclassified to profit or loss					
Net gain / (loss) on cash flow hedges		43,490	(3,655)	43,490	(3,655)
Income tax attributable to this item		(16,259)	762	(16,259)	762
Total comprehensive income for the period attributable to customer owners		62,656	47,251	62,656	45,973

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

¹ For the year ended 30 June 2022, recoveries of amounts previously written off has been disclosed within Credit impairment charge / (write-back) (2022: \$50k 2021: \$50k). In prior years, this has been recorded in other income.

Statement of changes in customer owners' funds

for the year ended 30 June 2022

	Retained earnings \$'000	General reserves \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Fair value reserve \$'000	General reserve for credit losses ¹ \$'000	Redeemed capital reserve \$'000	Total customer owners' funds \$'000
Consolidated Entity								
As at 30 June 2021	–	566,155	12,267	1,170	15,534	5,088	1,738	601,952
Profit for the period	34,387	–	–	–	–	–	–	34,387
Other comprehensive income	–	–	496	27,231	542	–	–	28,269
Total comprehensive income	34,387	–	496	27,231	542	–	–	62,656
Movement in deferred taxes	–	–	2,806	–	–	–	–	2,806
Transfers between reserves	(34,387)	52,027	(12,552)	–	–	(5,088)	–	–
As at 30 June 2022	–	618,182	3,017	28,401	16,076	–	1,738	667,414
As at 30 June 2020	–	525,903	9,440	4,063	8,909	4,548	1,738	554,601
Profit for the period	40,692	–	–	–	–	–	–	40,692
Other comprehensive income	–	–	2,827	(2,893)	6,625	–	–	6,559
Total comprehensive income	40,692	–	2,827	(2,893)	6,625	–	–	47,251
Movement in deferred taxes	–	100	–	–	–	–	–	100
Transfers between reserves	(40,692)	40,152	–	–	–	540	–	–
As at 30 June 2021	–	566,155	12,267	1,170	15,534	5,088	1,738	601,952

1 In accordance with APRA Prudential Standard (APS) 220 Credit Risk Management, effective 1 January 2022, the measurement of provisions held against expected credit losses must be in accordance with Australian Accounting Standards. As a result, the maintenance of a general reserve for credit losses is no longer required and the reserve has been transferred back to retained earnings.

Statement of changes in customer owners' funds (continued)

for the year ended 30 June 2022

	Retained earnings \$'000	General reserves \$'000	Asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Fair value reserve \$'000	General reserve for credit losses ¹ \$'000	Redeemed capital reserve \$'000	Total customer owners' funds \$'000
The Company								
As at 30 June 2021	–	566,155	3,032	1,170	15,534	5,088	1,738	592,717
Profit for the period	34,387	–	–	–	–	–	–	34,387
Other comprehensive income	–	–	496	27,231	542	–	–	28,269
Total comprehensive income	34,387	–	496	27,231	542	–	–	62,656
Movement in deferred taxes	–	–	216	–	–	–	–	216
Transfers between reserves	(34,387)	40,202	(727)	–	–	(5,088)	–	–
As at 30 June 2022	–	606,357	3,017	28,401	16,076	–	1,738	655,589
As at 30 June 2020	–	525,903	1,483	4,063	8,909	4,548	1,738	546,644
Profit for the period	40,692	–	–	–	–	–	–	40,692
Other comprehensive income	–	–	1,549	(2,893)	6,625	–	–	5,281
Total comprehensive income	40,692	–	1,549	(2,893)	6,625	–	–	45,973
Movement in deferred taxes	–	100	–	–	–	–	–	100
Transfers between reserves	(40,692)	40,152	–	–	–	540	–	–
As at 30 June 2021	–	566,155	3,032	1,170	15,534	5,088	1,738	592,717

The Statement of changes in customer owners' funds is to be read in conjunction with the notes to the financial statements.

1 In accordance with APRA Prudential Standard (APS) 220 Credit Risk Management, effective 1 January 2022, the measurement of provisions held against expected credit losses must be in accordance with Australian Accounting Standards. As a result, the maintenance of a general reserve for credit losses is no longer required and the reserve has been transferred back to retained earnings.

Statement of cash flows

for the year ended 30 June 2022

	Note	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Cash flows from operating activities					
Inflows					
Interest received from customer loans		179,119	174,365	179,119	174,365
Interest received from investments		28,849	21,653	28,849	21,653
Net increase in deposits ¹		806,411	679,023	820,123	679,124
Fees and commission received		12,227	12,679	10,916	12,679
Dividends received		5,110	296	5,110	296
Income tax refund		737	2,058	737	2,058
Bad debts recovered		50	50	50	50
Other income		1,039	1,324	1,581	1,896
Total inflows		1,033,542	891,448	1,046,485	892,121
Outflows					
Interest paid to customers		(39,883)	(54,059)	(39,883)	(54,059)
Interest paid to other corporations		(18,750)	(8,377)	(18,750)	(8,377)
Net increase in loans and advances ¹		(1,068,815)	(765,150)	(1,068,815)	(765,150)
Payments to suppliers and employees		(118,798)	(84,262)	(119,008)	(84,880)
Income tax paid		(19,923)	(9,580)	(19,923)	(9,580)
Total outflows		(1,266,169)	(921,428)	(1,266,379)	(922,046)
Net cash from operating activities	32(c)	(232,627)	(29,980)	(219,894)	(29,925)
Cash flows from investing activities					
Acquisition of investment securities		(783,821)	(1,323,468)	(783,821)	(1,323,523)
Proceeds from sale of investment securities		707,064	832,112	707,064	832,112
Acquisition of non-current assets		(2,344)	(1,267)	(2,343)	(1,267)
Proceeds from disposal of non-current assets		16,350	615	3,616	615
Total outflows from investing activities		(62,751)	(492,008)	(75,484)	(492,063)
Cash flows from financing activities					
Net increase in due to other financial institutions		117,581	6,480	117,581	6,480
Net increase in borrowings		137,799	524,412	137,799	524,412
Net increase in subordinated debt		40,000	–	40,000	–
Total inflows from financing activities		295,380	530,892	295,380	530,892
Net increase in cash held		2	8,904	2	8,904
Cash at the beginning of the year		181,434	172,530	181,434	172,530
Cash at the end of the year	5	181,436	181,434	181,436	181,434

The Statement of cash flows is to be read in conjunction with the notes to the financial statements.

¹ For the year ended 30 June 2022, net increase in deposits and net increase in loans and advances has been reclassified to operating activities. In prior years, these items were included in financing and investing activities respectively but have been reclassified for comparative purposes.



Notes to the financial statements



Notes to the financial statements

for the year ended 30 June 2022

About the financial statements

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2. Basis of preparation	38

This section summarises how the 30 June 2022 Financial Report has been prepared in accordance with the accounting standards issued by the Australia Accounting Standards Board and other regulatory requirements. This includes company information, significant judgements and accounting policy interpretations.

Key accounting policies and key judgements and estimates which relate directly to a statement have been clearly outlined as such within each of the relevant notes.

Notes to the financial statements

for the year ended 30 June 2022

1. Reporting entity

Bank Australia Limited (the Company) is a customer owned, mutual company, limited by shares, which is domiciled and incorporated in Australia. The address of the Company's registered office, as at 30 June 2022, was 222 High Street, Kew, Victoria, 3101. Subsequent to the reporting period, the Company's registered office moved to 54 Wellington Street, Collingwood, Victoria, 3066.

The consolidated financial statements for the financial year ended 30 June 2022 comprises the accounts of the Company and its subsidiaries (together referred to as the 'Consolidated Entity'). The Company is a for profit entity operating for the benefit of its customers and is primarily involved in the raising of funds, as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the use of those funds in providing financial services to its customers while delivering positive social and environmental outcomes.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity financial statements in financial reports effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 29 September 2022.

(b) Basis of measurement

The financial statements have been prepared and presented in Australian dollars and on a cost basis

except property, derivatives and some investments, which are stated at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are considered reasonable under the circumstances. These estimates and judgements inform the decisions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates in the event of realisation of the asset or liability. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that most significantly affect the financial statements are included in the following notes:

- Note 8 – Investment in associates;
- Note 9 – Other investments;
- Note 10 – Expected credit losses;
- Note 15 – Income tax;
- Note 17 – Derivative financial instruments and hedging;
- Note 19 – Fair value of financial instruments;
- Note 23 – Property, plant and equipment;
- Note 24 – Intangible assets; and
- Note 25 – Other liabilities



Notes to the financial statements

for the year ended 30 June 2022

The Company has considered the impact of COVID-19 in preparing its financial statements. While the specific areas of judgement noted above did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. As a consequence of COVID-19 and in preparing these financial statements, management:

- considered the impact of COVID-19 on the Company's financial statement disclosures;
- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed in the above notes;
- assessed the carrying values of the Company's assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19;
- reviewed external market communications to identify other COVID-19 related impacts;
- reviewed public forecasts and experience from previous downturns;
- updated the Company's economic outlook for the purposes of applying forward-looking information into its expected credit loss provisions and for input into the impairment analysis of financial and non-financial asset classes and disclosures; and
- ran multiple stress testing scenarios, which are an integral component of the Company's risk management framework and a key input to the capital adequacy assessment process, to assess the potential impacts of the COVID-19 pandemic on its portfolio to assist in the Company's prudent risk management.

(d) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Company. For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

Measuring goodwill

The Company measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Consideration includes the fair value of the assets transferred, liabilities incurred and equity interests.

Transaction costs

Transaction costs that the Company incurs in connection with a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Subsidiaries and special purpose entities

Subsidiaries and special purpose entities are entities controlled by the Company. Control exists when an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Investments in subsidiaries are recognised at cost in the Company's financial statements.

The consolidated financial statements of the Company comprise the accounts of Bank Australia Limited, its subsidiary companies and special purpose entities, Ed Credit Services Pty Ltd, ECS Unit Trust and Buloke Funding Trust No. 1.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Notes to the financial statements

for the year ended 30 June 2022

(e) New standards and interpretations

New accounting standards that have become effective and standards and interpretations that are not yet effective and have not been early adopted by the Consolidated Entity for the reporting period ended 30 June 2022, are outlined in the table below.

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	This standard amendment updates AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (March 2020)</i> .	No impact to either the Consolidated Entity or the Company.	1 January 2022	1 January 2022
AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	Consistent with the amendments made by AASB 2021-2, this standard amendment updates: <ul style="list-style-type: none"> AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies AASB 1054, to reflect the updated terminology used in AASB 101; and AASB 1060, to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements. 	Currently, there is no impact to the Consolidated Entity and the Company.	1 January 2023	1 January 2023
AASB 2021-7a <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	This standard amendment defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> . Depending on the component of the Standard, application is between 1 January 2022 and 1 January 2025.	Currently, there is no impact to the Consolidated Entity and the Company.	1 January 2022	1 January 2022



Notes to the financial statements

for the year ended 30 June 2022

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2021-7b <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	This standard amendment defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Depending on the component of the Standard, application is between 1 January 2022 and 1 January 2025.	Currently, there is no impact to the Consolidated Entity and the Company.	1 January 2023	1 January 2023
AASB 2021-7c <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	This standard amendment defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Depending on the component of the Standard, application is between 1 January 2022 and 1 January 2025.	Currently, there is no impact to the Consolidated Entity and the Company.	1 January 2025	1 January 2025

Notes to the financial statements

for the year ended 30 June 2022

Financial liabilities

3. Deposits	43
4. Borrowings and debt issuance	43

The principal activity of Bank Australia is the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority (APRA) and the Banking Act 1959.

As an Authorised Deposit Taking Institution (ADI), the Company accepts the deposits of our customers through transactional accounts, savings accounts and term deposits.

The Company uses these deposits to help create positive impact for people, their communities and the planet. In addition to customer deposits the Company also raises funds through wholesale borrowings as and when required.



Notes to the financial statements

for the year ended 30 June 2022

3. Deposits

Accounting policy

All deposits are initially recognised at fair value. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is calculated on an accrual basis. The amount of the accrual is shown as a part of trade creditors and accruals.

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Call deposits	5,894,151	4,988,511	5,894,151	4,988,511
Deposits from related entities	–	–	17,387	3,675
Term deposits	1,508,868	1,608,097	1,508,868	1,608,097
Total deposits	7,403,019	6,596,608	7,420,406	6,600,283

4. Borrowings and debt issuance

Accounting policy

Wholesale funding

Borrowings and bonds are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of profit or loss over the period of the borrowings using the effective interest method.

Interest is accrued over the period it becomes due and is recorded as part of trade creditors and accruals.

Repurchase agreements

Financial instruments sold under a repurchase agreement, under which substantially all the risks and rewards of ownership are retained by the Company, continue to be recognised on the Statement of financial position and the sale proceeds are recognised as a financial liability within borrowings. The Company simultaneously agrees to buy back the securities at a pre-agreed price on a future date. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the Statement of profit or loss using the effective interest method.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
(a) Borrowings		
Wholesale term deposits	3,000	2,000
Negotiable certificates of deposits	312,111	79,473
Warehouse securitised funding	67,774	103,197
Repurchase agreements	756,142	691,496
Total borrowings	1,139,027	876,166

The Warehouse Facility provides the Company with access to secured funding backed by part of the mortgage portfolio beyond that provided by customer deposits. The funding from the Warehouse Facility is provided by Australia and New Zealand Banking Group Limited (ANZ). The Warehouse Facility was established in April 2017, expires in April 2023, and can be renewed with the agreement of the relevant parties. Refer to Note. 7 Loans and advances for further details.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
(b) Debt issuance		
Sustainability bond	194,895	319,950
Subordinated notes	39,993	–
Total debt issuance	234,888	319,950

The Company's Medium Term Note Programme allows it to issue sustainability bonds, which are used to finance eligible assets that help achieve either of three of the United Nations Sustainable Development Goals (SDGs): reduced inequalities, sustainable cities and communities and life on land. For more information about the sustainability bond and our approach to Impact Finance please see the [2022 Impact Report](#).

During the year, the initial \$125 million sustainability bond issue was repaid on maturity.

On 6 December 2021, the Company issued \$40 million of subordinated unsecured notes. The notes will mature in December 2031, but in certain circumstances, subject to the approval of the APRA, the Company, may, at its option, repay some or all of the subordinated notes on 6 December 2026 or any scheduled interest payment date thereafter. The subordinated notes pay a variable rate of interest.



Notes to the financial statements

for the year ended 30 June 2022

Financial assets

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8. Investment in associates	51
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As an ADI, the Company accepts the deposits of our customers to achieve the Company's purpose.

The acceptance of deposits and raising of external borrowings identified in the Financial Liabilities section allows the Company to help create positive impact for people, their communities and the planet.

We do this by lending money:

- to individual customers;
- for affordable housing;
- for housing for people with disability;
- for renewable energy projects; and
- to not-for-profit organisations.

The Company will also lend to organisations which align with the Company's Responsible Banking Policy.

For more information refer to the [2022 Impact Report](#) which explains how the Company has lived up to its responsible banking promise in financial year 2022.

Notes to the financial statements

for the year ended 30 June 2022

5. Cash and balances with other financial institutions

Accounting policy

Cash and liquid assets comprise notes and coins, cash on hand and deposits at call with financial institutions and are stated at the gross value of the outstanding balance less any unrepresented cheques.

Receivables from and payables to financial institutions comprises variation margin in relation to derivative transactions and are stated at the gross value of the outstanding balance.

For the purposes of the Statement of cash flows, cash and liquid assets consist of cash and liquid assets as defined above, net of any outstanding bank overdrafts. Cash and liquid assets are carried at amortised cost in the Statement of financial position.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
(a) Cash and liquid assets		
Cash on hand	5,403	5,139
Cash at bank	126,233	142,027
Deposits at call	49,800	34,268
Total cash and liquid assets	181,436	181,434

Cash and liquid assets include restricted balances of \$77.9 million (2021: \$85.5 million), representing deposits held in Buloke Funding Trust No.1's securitisation trust, which are not available to the Company.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
(b) Due from other financial institutions		
Collateral paid	1,401	1,370
Total due from other financial institutions	1,401	1,370

(c) Due to other financial institutions

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Collateral received	125,461	7,850
Total due to other financial institutions	125,461	7,850

Cash collateral balances are held against the fair value of the derivative portfolio, the value of which has increased over the year due to both increases in fixed lending and the steepening of the yield curve.

Notes to the financial statements

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6. Investment securities at amortised cost

Accounting policy

The Company recognises investment securities on the date at which it becomes a party to the contractual provisions of the instrument.

Investments are initially measured at fair value and the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Company subsequently measures investments at amortised cost. Investments are measured at amortised cost using the effective interest method and net of any impairment loss, because (a) the asset is held within a business model with an objective to hold assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Impairment cost has been calculated utilising observable inputs and the credit rating of the counterparty.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Term deposits	52,660	52,660
Negotiable certificates of deposit	91,228	79,973
Asset backed securities	535,848	566,670
Floating rate notes	383,102	357,671
Fixed rate bonds	856,259	793,974
Fair value hedge adjustment	(86,580)	(9,952)
Total investment securities	1,832,517	1,840,996

Notes to the financial statements

for the year ended 30 June 2022

7. Net loans and advances

Accounting policy

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Company provides directly to customers. Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance. These are primarily brokerage or mortgage origination fees and these are amortised over the estimated average life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

Securitisation

The Company enters into securitisation transactions in which it transfers financial assets that are recognised on its Statement of financial position. When the Company retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Consolidated Entity's Statement of financial position; however, if substantially all the risks and rewards are transferred, the Company de-recognises the asset.

Securitisation is the process of taking an illiquid asset, or group of assets, such as residential mortgages, and transforming it (or them) into a liquid security. The Company uses securitisation for funding and liquidity purposes. Details of each of the securitisations entered into by the Company are summarised in the following sections.

Notes to the financial statements

for the year ended 30 June 2022

Net loans and advances

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Net loans and advances		
Home loans	6,997,178	5,839,299
Commercial lending	332,373	410,364
Personal loans	25,139	33,784
Overdrafts and revolving credit	41,367	41,513
Directors and related parties	4,029	2,226
Fair value hedge adjustment	(5,195)	543
Gross loans and advances	7,394,891	6,327,729
Less provision for impairment	(10,439)	(9,524)
Add net deferred loan fee costs	12,397	10,949
Net loans and advances	7,396,849	6,329,154

Net loans and advances subject to COVID-19 restructuring

Home loans	7,161	24,368
Commercial lending	–	5,008
Personal loans	–	17
Overdrafts and revolving credit	–	2
Gross loans and advances	7,161	29,395
Less provision for impairment	(205)	(2,376)
Net loans and advances	6,956	27,019
Performing facilities	1,925	–
Non-performing facilities	5,236	–
Gross loans and advances	7,161	–

Notes to the financial statements

for the year ended 30 June 2022

In response to the COVID-19 pandemic, the Company has offered a range of assistance measures to ensure short and long-term support for affected customers, including deferral of payments, waiving of fees and charges, reduction in interest rates and consolidation of debt. During the year ending 30 June 2022, no new facilities were restructured as a result of COVID-19.

(i) Contingent liquidity facility

The Company has established a repurchase obligation trust (Buloke Funding Trust No. 1) for securing the ability to obtain liquid funds from the Reserve Bank of Australia (RBA). The Trust enables the Company to access liquid funds if normal operational liquidity requirements cannot be satisfied. To support the liquidity arrangement loan contractual benefits have been transferred to the Trust and the Company has purchased secured notes from the trust which may be sold to the RBA. The notes are secured by residential mortgage backed securities.

The loan contractual benefits transferred to the trust have not been de-recognised in the Company's financial statements as the Company retains the benefits of the Trust until the liquidity facility is drawn upon. The credit risk associated with the transferred loans remains with the Company.

The value of loans which do not qualify for de-recognition as at 30 June 2022 was \$1,601.2 million (2021: \$1,590.5 million). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes as at 30 June 2022 was \$1,659.1 million (2021: \$1,650.7 million).

(ii) Residential Mortgage Backed Security (RMBS) warehouse

The Company has a Residential Mortgage Backed Security (RMBS) Warehouse Facility with Australia and New Zealand Banking Group Limited (ANZ) through Buloke Funding Trust No. 1. The facility forms part of the Company's funding strategy, enabling the Company to finance Australian prime residential mortgage home loans. Buloke Funding Trust No. 1 has issued Senior notes to ANZ and Junior notes to the Company, the proceeds from which have been used to purchase loan contractual benefits from the Company.

The loan contractual benefits transferred to the Trust have not been de-recognised in the Company's financial statements because the Company retains the benefits of the Trust. The credit risk associated with the transferred loans remains with the Company. The value of loans that do not qualify for de-recognition as at 30 June 2022 was \$80.6 million (2021: \$113.7 million). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes at 30 June 2022 was \$83.0 million (2021: \$130.2 million).

(iii) Securitisation program

In the past, the Company conducted a loan securitisation program whereby residential mortgage loans were sold as securities to an unrelated entity, Integris Securitisation Services Pty Ltd. As the contractual arrangements of the program met the criteria for transferring assets off balance sheet, these assets were removed from the Company's Statement of financial position. The Company bears no risk exposure in respect of these loans. The Company receives fee and commission income from securitised loans which is included in non-interest revenue. The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off. The balance of these securitised loans as at 30 June 2022 was \$2.8 million (2021: \$3.5 million).

Notes to the financial statements

for the year ended 30 June 2022

8. Investment in associates

Accounting policy

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

The equity method is a method of accounting whereby, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investors' share of the investees' net assets. The investors' Statement of profit or loss includes its share of the investees' Statement of profit or loss and the investors' other comprehensive income includes its share of the investees' other comprehensive income. The Company's share of equity represents the carrying value of the investment at the balance date. Distributions received, such as dividends from an investee, reduce the carrying amount of the investment.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Investment in Data Action Pty Ltd	6,379	7,906
Total investments in associates	6,379	7,906

The Company has a 28.3% (2021: 28.3%) interest in Data Action Pty Ltd (Data Action), a provider of computer facilities management and associated support services. As the Company has representation on the Board and has determined it has significant influence over Data Action, the interests in the associate are accounted for using the equity method.

Data Action recorded an unaudited loss for the financial year of \$6.8 million and the consolidated entity has recorded its share. The consolidated entity is of the opinion that the value of its investment in Data Action is not impaired beyond its carrying value.

Notes to the financial statements

for the year ended 30 June 2022

The table below illustrates the summarised financial information of the investment in Data Action.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Current assets	21,664	23,659
Non-current assets	18,061	21,802
Current liabilities	10,745	8,322
Non-current liabilities	6,441	9,202
Equity	22,539	27,937
Proportion of the Company's ownership	28.3%	28.3%
Carrying amount of the investment	6,379	7,906
Movement in share of equity for the year	(1,527)	654
Total revenue	52,434	45,680
Total expenses	59,241	42,927
Profit / (Loss) before tax	(6,807)	2,753
Tax	(1,409)	794
Profit after tax	(5,398)	1,959
Share of profit / (Loss) for the year	(1,527)	554

During the year the Company received no dividends from Data Action (2021: NIL)

Other disclosures in relation to Data Action are as follows:

- Note 27 – Related party disclosures; and
- Note 29 – Commitments for expenditure.



Notes to the financial statements

for the year ended 30 June 2022

9. Other investments

Accounting policy

Other investments are measured at fair value with all changes in fair value recognised through other comprehensive income. The fair value of equity holdings is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

For investments in equity instruments, the Company has elected at initial recognition to present fair value gains and losses in other comprehensive income because the instruments are not held for trading.

For instruments measured at fair value through other comprehensive income, unrealised gains and losses are never reclassified to the Statement of profit or loss and other comprehensive income and no impairments are recognised in the Statement of profit or loss and other comprehensive income.

Dividends earned from such investments are recognised in the Statement of profit or loss and other comprehensive income unless the dividends clearly represent a recovery of part of the cost of the investment.

Key judgements and estimates

Judgement is required when the fair value of assets and liabilities are not measured using quoted market prices, particularly when using valuation techniques for which all significant inputs are not readily observable. For certain financial instruments, we may use data that is not readily observable in current markets. When using unobservable market data, we are required to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation.

The Company has determined the fair value of its shares in Cuscal Limited (Cuscal) using level 3 unobservable fair value quantitative techniques based on the recent financial performance, yields of similar investments and recent share transactions. The Company's determination of fair value was also made with reference to external independent valuations provided by a valuer with appropriate recognised professional qualifications and experience. The valuations were performed on a market value basis in accordance with the guidance provided under Australian Accounting Standards 13 Fair Value Measurement (AASB 13) and APES 225 Valuation Services.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Shares at fair value				
Shares in Cuscal	36,150	36,083	36,150	36,083
Units in ECS Unit Trust	–	–	3,618	3,618
Total other investments	36,150	36,083	39,768	39,701

During the year, the Company received \$2.5 million of dividends from Cuscal which has been recognised in the profit or loss (2021: \$0.3 million).

In December 2021, Cuscal completed and settled two buy-back schemes. Cuscal bought-back 11.5 million shares at a price of \$1.95 per share, returning \$22.4 million to shareholders. The Company fully participated in the buy-back and, based on shareholder participation, the Company's shareholding increased from 10.55% to 10.57%.



Notes to the financial statements

for the year ended 30 June 2022

10. Expected credit losses

Accounting policy

The Company establishes an allowance for impairment losses that represents the lifetime expected credit losses (ECLs) in its loan portfolio. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument.

Loans and advances are assessed at each reporting date to determine whether credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the asset. Exposures are assessed on an individual and collective basis.

Individual basis

Where sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows, the exposure is assessed on an individual basis.

Collective basis

Exposures are assessed on a collective basis by placing them into portfolios of assets with similar risk characteristics. The Company applies a three-stage approach to measuring ECLs for loans and advances.

Stage	Measurement Basis
Stage 1	Financial instruments that are not non-performing on initial recognition and have not deteriorated significantly in credit risk since initial recognition are classified in this stage. A 12-month collective provision is held against these financial instruments.
Stage 2	Financial instruments that are not non-performing but have deteriorated significantly in credit risk since initial recognition are classified in this stage. A lifetime collective provision is held against these financial instruments.
Stage 3	Financial instruments that have objective evidence of being non-performing are classified in this stage. A lifetime collective provision is held against these financial instruments unless a specific provision is held.

Transfers between stages and associated triggers are described in more detail under Key judgements and estimates. For this purpose, the Company considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes quantitative and qualitative information and also forward looking analysis.

Loans and advances

Portfolio segmentation

After consideration of alternative methods of portfolio segmentation it was determined that the most appropriate portfolio segmentation is by product type i.e. home loans, personal loans, commercial lending, overdrafts and overdrawn savings.

Notes to the financial statements

for the year ended 30 June 2022

Calculation of expected credit losses

ECLs are calculated using three main parameters i.e. probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from statistical models combined with historical, current and forward-looking information, including macro-economic data.

For accounting purposes, the 12-month and lifetime PD represents the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. PD is calculated using a roll rate methodology incorporating historical movements of accounts between arrears bands over the observation period. This methodology is used across each of the portfolio segments.

The LGD represents expected loss conditional on default. LGD is determined with reference to the loss rate incurred in each segment of the portfolio over the observation period and the actual loss incurred (i.e write-off) following a default. This methodology is applied consistently across each segment except the commercial lending segment where a benchmark LGD is applied given that no historical write-offs have been incurred in this segment.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility. EAD is the current balance plus undisbursed and redrawable funds, less scheduled repayments projected out by month. This methodology is applied consistently across each segment except for the overdrafts segment where the EAD represents the credit limit.

The ECL calculation is the discounted product of the PD, LGD and EAD. The discount rate applied is the effective interest rate.

Incorporation of forward looking adjustments

The measurement of ECL and assessment of significant increase in credit risk considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions.

The Company's model uses macro-economic forecasts, such as GDP and unemployment, that are most closely correlated with credit losses in the portfolio as inputs into the ECL measurement. Management also considers other reasonable and supportable forward looking information about known or expected risks for specific segments of the portfolio.

Credit judgement is used to determine the degree of adjustment to be applied to the model and considers information such as emerging risks at an industry, geographical and portfolio segment level.

Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess whether an exposure has experienced a significant increase in credit risk and in determining the amount of impairment provisions at each reporting date. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Write-off policy

The Company writes off a loan, including any related allowance for impairment losses, when all reasonable efforts to reduce the loss to the Company have been pursued. This determination is reached after considering information such as the occurrence of significant changes in the financial position of the counterparty, such that the counterparty can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Notes to the financial statements

for the year ended 30 June 2022

Key judgements and estimates

Definition of default

The probability of default (PD), both over a 12-month period and over its lifetime, is a key input to the measurement of ECL. Default has occurred when there is evidence that the counterparty is no longer able to meet the repayments on their loan. The definition of default adopted by the Company is consistent with the rebuttable presumption in AASB 9 which states that default occurs no later than when a payment is 90 days past due.

The definition of default is also consistent with the Company's approach to credit risk management. The Company regularly monitors its exposures for potential indicators of default, such as the significant financial difficulty of the counterparty and the probability that the counterparty will enter bankruptcy.

Lifetime of an exposure

The probability of default (PD), loss given default (LGD) and exposure at default (EAD) are dependent on the expected life of a loan and advance and this is taken into account for loans in stages 2 and 3. A range of approaches, segmented by product type, have been applied by the Company to estimate a product's expected life. AASB 9 stipulates that the maximum lifetime used must not exceed the contractual lifetime of the loan, however, a shorter lifetime should be used if it is more reflective of the life of the loan.

For home loans, the expected lifetime is the average behavioural lifetime calculated as the average total lifetime on closed accounts. For the commercial and personal loan segments, the estimated lifetime is the contractual lifetime and for the overdrafts segment it is the average remaining behavioural lifetime.

Significant increase in credit risk

Performing assets are classified as either stage 1 or stage 2. An ECL equivalent to 12-months expected losses is established against loans in stage 1, whilst loans classified as stage 2 carry an ECL equivalent to lifetime expected losses. Loans are transferred from stage 1 to stage 2 when there has been a significant increase in the credit risk of the loan since initial recognition. Loans deemed as non-performing will be transferred to stage 3. The Company's triggers for movements between stages are disclosed below.

Trigger for movements between stages

Financial instruments less than or equal to 30 days past due.

Financial instruments greater than 30 days past due and less than or equal to 90 days past due.

Financial instruments greater than 90 days past due.

Forward-looking information

The measurement of ECL and assessment of significant increase in credit risk considers reasonable and supportable forecasts of future economic conditions.

In the current macro-economic environment, the Company has developed three scenarios that reflect the potential macro-economic outcomes as at the reporting date. The scenarios and the underlying economic indicators have been developed using publicly available data and third-party information.

Given the range of possible scenarios and macro-economic outcomes and the uncertainty of the social and economic consequences of COVID-19, these scenarios represent plausible forward-looking views as at the reporting date. Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

Notes to the financial statements

for the year ended 30 June 2022

Given the limited official data sources to benchmark key economic indicators on a forward-looking basis, management have exercised judgement when determining the duration, severity and impact of the macro-economic scenarios used by the Company. In assigning probabilities to these scenarios, management has applied judgment based on internal specialist input and publicly available economic outlooks and commentary.

Scenario	Expectation
Base case	<p>The base case scenario assumes that the economic recovery from the COVID-19 pandemic continues. However, economic growth will be constrained by the expected tightening of monetary policy in response to projected higher inflation. The RBA has changed the policy of maintaining the cash rate and 3-year bond rate at 0.1% until 2024 to bringing inflation back within the target range of 2% to 3%. Further increases are expected to address the more persistent increase in inflation attributable to supply chain issues and geopolitical events. Unemployment has fallen sharply through 2021 and into 2022, driven by both fiscal and monetary stimulus and closed borders, and is assumed to remain broadly at current levels. Residential property prices grew rapidly in 2021 largely due to low interest rates and the expectation that they would remain low. As interest rates have started to rise, property prices have started to decline, particularly in Sydney and Melbourne, which is assumed to continue through 2023 and stabilising in 2024.</p> <p>There are significant downside risks to the base case scenario, given the US Federal Reserve's response to an overheating US economy, on-going geopolitical instability, the war in Ukraine and its implication to world trade in energy and agricultural products and the potential for domestic monetary tightening pushing the economy into recession. These factors are reflected in both the downside and severe downside scenarios outlined below.</p>
Downside	<p>The scenario projects a slowdown in the economic recovery with only marginal growth in 2022 and 2023 and returning to the base case projection in 2024. Inflation is projected to increase to 7.9% in 2022 progressively returning to the base case projection in 2024. Unemployment is projected to increase to 5.5% in 2022 progressively returning to the base case projection in 2024. Residential property prices are projected in decline by 8% and 11% in 2022 and 2023 returning to the base case projection in 2024.</p>
Severe downside	<p>The scenario projects that the economic recovery slows in 2022 and marginally retracts in 2023 and 2024. Inflation is projected to increase to 7.9% in 2022 with a slower rate of decline through to 2024. Unemployment is projected to increase to 5.5% in 2022 and gradually rise to 5.9% by 2024. Residential property prices are projected in decline by 8% and 14% in 2022 and 2023 and continue to decline by 5% in 2024.</p>

Notes to the financial statements

for the year ended 30 June 2022

Base case economic forecast as at 30 June 2022

	2022	Forecast 2023	Forecast 2024
GDP (annual % change)	3.7%	2.1%	1.9%
Unemployment rate	3.5%	3.6%	3.9%
Residential property prices (annual % change)	(3.2%)	(9.8%)	(1.0%)
Consumer price index	5.9%	3.0%	2.8%

Probability weightings

	Consolidated Entity and the Company 2022	Consolidated Entity and the Company 2021
Base	50%	60%
Downside	15%	25%
Severe downside	35%	15%

ECL-Sensitivity analysis as at 30 June 2022

	Consolidated Entity and the Company ECL collective provision \$m	Consolidated Entity and the Company Impact \$m
100% Base scenario	8,701	(1,323)
100% Downside scenario	10,490	466
100% Severe downside scenario	11,714	1,690

Notes to the financial statements

for the year ended 30 June 2022

Credit impairment charge

The following table shows the expenses incurred in the Statement of profit or loss and other comprehensive income relating to the impairment of loan commitments and investment securities.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Net new and increased provisions ¹	915	(1,204)
Write-offs	204	520
Recoveries of amounts previously written off	(50)	–
Total credit impairment charge	1,069	(684)

¹ Net of provision and write-backs

Provision for impairment

The tables below outline the ECL provisions and how the ECL collective provision has moved between stages during the year, as described under Key Judgements and Estimates.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Individual provision for impairment	415	632
Collective provision for impairment	10,024	8,892
Provision for impairment	10,439	9,524

Collective provision movement by stage

	Consolidated Entity and the Company			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Balance as at 1 July 2021	2,093	2,637	4,162	8,892
Transferred to stage 1	105	(90)	(15)	–
Transferred to stage 2	(65)	90	(25)	–
Transferred to stage 3	(15)	(74)	89	–
New and increased provisions (net of repayments)	(266)	(759)	(586)	(1,611)
Write-offs	–	–	–	–
Model risk reserve and macro-economic adjustment	(56)	3,489	(690)	2,743
Balance as at 30 June 2022	1,796	5,293	2,935	10,024

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity and the Company			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Balance as at 1 July 2020	5,650	1,268	2,330	9,248
Transferred to stage 1	88	(48)	(40)	-
Transferred to stage 2	(303)	344	(41)	-
Transferred to stage 3	(57)	(4)	61	-
New and increased provisions (net of repayments)	1,386	556	1,710	3,652
Write-offs	-	-	-	-
Forward looking and other adjustments	(4,671)	521	142	(4,008)
Balance as at 30 June 2021	2,093	2,637	4,162	8,892

Summary of Non-Performing Exposures

Non-performing exposures

Non-performing facilities are those facilities for which the Company determines that it is probable that it will be unable to collect all principal, interest and fees due according to the contractual terms of the agreement. There are two categories of non-performing facilities:

Non-accrual facilities

Non-accrual facilities are those facilities where the Company has set the future income of the facility to zero or has suspended interest or income. It also includes facilities where the customer is greater than or equal to 90 days past due on their obligation to the Company.

Restructured facilities

Restructured facilities are facilities where the Company has modified the original contractual terms to provide for concessions of interest or principal or other payments due, or for an extension in maturity for a non-commercial period for reasons related to the financial difficulties of the counterparty.

The following table provides details on gross impaired facilities.

	Non-performing exposures 2022 \$'000	Individual provision ¹ 2022 \$'000	Collateral ² 2022 \$'000	Non-performing exposures 2021 \$'000	Individual provision 2021 \$'000	Collateral 2021 \$'000
Non-accrual facilities	5,974	384	19,462	4,721	598	14,737
Restructured facilities	13,683	-	62,512	8,372	-	14,559
Total	19,657	384	81,974	13,093	598	29,296

Consolidated Entity and the Company

1 For the year ended 30 June 2022, collective provisions held against non-accrual facilities and restructured facilities was \$2,861k.

2 For the year ended 30 June 2022, collateral held against non-accrual facilities and restructured facilities was primarily registered first mortgages over property. Property valuations for restructured loans are as at origination, whilst property values from non-accrual loans are updated once the account becomes non-accrual and every 12 months thereafter.

Notes to the financial statements

for the year ended 30 June 2022

Financial performance

11. Interest revenue	63
12. Interest expense	63
13. Other income	64
14. Operating expenses	65
15. Income tax	67

The Company generates revenue through the provision and management of the disclosed financial assets.

The revenue is offset by the cost of the Company's financial liabilities which in association with other operating revenue and costs results in the profit of the Company.



Notes to the financial statements

for the year ended 30 June 2022

11. Interest revenue

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is reported net of the amount of goods and services tax (GST). Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Interest revenue on loans is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly. Interest revenue is recognised in the Statement of profit or loss as it accrues, using the effective yield interest method. Loan establishment fees and costs including upfront broker commission are also included in the effective yield interest method and are amortised over the average life of the loan.

Due to the short-term nature and reviewability of revolving credit facilities, all associated fees and costs, including establishment fees, are recognised at the time the related service is performed.

Interest revenue on deposits with other financial institutions, derivatives and investment securities are calculated on an accruals basis using the effective interest method.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Deposits with other financial institutions	85	103
Investment securities	30,999	22,135
Loans and advances	181,597	174,429
Total interest revenue	212,681	196,667

12. Interest expense

Accounting policy

Interest payable on customer deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the Statement of profit or loss as it accrues, using the effective yield interest method. Interest payable on borrowings is calculated on an accruals basis using the effective interest method.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Borrowings from other financial institutions	6,249	6,276
Derivatives	12,334	1,896
Deposits	37,653	49,134
Leases	168	205
Total interest expense	56,404	57,511

Notes to the financial statements

for the year ended 30 June 2022

13. Other income

Accounting policy

The Company applies AASB 15 Revenue from Contracts with Customers which became effective from 1 July 2018. The core principle of AASB 15 is that an entity recognises revenue progressively as services are delivered rather than when the consideration the entity expects to receive for those services can be reliably estimated.

The Company recognises revenue from contracts with customers in accordance with that core principle by applying the following steps:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the amount of consideration in the contract;

Step 4: Allocate the consideration to each of the identified performance obligations; and

Step 5: Recognise revenue when (or as) each performance obligation is satisfied.

Fee income

Fee income primarily comprises account transaction and monthly fees, processing fees, credit card fees and loan package and overdraft fees.

The Company has determined that revenue associated with account and processing fees are recognised at the point in time the transaction occurs or service is performed. Credit card fees and loan package and overdraft fees should be recognised over time as the service has been provided. Those costs deferred under AASB 15 are capitalised and amortised over the estimated cardholder relationship, which in all cases is 12 months.

Commission income

Commission income comprises insurance commissions received under an agency agreement held with Allianz Australia Insurance Limited as well as financial planning and VISA interchange commissions. The Company has determined that performance obligations associated with commissions are met at the time the insurance policy is written, customer has been referred to financial planner or VISA debit or credit card is used by a customer.

Dividends

Dividend income is recognised under AASB 9: Financial instruments and is recorded as income on the date the Company's right to receive payments is established.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Fee income	4,658	5,260	4,658	5,260
Commissions	10,493	9,504	10,493	9,504
Dividends	2,468	2,938	2,468	2,938
Bad debts recovered	–	50	–	50
Intercompany management fees	–	–	94	68
Miscellaneous income	1,005	992	1,544	1,467
Total other income	18,624	18,744	19,257	19,287

14. Operating expenses

Accounting policy

Operating expenses

Operating expenses are recognised as services are provided to the Company over the period in which an asset is consumed or once a liability is created.

Wages, salaries and related personnel expenses

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Company expects to pay when the liabilities are settled.

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Company accrues employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date.

Refer to Note 31 Employee benefits for balances of employee benefit related provisions.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Personnel				
Salaries and related costs	51,200	43,070	51,200	43,070
Other staff related costs	6,529	5,354	6,529	5,354
	57,729	48,424	57,729	48,424
Customer services				
Fees and commissions	16,027	12,755	16,027	12,755
Other product and service delivery costs	3,735	3,219	3,735	3,219
	19,762	15,974	19,762	15,974
Information technology				
Applications, licences and outsourced services	16,381	9,557	16,381	9,557
Telecommunications	1,399	1,644	1,399	1,644
Depreciation and amortisation	624	2,092	624	2,092
	18,404	13,293	18,404	13,293
Occupancy expenses				
Depreciation of property, plant and equipment	1,866	2,501	1,694	2,370
Depreciation of right-of-use assets	1,672	2,067	1,672	2,067
Other occupancy expenses	2,239	3,350	3,035	4,091
	5,777	7,918	6,401	8,528
Other operating expenses				
Marketing and development	8,728	9,337	8,728	9,337
General administration costs	11,079	6,167	11,088	6,100
	19,807	15,504	19,816	15,437
Total operating expenses	121,479	101,113	122,112	101,656



Notes to the financial statements

for the year ended 30 June 2022

15. Income tax

Accounting policy

Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity. Income tax on equity items is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Nor is it recognised for the differences relating to investments in subsidiaries if they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or included in the item of the expense. Receivables and payables are stated with the amount of GST included.

Key judgements and estimates

The Company estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws. The effect of uncertainty over income tax treatments is reflected in determining the relevant taxable profit or tax loss, tax bases, unused tax losses and unused tax credits or tax rates. Uncertain tax positions are presented as current or deferred tax assets or liabilities as appropriate.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Income tax expense				
Profit before income tax	50,825	58,025	50,825	58,025
Income tax at Australia's statutory tax rate of 30%	15,247	17,408	15,247	17,408
Tax effect of amounts which are not deductible / assessable in calculating taxable income:				
Fully franked dividends received	(2,188)	(127)	(2,188)	(127)
Non-deductible expenses	–	–	–	–
Other assessable income	3,379	52	3,379	52
Income tax expense	16,438	17,333	16,438	17,333
Income tax expense comprises:				
Current income tax	19,125	17,160	19,125	17,160
Decrease / (increase) in deferred tax assets	(11,286)	371	(11,286)	371
(Decrease) / increase in deferred tax liabilities	8,599	(231)	8,599	(231)
Under / (over) provision of income tax in prior years	–	33	–	33
	16,438	17,333	16,438	17,333
Income tax expense recognised in other comprehensive income				
Deferred tax relating to revaluation of land and buildings	213	405	213	459
Deferred tax relating to revaluation of other investments	232	2,839	232	2,839
Deferred tax relating to cash flow hedge derivatives	16,259	(762)	16,259	(762)
Income tax expense	16,704	2,482	16,704	2,536
Franking credits	196,196	174,820	196,196	174,820

Franking credits held by the Company are after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Provision for impairment of loans and advances	3,132	2,857	3,132	2,857
Provision for employee entitlements	2,310	2,048	2,310	2,048
Sundry provisions	677	560	677	560
Right-of-use assets	183	149	183	149
Building depreciation	311	402	311	402
Trade creditors and accruals	3,323	205	3,323	205
Derivative financial instruments	7,824	250	7,824	250
Other	-	3	-	3
Gross deferred tax assets	17,760	6,474	17,760	6,474
Set-off of deferred tax assets and deferred tax liabilities	(17,760)	(6,474)	(17,760)	(6,474)
Net deferred tax assets	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
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Deferred tax liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in the income statement:

Plant and equipment depreciation	260	136	260	136
Derivative financial instruments	8,500	25	8,500	25
	8,760	161	8,760	161

Amounts recognised directly in other comprehensive income:

Land and buildings	1,030	3,623	1,030	1,033
Other investments	6,890	6,658	6,890	6,658
Derivative financial instruments	16,406	147	16,406	147
	24,326	10,428	24,326	7,838
Gross deferred tax liabilities	33,086	10,589	33,086	7,999
Set-off of deferred tax assets and deferred tax liabilities	(17,760)	(6,474)	(17,760)	(6,474)
Net deferred tax liabilities	15,326	4,115	15,326	1,525

Movements

Opening balance	4,115	1,494	1,525	(1,150)
Prior-year adjustment	–	(34)	–	(34)
Recognised in income statement	(2,687)	174	(2,687)	174
Recognised in other comprehensive income	13,898	2,481	16,488	2,535
Closing balance	15,326	4,115	15,326	1,525

Tax Transparency Code

The Tax Transparency Code (TTC) is an Australian Taxation Office set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The Company has prescribed to TTC reporting in order to contribute towards greater tax transparency and the enhancement of community understanding of tax compliance. Details of our [TTC report](#) for the year ended 30 June 2022 can be found on our website.



Notes to the financial statements

for the year ended 30 June 2022

Capital and risk management

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The success of the Company's strategy to deliver on its purpose is underpinned by sound management of the Company's risks. All of the Company's activities involve the analysis, evaluation, acceptance and management of risks or combinations of risks.

Notes to the financial statements

for the year ended 30 June 2022

16. Risk management

Overview

The Company has exposure to financial risk, non-financial risk, strategic and governance risk arising from its operations. The Company manages these risks through its risk management framework, which evolves to accommodate changes in the business operating environment, better practices, and regulatory community expectations. The Company's risk management is in line with APRA Prudential Standard CPS 220 Risk Management.

The risk management framework is the totality of systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate internal and external sources of material risks. This framework aligns with the Company's strategic objectives and business plan and embeds risk management as part of the Company's culture.

The Company has exposure to risk from the use of financial instruments. This note presents information about the exposure to each of the risks, the objectives, policies and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Key material risks	Key sections applicable to this risk
Credit risk	<ul style="list-style-type: none">• Overview, management and control activities• Exposure to credit risk• Credit quality• Concentration of credit risk
Liquidity risk	<ul style="list-style-type: none">• Overview, management and control activities• Residual contractual maturities
Non-market traded risk	<ul style="list-style-type: none">• Overview, management and control activities
Interest rate risk	<ul style="list-style-type: none">• Overview, management and control activities• Effective interest rate and repricing analysis• Sensitivity to interest rate risk
Operational risk	<ul style="list-style-type: none">• Overview, management and control activities

The Company's exposure to financial risk (credit risk, liquidity risk, non-market traded risk and interest rate risk), are considered significant given financial instruments held by the Company constitute the core contributors of financial performance and position.

Notes to the financial statements

for the year ended 30 June 2022

Risk management framework

The Board of Directors has overall responsibility for establishing and overseeing the risk management framework. The framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk, supported by three key components:

- **Risk management policy** defines and documents roles, responsibilities and formal reporting structures for the management of material risks throughout the Company.
- **Risk appetite statement** documents the amount of risk the Board is willing to accept in pursuit of strategic objectives and business plans. The purpose of this statement is to help support the setting and management of the Company's strategy whilst also bringing structure and relevance to the Company's risk management process.
- **Risk management strategy** describes the Company's strategy for managing risk and the key elements of the framework that give effect to this strategy. This includes a description of each material risk, the approach to managing risks and information on how the Company identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Board has established the Risk Committee, which provides an objective oversight of the implementation and on-going operation of the risk management framework, oversees and monitors risk identification, assessment and control methodologies; and ensures prudential and statutory requirements in relation to the risk management framework are met. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management structure has been designed in line with the 'three lines of defence' framework. The responsibility of each line of defence is as follows:

Line of defence	Key sections applicable to this risk
First	Each operational area of the Company is responsible for identifying and managing risks in a way that is consistent with the risk management framework and risk appetite set by the Board. The Company, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and responsibilities.
Second	A central risk and compliance group, led by our Chief Risk Officer, forms our second line of defence, and is responsible for the development and maintenance of the Company's risk management framework and reports to the Board, Committees and senior management.
Third	Internal audit provides our third line of defence, providing independent assurance on the effectiveness of the risk management framework. The Company's internal auditors reports directly to the Audit Committee.

The Audit Committee oversees the effectiveness of internal controls and is assisted in its role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Notes to the financial statements

for the year ended 30 June 2022

(a) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from loans and advances, as well as debt and investment securities. The Company has adopted a policy of dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss if a counterparty defaults.

The Company's activities may also give rise to risk at the time of settlement of transactions. Settlement risk is the risk of financial loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Management of credit risk

The Board of Directors has implemented policies to mitigate and manage credit risk. Credit risk policies aim to:

- ensure counterparties can service their facilities;
- control and mitigate the risk of financial loss associated with delinquent credit facilities and deteriorating assets qualities;
- establish collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures;
- ensure compliance with regulatory and statutory requirements; and
- establish the authorisation structure for the approval, renewal and extension of credit facilities.

Exposure to credit risk

The credit risk of financial assets that have been recognised in the Statement of Financial position, other than investments in shares, is generally the carrying amount, net of any provisions for impairment, and gross of any credit risk mitigation techniques. Credit risk for securities and investments is monitored by credit limits to counterparties. These limits are determined by reference to third party ratings.

The Company minimises concentrations of credit risk by undertaking transactions with a diverse range and number of counterparties in differing geographic locations.

Maximum exposure to credit risk

For financial assets recognised on the Statement of Financial Position, the maximum exposure to credit risk is the carrying amount. In certain circumstances there are differences between the carrying amounts reported on the Statement of Financial Position and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as, equity investments which are primarily subject to market risk.

For off balance sheet commitments, the maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Company would have to pay if the instrument was called upon. The table below shows our maximum exposure to credit risk for on balance sheet financial assets and off balance sheet commitments before taking account of any collateral held or other credit risk mitigation techniques.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
--	--	--	----------------------------------	----------------------------------

Credit risk exposures relating to on balance sheet assets:

Cash and liquid assets	181,436	181,434	181,436	181,436
Due from other financial institutions	1,401	1,370	1,401	1,370
Investment securities at amortised cost	1,832,517	1,840,996	1,832,517	1,840,996
Other assets ¹	21,837	16,454	23,781	16,996
Derivative assets	173,587	19,311	173,587	19,311
Gross loans and advances ²	7,394,891	6,327,729	7,394,891	6,327,729
Investment in associate	6,379	7,906	6,379	7,906
Other investments	36,150	36,083	39,768	39,701
Total on balance sheet	9,648,198	8,431,283	9,653,760	8,435,445

Credit risk exposures relating to off balance sheet assets:

Credit-related commitments	1,297,150	1,340,943	1,297,150	1,340,943
Bank guarantees	4,485	11,661	4,485	4,510
Total off balance sheet	1,301,635	1,352,604	1,301,635	1,345,453
Total credit risk exposure	10,949,833	9,783,887	10,955,395	9,780,898

Credit quality

An analysis of the Company's credit risk exposure is presented in the following tables without taking account of the effects of any collateral or other credit risk mitigation enhancements:

1 Credit risk exposure for other assets consists of accrued income and sundry debtors.

2 Gross loans and advances exclude individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

Notes to the financial statements

for the year ended 30 June 2022

Investment securities – exposure by external credit rating

The following tables summarise the concentration risk exposure by rating grades:

	2022				2021			
	AAA+ to A \$'000	BBB+ to B \$'000	Unrated \$'000	Total \$'000	AAA+ to A \$'000	BBB+ to B \$'000	Unrated \$'000	Total \$'000
Consolidated Entity and the Company								
ADIs	797,456	109,725	–	907,181	709,933	131,993	–	841,926
Government investments	389,488	–	–	389,488	432,400	–	–	432,400
Other	535,848	–	–	535,848	566,670	–	–	566,670
Total investments at amortised cost	1,722,792	109,725	–	1,832,517	1,709,003	131,993	–	1,840,996

Loans and advances – exposure by segment and stage

The following table sets out information of the distribution of loans and advances by staging as defined in note 10:

	2022				2021			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Consolidated Entity and the Company								
Home loans	7,667,843	391,101	17,635	8,076,579	6,856,303	28,729	34,681	6,919,713
Commercial lending	344,906	59,957	4,430	409,293	377,000	77,215	5,596	459,811
Personal loans	26,591	128	270	26,989	35,165	156	218	35,539
Overdrafts and revolving credit	188,254	505	205	188,964	244,516	8,972	121	253,609
Total loans and advances exposure	8,227,594	451,691	22,540	8,701,825	7,512,984	115,072	40,616	7,668,672

The credit exposures on loans and advances will not reconcile to gross loans and advances and off balance sheet items in the table above as credit exposure excludes internal Bank Australia facilities and includes interest on non-accrual loans.

Refer to Note 10. Expected credit losses for information on exposure, portfolio segmentation and staging.

Notes to the financial statements

for the year ended 30 June 2022

Concentration of credit risk

Concentration risk is managed by counterparty and by geographical region. The Company implements certain exposure and concentration limits in order to mitigate the risk. As at 30 June 2022, no counterparties individually held loans which represented 10% or more of capital (2021: NIL).

Loans and advances – exposure by customer location

The table below details geographic concentration of loans and advances by customer location:

	Carrying amount 2022 \$'000	Off balance sheet 2022 \$'000	Total credit exposure 2022 \$'000	Carrying amount 2021 \$'000	Off balance sheet 2021 \$'000	Total credit exposure 2021 \$'000
Consolidated Entity and the Company						
Geographic areas						
Victoria	3,624,410	747,001	4,371,411	3,204,535	776,802	3,981,337
New South Wales	1,586,289	206,956	1,793,245	1,277,079	212,277	1,489,356
Queensland	904,007	148,696	1,052,703	774,637	158,453	933,090
Australian Capital Territory	520,005	85,671	605,676	444,791	91,590	536,381
Western Australia	360,242	47,472	407,714	282,621	38,557	321,178
South Australia	237,025	37,693	274,718	194,487	33,831	228,318
Tasmania	86,949	18,308	105,257	74,192	19,449	93,641
Northern Territory	53,462	5,692	59,154	51,111	6,706	57,817
Other territories	4	2	6	8	1	9
Non Resident	27,772	4,169	31,941	24,268	3,277	27,545
Total loans and advances exposure	7,400,165	1,301,660	8,701,825	6,327,729	1,340,943	7,668,672

Notes to the financial statements

for the year ended 30 June 2022

Loans and advances – exposure by security location

The table below details geographic concentration of loans and advances by security location:

	Carrying amount 2022 \$'000	Off balance sheet 2022 \$'000	Total credit exposure 2022 \$'000	Carrying amount 2021 \$'000	Off balance sheet 2021 \$'000	Total credit exposure 2021 \$'000
Consolidated Entity and the Company						
Geographic areas						
Victoria	3,572,314	558,112	4,130,426	3,166,176	578,631	3,744,807
New South Wales	1,581,094	163,388	1,744,482	1,282,168	149,285	1,431,453
Queensland	911,914	119,514	1,031,428	760,950	116,418	877,368
Australian Capital Territory	501,845	64,724	566,569	431,178	58,623	489,801
Western Australia	356,484	31,600	388,084	278,207	24,433	302,640
South Australia	284,940	29,751	314,691	238,604	26,256	264,860
Tasmania	104,887	13,428	118,315	85,740	12,581	98,321
Northern Territory	43,730	4,134	47,864	40,808	3,540	44,348
Approved but undrawn secured loans	–	191,503	191,503	–	243,706	243,706
Unsecured	42,957	125,506	168,463	43,898	127,470	171,368
Total loans and advances exposure	7,400,165	1,301,660	8,701,825	6,327,729	1,340,943	7,668,672



Notes to the financial statements

for the year ended 30 June 2022

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Board of Directors has implemented policies to mitigate and manage liquidity risk. Liquidity risk policies aim to measure, monitor and manage liquidity risk. The key measure used by the Company for managing liquidity risk is the ratio of high quality liquid assets to its liabilities base, as defined in APRA Prudential Standards. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis including stress testing under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding and daily, medium and longer term liquidity projections.

Exposure to liquidity risk

The key measure used to manage liquidity risk is the ratio of high quality liquid assets to adjusted liabilities. For this purpose, liquid assets are considered to include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market. The calculation is used to ensure compliance with the minimum level of liquidity prescribed by APRA. The Company complied with all APRA liquidity requirements throughout the year.

The following table summarises the maturity profile of the consolidated entities financial liabilities based on contractual undiscounted repayment obligations.

Repayments subject to notice are treated as if notice is given immediately, which is not a reflection of the expected maturity profile or a reflection of payment history. As amounts represent undiscounted principal and interest cash flows they may differ to the carrying amounts on the statement of financial position.

Notes to the financial statements

for the year ended 30 June 2022

Maturity analysis

	0-3 months \$'000s	3-12 months \$'000s	1-5 years \$'000s	> 5 years \$'000	Total \$'000
Consolidated Entity 2022					
Financial liabilities					
Due to other financial institutions	125,461	–	–	–	125,461
Deposits	6,509,495	820,932	85,381	–	7,415,808
Lease Liabilities	407	977	2,486	758	4,628
Borrowings	791,155	219,076	350,308	52,426	1,412,965
Total Financial Liabilities	7,426,518	1,040,985	438,175	53,184	8,958,862
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(787)	(22,940)	(86,597)	(47,189)	(157,513)
Total Cash Flows	7,425,731	1,018,045	351,578	5,995	8,801,349
Irrevocable loan commitments and guarantees	1,113,273	–	–	–	1,113,273
Total irrevocable loan commitments and guarantees	1,113,273	–	–	–	1,113,273

Consolidated Entity 2021

Financial liabilities					
Due to other financial institutions	7,850	–	–	–	7,850
Deposits	5,622,727	902,432	83,900	–	6,609,059
Lease Liabilities	493	1,298	2,861	1,137	5,789
Borrowings	637,774	219,076	350,308	52,426	1,259,584
Total Financial Liabilities	6,268,844	1,122,806	437,069	53,563	7,882,282
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	1,527	3,021	3,944	(16,886)	(8,394)
Total Cash Flows	6,270,371	1,125,827	441,013	36,677	7,873,888
Irrevocable loan commitments and guarantees	1,099,889	–	–	–	1,099,889
Total irrevocable loan commitments and guarantees	1,099,889	–	–	–	1,099,889

Notes to the financial statements

for the year ended 30 June 2022

Maturity analysis

	0-3 months \$'000s	3-12 months \$'000s	1-5 years \$'000s	> 5 years \$'000	Total \$'000
The Company 2022					
Financial liabilities					
Due to other financial institutions	125,461	–	–	–	125,461
Deposits	6,526,883	820,932	85,381	–	7,433,196
Lease Liabilities	407	977	2,486	758	4,628
Borrowings	791,155	219,076	350,308	52,426	1,412,965
Total Financial Liabilities	7,443,906	1,040,985	438,175	53,184	8,976,250
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(787)	(22,940)	(86,597)	(47,189)	(157,513)
Total Cash Flows	7,443,119	1,018,045	351,578	5,995	8,818,737
Irrevocable loan commitments and guarantees	1,113,273	–	–	–	1,113,273
Total irrevocable loan commitments and guarantees	1,113,273	–	–	–	1,113,273

The Company 2021

Financial liabilities					
Due to other financial institutions	7,850	–	–	–	7,850
Deposits	5,626,402	902,432	83,900	–	6,612,734
Lease Liabilities	493	1,298	2,861	1,137	5,789
Borrowings	637,774	219,076	350,308	52,426	1,259,584
Total Financial Liabilities	6,272,519	1,122,806	437,069	53,563	7,885,957
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	1,527	3,021	3,944	(16,886)	(8,394)
Total Cash Flows	6,274,046	1,125,827	441,013	36,677	7,877,563
Irrevocable loan commitments and guarantees	1,099,889	–	–	–	1,099,889
Total irrevocable loan commitments and guarantees	1,099,889	–	–	–	1,099,889

Notes to the financial statements

for the year ended 30 June 2022

(c) Non-traded market risk

Non-traded market risk is the risk of loss owing to changes in the general level of market prices or interest rates and refers to the market risk inherent in the Company's ordinary business activities. The Company is not exposed to any traded market risk or foreign exchange risk because it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes and does not deal in foreign exchange contracts. The use of financial derivatives is governed by the Company's policies, as approved by the Board.

Management of non-traded market risk

The Company's approach to managing non-traded market risk is to ensure that a detailed framework for identifying, managing, measuring, monitoring, overseeing and reporting non-traded market risk is maintained.

The Board of Directors has implemented policies to mitigate and manage non-traded market risk. Non-traded market risk policies aim to establish a methodology for the calculation, examination, management and reporting of the interest rate risk position on a regular basis.

Management of non-traded market risk is vested in the Asset and Liability Committee (ALCO). The ALCO meets monthly to review the interest rate risk position and measures taken to manage that position.

(d) Interest rate risk

The Company is exposed to the adverse impact of changes in market interest rates on its net interest income. This risk arises from mismatches between the repricing profiles of assets and liabilities.

The Board has established policies to manage interest rate risk to achieve stable and sustainable net interest income over the long term.

Management of interest rate risk

The management of interest rate risk is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios.

During the year, the Company entered into a number of interest rate swaps to reduce the cash flow variability associated with changes in floating interest rates.

Effective interest rates and repricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date, the periods in which they reprice.

Notes to the financial statements

for the year ended 30 June 2022

	0-3 months \$'000s	3-12 months \$'000s	1-2 years \$'000s	2-5 years \$'000s	> 5 years \$'000s	Carrying amount \$'000s	Weighted average effective interest rate %
Consolidated Entity 2022							
Income earning assets							
Deposits at call	181,436					181,436	0.74
Due from other financial institutions	1,401					1,401	0.81
Investment securities	1,067,838	48,912	112,803	251,482	351,480	1,832,517	1.76
Gross loans and advances ¹	3,819,436	626,238	1,358,643	1,554,316	36,258	7,394,891	2.96
Total income earning assets	5,070,111	675,150	1,471,446	1,805,798	387,738	9,410,245	2.68
Interest bearing liabilities							
Due to other financial institutions	125,461					125,461	0.81
Deposits	6,017,112	881,707	237,580	266,620		7,403,019	0.64
Borrowings	1,070,690	9,923	273,302	20,000		1,373,915	1.22
Leases	0	509	–	1,463	2,241	4,213	3.54
Total interest bearing liabilities	7,213,263	892,139	510,882	228,083	2,241	8,906,608	0.73
Derivative financial instruments							
Interest rate swaps – notional principal	1,401,825	439,811	(635,000)	(736,100)	(470,536)	–	

1 Gross loans and advances exclude individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

Notes to the financial statements

for the year ended 30 June 2022

	0-3 months \$'000s	3-12 months \$'000s	1-2 years \$'000s	2-5 years \$'000s	> 5 years \$'000s	Carrying amount \$'000s	Weighted average effective interest rate %
Consolidated Entity 2021							
Income earning assets							
Deposits at call	181,434	–	–	–	–	181,434	0.02
Due from other financial institutions	1,370	–	–	–	–	1,370	0.03
Investment securities	1,120,141	54,104	42,159	226,788	397,804	1,840,996	1.25
Gross loans and advances ¹	3,760,524	425,285	811,297	1,271,274	59,349	6,327,729	2.79
Total income earning assets	5,063,469	479,389	853,456	1,498,062	457,153	8,351,529	2.39
Interest bearing liabilities							
Due to other financial institutions	7,850	–	–	–	–	7,850	0.03
Deposits	5,331,722	957,282	144,021	163,583	–	6,596,608	0.72
Borrowings	902,814	–	–	293,302	–	1,196,116	0.48
Leases	1	345	1,247	1,245	2,443	5,281	3.32
Total interest bearing liabilities	6,242,387	957,627	145,268	458,130	2,443	7,805,855	0.69
Derivative financial instruments							
Interest rate swaps – notional principal	777,060	300,000	(450,189)	(187,312)	(439,559)	–	–

1 Gross loans and advances exclude individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

Notes to the financial statements

for the year ended 30 June 2022

	0-3 months \$'000s	3-12 months \$'000s	1-2 years \$'000s	2-5 years \$'000s	> 5 years \$'000s	Carrying amount \$'000s	Weighted average effective interest rate %
The Company 2022							
Income earning assets							
Deposits at call	181,436	–	–	–	–	181,436	0.74
Due from other financial institutions	1,401	–	–	–	–	1,401	0.81
Investment securities	1,067,838	48,912	112,803	251,482	351,480	1,832,517	1.76
Gross loans and advances ¹	3,819,436	626,238	1,358,643	1,554,316	36,258	7,394,891	2.96
Total income earning assets	5,070,111	675,150	1,471,446	1,805,798	387,738	9,410,244	2.68
Interest bearing liabilities							
Due to other financial institutions	125,461	–	–	–	–	125,461	0.81
Deposits	6,034,499	881,707	237,580	266,620	–	7,420,406	0.64
Borrowings	1,070,690	9,923	273,302	20,000	–	1,373,915	1.22
Leases	0	509	–	1,464	2,240	4,213	3.54
Total interest bearing liabilities	7,230,650	892,139	510,882	288,084	2,240	8,923,995	0.73
Derivative financial instruments							
Interest rate swaps – notional principal	1,401,825	439,811	(635,000)	(736,100)	(470,536)	–	–

1 Gross loans and advances exclude individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

Notes to the financial statements

for the year ended 30 June 2022

	0-3 months \$'000s	3-12 months \$'000s	1-2 years \$'000s	2-5 years \$'000s	> 5 years \$'000s	Carrying amount \$'000s	Weighted average effective interest rate %
The Company 2021							
Income earning assets							
Deposits at call	181,434	–	–	–	–	181,434	0.33
Due from other financial institutions	1,370	–	–	–	–	1,370	–
Investment securities	1,120,141	54,104	42,159	226,788	397,804	1,840,996	1.77
Gross loans and advances ¹	3,760,524	425,285	811,297	1,271,274	59,349	6,327,729	3.49
Total income earning assets	5,063,469	479,389	853,456	1,498,062	457,153	8,351,529	3.04
Interest bearing liabilities							
Due to other financial institutions	7,850	–	–	–	–	7,850	–
Deposits	5,335,397	957,282	144,021	163,583	–	6,600,283	1.51
Borrowings	902,814	–	–	293,302	–	1,196,116	1.75
Leases	1	345	1,247	1,245	2,443	5,281	2.44
Total interest bearing liabilities	6,246,062	957,627	145,268	458,130	2,443	7,809,530	1.55
Derivative financial instruments							
Interest rate swaps – notional principal	777,060	300,000	(450,189)	(187,312)	(439,559)	–	–

1 Gross loans and advances exclude individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

Notes to the financial statements

for the year ended 30 June 2022

Fair value sensitivity analysis for fixed rate instruments

With the exception of items designated in fair value hedge relationships the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity to interest rate risk

On a monthly basis, the Company measures the sensitivity of forecast net interest income over a twelve month period to movements in market interest rates. The calculation is performed in two stages. First, the interest rate repricing profile is calculated by allocating all assets and liabilities to maturity buckets based on their interest rate repricing characteristics.

Second, the impact of a plus and minus 2% parallel shock to the yield curve over a twelve month period is calculated. Note that in this analysis the downward shock is capped at the RBA cash rate +0.25%, on the assumption that -0.25% is the lowest emergency cash rate level that can be reasonably expected. The analysis also assumes that interest rates on retail deposits are floored at zero (i.e. they can not be negative).

The main classes of financial assets and liabilities that are subject to interest rate variation are loans to customers, cash with banks, investments and deposits from customers. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short term to minimise any significant impact of mismatch on interest margins.

The table below presents the results of the above described calculations for the consolidated entity as at 30 June 2022.

Interest rate movement

Consolidated Entity and the Company			
	+2%	+2%	-2%²
	2022	2021¹	2022
	\$'000	\$'000	\$'000
Pre-tax earnings at risk	8,948	8,726	(15,909)
			(5,908)

(e) Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. It can also arise from external factors other than credit, market and liquidity risk such as those arising from legal, regulatory requirements, natural disasters or climatic events and generally accepted standards of corporate behaviour.

Management of operational risk

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and is managed through the monthly Operational Risk Committee.

1 Prior year comparatives have been restated using the new shock level and calculation for comparative purposes.

2 The downward shock is capped at the RBA Cash Rate +0.25%, on the assumption that the lowest emergency cash rate is -0.25%.

Notes to the financial statements

for the year ended 30 June 2022

17. Derivative financial instruments and hedging

Accounting policy

The Company uses interest rate swaps to manage its interest rate risk exposure. At inception of all hedge relationships the Company documents the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. There are two types of hedge relationship that the Company utilises:

	Cash flow hedge	Fair value hedge
Objective	Cash flow hedges are used to manage the Company's exposure to variability in floating rate cash flows from recognised assets or liabilities or highly probable future transactions. The Company uses interest rate swaps to manage this risk.	Fair Value hedges are used to manage the Company's exposure to the change in value of recognised fixed rate assets or liabilities arising from interest rate movements. The Company uses interest rate swaps to manage this risk.
Risk components	In many of its hedge relationships, the Company designates the benchmark interest rate component of the hedged item in the hedge relationship. For example the Cash Rate or Benchmark Bank Bill Rate component. This results in other risks such as credit, margin and liquidity being excluded from the hedge relationship.	
Recognition of the effective portion	The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve in the Statement of changes in customer owners' funds.	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the Statement of profit or loss.
Recognition of the ineffective portion	Recognised in the Statement of profit or loss immediately when ineffectiveness arises.	
Methods for assessing hedge ineffectiveness	When critical terms of the hedged item and the hedge instrument match (or are closely aligned), it is sometimes possible to conclude on a qualitative basis of assessment that an economic relationship exists (meaning that the value of the hedged item and hedge instrument will generally move in opposite directions due to changes in the hedged risk). When there is an increased level of uncertainty, a quantitative assessment of the economic relationship using tool such as regression analysis and capacity testing are performed.	
Sources of ineffectiveness	Sources of hedge ineffectiveness primarily relate to mismatches between the key contractual terms of the hedged item and the hedged instrument. Hedge ineffectiveness may also arise from the use of derivatives at off market rates.	
Hedge instrument expires, is sold, or when hedging criteria is no longer met	Cumulative gains or losses are transferred to the Statement of profit or loss as or when the hedge item impacts the profit or loss. If the hedge item is no longer expected to occur the effective portion accumulated in customer owners' funds is transferred to the Statement of profit or loss as it arises.	Cumulative hedge adjustments to the hedged item is amortised to the Statement of profit or loss on an effective yield basis.

Notes to the financial statements

for the year ended 30 June 2022

The Company presents the fair value of its derivative assets and derivative liabilities on a gross basis. All derivatives, including those designated in hedge relationships, are disclosed in the statement of financial position as derivative assets when their fair value is positive and as derivative liabilities when their fair value is negative.

Key judgements and estimates

The valuation of derivative financial instruments is derived from discounted cash flow models based on observable yield curves.

Derivative financial instruments

The table below sets out hedging derivative assets and liabilities by the hedged risk and type of relationship in which they are designated.

	Hedging instrument	Risk	2022 Carrying Amount \$'000	2022 Notional Amount \$'000	2021 Carrying Amount \$'000	2021 Notional Amount \$'000
Consolidated Entity and the Company						
Derivative Assets						
Cash flow hedge	Interest rate swap	Interest rate risk	70,823	1,915,000	3,612	990,000
Fair value hedge	Interest rate swap	Interest rate risk	84,304	521,636	14,512	361,708
Other	Interest rate swap		18,460	678,856	1,187	514,105
			173,587	3,115,492	19,311	1,865,813
Derivative Liabilities						
Cash flow hedge	Interest rate swap	Interest rate risk	16,132	1,010,000	3,122	660,000
Fair value hedge	Interest rate swap	Interest rate risk	19	30,189	6,978	128,460
Other	Interest rate swap		19,883	729,677	1,187	514,105
			36,034	1,769,866	11,287	1,302,565
Total derivative financial instruments			137,553	4,885,358	8,024	3,168,378

Other derivatives consist of back to back swaps, used to manage the interest rate risk associated with the transfer of fixed loans into the internal securitisation, which are not designated in hedge relationships but perfectly offset one another and embedded derivatives on fixed rate home loan applications with active rate lock contracts.

Notes to the financial statements

for the year ended 30 June 2022

The following table shows the average rates of hedging instruments and the maturity profile for hedging instruments by notional amount.

		Notional amounts		
	Weighted average fixed interest rate %	Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000
Consolidated Entity and the Company 2022				
Cash flow hedges	0.94%	1,030,000	1,895,000	–
Fair value hedges	1.64%	30,189	51,100	470,536

Consolidated Entity and the Company 2021

Cash flow hedges	0.40%	260,000	1,390,000	–
Fair value hedges	1.39%	–	50,609	439,559

Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in Note 26 Reserves. The movements in hedging instruments recognised in other comprehensive income are reported in the Company's Statement of profit or loss and other comprehensive income.

The following table displays the gross value of the gains and losses in the cash flow hedge reserve split by type of hedged item.

	2022 Continuing hedges \$'000	2022 Discontinued hedges \$'000	2021 Continuing hedges \$'000	2021 Discontinued hedges \$'000
--	--	--	--	--

Consolidated Entity and the Company

Cash Flow Hedges of:				
Floating rate loans and advances	(16,014)	(9,875)	(111)	833
Floating rate deposits	69,644	–	1,141	–
Floating rate wholesale debt	1,061	–	(540)	–
Total	54,691	(9,875)	490	833

The following table shows the carrying amount of fair value hedged items in hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The Company does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

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for the year ended 30 June 2022

		2022 Carrying amount of hedged item \$'000	2022 Fair value hedge adjustment \$'000	2021 Carrying amount of hedged item \$'000	2021 Fair value hedge adjustment \$'000
Consolidated Entity and the Company					
Hedged Items	Balance Sheet Classification				
Fixed rate loans and advances	Loans and advances	68,473	(2,810)	77,208	543
Fixed rate investments	Investments	487,795	(83,178)	423,719	(9,952)
Total		556,268	(85,988)	500,927	(9,409)

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Statement of Financial Position is \$5.8m (2021: nil)

Hedge ineffectiveness

The table below details the effectiveness of the Company's hedges by type of hedge relationships:

	Change in value of hedged item \$'000	Change in value of instrument \$'000	Hedge ineffectiveness recognised in statement of profit or loss ¹ \$'000	Reclassifications from the Cash flow hedge reserve to statement of profit or loss ² \$'000
--	---	--	---	---

Consolidated Entity and the Company 2022

Cash flow hedges	(54,198)	54,201	3	243
Fair value hedges	(76,579)	76,751	172	–
Total	(130,777)	130,952	175	243

	Change in value of hedged item \$'000	Change in value of instrument \$'000	Hedge ineffectiveness recognised in statement of profit or loss ¹ \$'000	Reclassifications from the Cash flow hedge reserve to statement of profit or loss ² \$'000
--	---	--	---	---

Consolidated Entity and the Company 2021

Cash flow hedges	2,488	(2,491)	(3)	–
Fair value hedges	(21,630)	21,770	140	–
Total	(19,142)	19,279	137	–

¹ Hedge ineffectiveness is recognised in the Statement of profit or loss in interest expense.

² Amounts reclassified from the Cash flow hedge reserve in other comprehensive income are recognised in interest expense in the profit or loss. All amounts reclassified out of the Cash flow hedge reserve have been transferred as the original hedged item affected the profit or loss.

Notes to the financial statements

for the year ended 30 June 2022

18. Measurement categories of financial instruments

Accounting policy

Initial recognition of financial instruments

The Company recognises financial instruments on the date at which it becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value. The carrying value of the instrument on initial recognition is adjusted for transaction costs that are directly attributable to the acquisition or issuance of the financial instrument and fees that are an integral part of the effective interest rate, except for instruments measured at fair value through profit or loss where transaction costs and fees paid or received are recorded in the income statement.

Classification and measurement of financial instruments

Financial instruments are subsequently measured either at amortised cost or fair value depending on their classification.

Classification of financial assets is determined by the Company's business model for managing the asset and the contractual cash flows of the asset.

A financial asset is subsequently measured at amortised cost where the asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, those cash flows are solely payments of principal and interest on the principal amount outstanding and the asset has not been classified as fair value through profit or loss.

A financial asset is subsequently measured at fair value through other comprehensive income where the asset is held within a business model whose objective is to both collect contractual cash flows and to sell the asset, those cash flows are solely payments of principal and interest on the principal amounts outstanding and the asset has not been classified as fair value through profit or loss. Subsequent changes in fair value are recognised in other comprehensive income, with the exception of interest, which is recognised as part of interest income.

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income are subsequently measured at fair value through profit or loss. The Company will elect to measure a financial asset at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Financial liabilities, with the exception of derivative liabilities, are subsequently measured at amortised cost unless the Company elects to measure the financial liability at fair value through profit or loss. The Company will elect to measure a financial liability at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Notes to the financial statements

for the year ended 30 June 2022

Derivative financial instruments are subsequently measured at fair value. The Company uses derivative instruments to manage its interest rate risk exposure and, as such, derivatives are designated as a hedging instrument. The recognition of the resulting gain or loss on a derivative depends on the nature of the item being hedged. Refer to Note 17. Derivative financial instruments and hedging.

Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to cash flows have expired or it transfers its rights to receive contractual cash flows such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements

for the year ended 30 June 2022

The following table contains information relating to the measurement categories of financial instruments; these being Fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost.

The methods and significant assumptions that have been applied in determining the fair values of financial instruments are also disclosed in Note 19 Fair value of financial instruments.

	Financial Instruments carried at				Statement of financial position	Fair value of financial instruments carried at	
	FVTPL \$'000	FVTOCI \$'000	Amortised Cost \$'000	Non-financial instruments \$'000	\$'000	Fair Value \$'000	Amortised Cost \$'000
Consolidated Entity 2022							
Assets							
Cash and liquid assets			181,436		181,436		181,436
Due from other financial institutions			1,401		1,401		1,401
Investment securities			1,832,517		1,832,517		1,822,731
Other assets			25,980		25,980		25,980
Derivative assets ¹	102,764	70,823			173,587	173,587	
Net loans and advances			7,396,849		7,396,849		7,272,712
Investments in associates				6,379	6,379		
Other investments		36,150			36,150	36,150	
Property, plant and equipment				17,905	17,905		
Intangible assets				198	198		
Total assets	102,764	106,973	9,438,183	24,482	9,672,402	209,737	9,304,260
Liabilities							
Due to other financial institutions			125,461		125,461		125,461
Deposits			7,403,019		7,403,019		7,373,152
Borrowings			1,373,915		1,373,915		1,358,965
Current tax payable				8,494	8,494		
Derivative liabilities ¹	19,902	16,132			36,034	36,034	
Net deferred tax liabilities				15,326	15,326		
Other liabilities			4,213	28,448	32,661		4,213
Provisions				10,078	10,078		
Total liabilities	19,902	16,132	8,906,608	62,346	9,004,988	36,034	8,861,791

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

Notes to the financial statements

for the year ended 30 June 2022

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL \$'000	FVTOCI \$'000	Amortised Cost \$'000	Non-financial instruments \$'000	Statement of financial position \$'000	Fair Value \$'000	Amortised Cost \$'000
Consolidated Entity 2021							
Assets							
Cash and liquid assets			181,434		181,434		181,434
Due from other financial institutions			1,370		1,370		1,370
Investment securities			1,840,996		1,840,996		1,863,695
Other assets			19,478		19,478		19,478
Derivative assets ¹	15,699	3,612			19,311	19,311	
Net loans and advances			6,329,154		6,329,154		6,332,852
Investments in associates				7,906	7,906		
Other investments		36,083			36,083	36,083	
Property, plant and equipment				34,296	34,296		
Intangible assets				466	466		
Total assets	15,699	39,695	8,372,432	42,668	8,470,494	55,394	8,398,829
Liabilities							
Due to other financial institutions			7,850		7,850		7,850
Deposits			6,596,608		6,596,608		6,599,228
Borrowings			1,196,116		1,196,116		1,194,905
Current tax payable				8,555	8,555		
Derivative liabilities ¹	8,165	3,122			11,287	11,287	
Net deferred tax liabilities				4,115	4,115		
Other liabilities			5,281	30,038	35,319		5,281
Provisions				8,692	8,692		
Total liabilities	8,165	3,122	7,805,855	51,400	7,868,542	11,287	7,807,264

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

Notes to the financial statements

for the year ended 30 June 2022

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL \$'000	FVTOCI \$'000	Amortised Cost \$'000	Non-financial instruments \$'000	Statement of financial position \$'000	Fair Value \$'000	Amortised Cost \$'000
The Company 2022							
Assets							
Cash and liquid assets			181,436		181,436		181,436
Due from other financial institutions			1,401		1,401		1,401
Investment securities			1,832,517		1,832,517		1,822,731
Other assets			27,924		27,924		27,924
Derivative assets ¹	102,764	70,823			173,587	173,587	
Net loans and advances			7,396,849		7,396,849		7,272,712
Investments in associates				6,379	6,379		6,379
Other investments		39,768			39,768	39,768	
Property, plant and equipment				17,905	17,905		
Intangible assets				198	198		
Total assets	102,764	110,591	9,440,127	24,482	9,677,964	213,355	9,312,583
Liabilities							
Due to other financial institutions			125,461		125,461		125,461
Deposits			7,420,406		7,420,406		7,390,539
Borrowings			1,373,915		1,373,915		1,358,965
Current tax payable				8,494	8,494		
Derivative liabilities ¹	19,902	16,132			36,034	36,034	
Net deferred tax liabilities				15,326	15,326		
Other liabilities			4,213	28,448	32,661		4,213
Provisions				10,078	10,078		
Total liabilities	19,902	16,132	8,923,995	62,346	9,022,375	36,034	8,879,178

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

Notes to the financial statements

for the year ended 30 June 2022

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL \$'000	FVTOCI \$'000	Amortised Cost \$'000	Non-financial instruments \$'000	Statement of financial position \$'000	Fair Value \$'000	Amortised Cost \$'000
The Company 2021							
Assets							
Cash and liquid assets			181,434		181,434		181,434
Due from other financial institutions			1,370		1,370		1,370
Investment securities			1,840,996		1,840,996		1,863,695
Other assets			20,020		20,020		20,020
Derivative assets ¹	15,699	3,612			19,311	19,311	
Net loans and advances			6,329,154		6,329,154		6,332,852
Investments in associates				7,906	7,906		
Other investments		39,701			39,701	39,701	
Property, plant and equipment				21,986	21,986		
Intangible assets				466	466		
Total assets	15,699	43,313	8,372,974	30,358	8,462,344	59,012	8,399,371
Liabilities							
Due to other financial institutions			7,850		7,850		7,850
Deposits			6,600,283		6,600,283		6,602,903
Borrowings			1,196,116		1,196,116		1,194,905
Current tax payable				8,555	8,555		
Derivative liabilities ¹	8,165	3,122			11,287	11,287	
Net deferred tax liabilities				1,525	1,525		
Other liabilities			5,281	30,038	35,319		5,281
Provisions				8,692	8,692		
Total liabilities	8,165	3,122	7,809,530	48,810	7,869,627	11,287	7,810,939

1 Derivatives valued as FVTOCI relate to cash flow hedges that are part of an effective hedge relationship between hedged item and hedged instrument.

Notes to the financial statements

for the year ended 30 June 2022

19. Fair value of financial instruments

Accounting policy

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement technique of each class of instrument is described below.

Instrument	Fair value measurement technique
Investment securities	Fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument. Fair value has been determined by a discounted cash flow model, where the future cash flows of the financial asset have been discounted back to the balance date using observable market interest rates offered at the balance date for instruments with similar risk and maturity.
Loans and advances	The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. Discounted cash flows based on the loan type and its related maturity are used to calculate the fair value of fixed rate loans. The difference between estimated fair values of loans and advances and carrying value reflects changes in interest rates since loan or advance origination.
Derivatives	The fair value of derivative financial instruments are from quoted closing market prices at the balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.
Other investments	<p>Fair value of other investments is based on quoted prices in active markets for identical assets. If no quoted price is available and there is no observable market data to ascertain fair value, the price ascertained through valuation techniques in accordance with AASB 13 Fair Value Measurement has been used to determine the fair value of the investment. For investments disclosed as Level 3 financial assets, the unobservable input has been determined to be the share price.</p> <p>The company has one level 3 investment being shares with Cuscal, which is disclosed in Note 9. The Company engaged an independent valuer to determine a range of alternate share prices and the investment was valued at the lower end of the range.</p>
Other assets	The carrying values of receivables, being financial assets within Other assets (see note 22), approximate their fair value because they are short term in nature or are receivable on demand.
Deposits	The fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits maturing within three months approximates its carrying value. Discounted cash flows (based upon the deposit type and its related maturity) are used to calculate the fair value of other term deposits.
Borrowings	The carrying values of short-term borrowings maturing within three months approximate their fair value because they are short term in nature. Discounted cash flows (based upon the instrument type and its related maturity) are used to calculate the fair value of other borrowings.
Other liabilities	The carrying values of payables, being financial liabilities within Other liabilities (see note 25), approximate their fair value because they are short term in nature or are payable on demand.

The carrying values of cash and liquid assets, as well as amounts due from or to other financial institutions, approximate their fair value because they are short term in nature or are receivable on demand.

The interest rates used to discount estimated cash flows, when applicable, are based on equivalent market rates at the reporting date.

Notes to the financial statements

for the year ended 30 June 2022

Key judgements and estimates

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ending 30 June 2022.

Where applicable, the fair value of a financial instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial instruments that are not quoted in an active market is determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where unobservable market data is used, more judgement is required to determine the fair value.

Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: valuations based on quoted prices (unadjusted) in active markets for identical instruments.

Level 2: valuations for which all significant inputs, other than quoted prices included within Level 1, are based on observable market data for a similar instrument, either directly or indirectly.

Level 3: valuations for which significant unobservable inputs are used to determine fair value of the instrument.

The following table summarises the fair value of financial instruments measured at fair value, including the level within the fair value hierarchy:

	Fair value			
	Level 1	Level 2	Level 3	Total
Consolidated Entity 2022				
Financial assets				
Derivative assets		173,587		173,587
Other investments			36,150	36,150
Total financial assets	–	173,587	36,150	209,737

Financial liabilities				
Derivative liabilities		36,034		36,034
Total financial liabilities	-	36,034	-	36,034

Consolidated Entity 2021

Financial assets				
Derivative assets	-	19,311	-	19,311
Other investments	-	-	36,083	36,083
Total financial assets	-	19,311	36,083	55,394
Financial liabilities				
Derivative liabilities	-	11,287	-	11,287
Total financial liabilities	-	11,287	-	11,287

Notes to the financial statements

for the year ended 30 June 2022

	Fair value			
	Level 1	Level 2	Level 3	Total
The Company 2022				
Financial assets				
Derivative assets		173,587		173,587
Other investments			39,768	39,768
Total financial assets	–	173,587	39,768	213,355
Financial liabilities				
Derivative liabilities		36,034		36,034
Total financial liabilities	–	36,034	–	36,034

The Company 2021

Financial assets				
Derivative assets	-	19,311	-	19,311
Other investments	-	-	39,701	39,701
Total financial assets	-	19,311	39,701	59,012
Financial liabilities				
Derivative liabilities	-	11,287	-	11,287
Total financial liabilities	-	11,287	-	11,287

The following table summarises the fair value of financial instruments measured at amortised cost, including the level within the fair value hierarchy:

	Fair value			
	Level 1	Level 2	Level 3	Total
Consolidated Entity 2022				
Financial assets				
Investment securities	1,670,249	152,482		1,822,731
Net loans and advances			7,272,712	7,272,712
Total financial assets	1,670,249	152,482	7,272,712	9,095,443
Financial liabilities				
Deposits			7,373,152	7,373,152
Borrowings		1,358,965		1,358,965
Total financial liabilities	–	1,358,965	7,373,152	8,732,117

Notes to the financial statements

for the year ended 30 June 2022

	Fair value			
	Level 1	Level 2	Level 3	Total
Consolidated Entity 2021				
Financial assets				
Investment securities	1,731,061	132,634	–	1,863,695
Net loans and advances	–	–	6,332,852	6,332,852
Total financial assets	1,731,061	132,634	6,332,852	8,196,547
Financial liabilities				
Deposits	–	–	6,599,228	6,599,228
Borrowings	–	1,194,905	–	1,194,905
Total financial liabilities	–	1,194,905	6,599,228	7,794,133

The Company 2022

Financial assets				
Investment securities	1,670,249	152,482		1,822,731
Net loans and advances			7,272,712	7,272,712
Total financial assets	1,670,249	152,482	7,272,712	9,095,443
Financial liabilities				
Deposits			7,390,539	7,390,539
Borrowings		1,358,965		1,358,965
Total financial liabilities	–	1,358,965	7,390,539	8,749,504

The Company 2021

Financial assets				
Investment securities	1,731,061	132,634	–	1,863,695
Net loans and advances	–	–	6,332,852	6,332,852
Total financial assets	1,731,061	132,634	6,332,852	8,196,547
Financial liabilities				
Deposits	–		6,602,903	6,602,903
Borrowings	–	1,194,905	–	1,194,905
Total financial liabilities	–	1,194,905	6,602,903	7,797,808

Notes to the financial statements

for the year ended 30 June 2022

20. Standby arrangements

The Company has arranged the following standby credit facilities:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Cuscal overdraft facility	15,000	15,000
Amount drawn	–	–
Total facilities available	15,000	15,000

21. Capital management

The Company monitors capital requirements for the Company as a whole in accordance with the requirements set by the Company's regulator, APRA. In implementing the capital requirements, APRA requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is classified into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- 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 as set out by Australian Prudential Standards. Tier 2 capital generally includes general reserves and subordinated debt.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Tier 1 capital (net of deductions)	575,600	551,000	560,200	538,110
Tier 2 capital (net of deductions)	44,300	9,800	44,300	9,800
Total Capital	619,900	560,800	604,500	547,910
Risk weighted assets	4,014,200	3,705,500	4,016,400	3,691,400
Tier 1 capital ratio	14.3%	14.9%	13.9%	14.6%
Total capital ratio	15.4%	15.1%	15.1%	14.8%



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for the year ended 30 June 2022

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for the year ended 30 June 2022

22. Other assets

Accounting policy

Receivables are measured at amortised cost using the effective interest method and net of any impairment loss, because (a) the asset is held within a business model with an objective to hold assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Accrued income	8,811	8,989	9,444	9,531
Sundry debtors	13,026	7,465	14,337	7,465
Prepayments	4,143	3,024	4,143	3,024
Total other assets	25,980	19,478	27,924	20,020

23. Property, plant and equipment

Accounting policy

Land and buildings

Land and buildings are measured at fair value less accumulated depreciation. Management determined that land and buildings constitute one class of asset under AASB 13, based on the nature, characteristics and risks of the property.

Right-of-use assets

At inception of a contract, the Company assesses whether a 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 assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

Notes to the financial statements

for the year ended 30 June 2022

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of twelve months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Leasehold improvements, plant and equipment

Leasehold improvements, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in the Statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of profit or loss as incurred.

Depreciation

With the exception of freehold land and artworks, depreciation is charged to the Statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and artworks are not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Category	Depreciation period
Freehold building	40 years
Leasehold improvement	lease term
Right-of-use assets	lease term
Plant and equipment	3 to 5 years

The residual value, the useful life and the depreciation method applied to an asset, are reassessed at least annually.

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for the year ended 30 June 2022

Key judgements and estimates

Determining fair value of land and buildings

Fair value is determined with reference to external independent valuations provided by valuation companies with appropriate recognised professional qualifications and experience. The fair values are based on market values, being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction. Valuations are carried out on a triennial basis or when there is a significant change in fair value. Revaluations are recorded through the Asset Revaluation Reserve.

The valuation is classified as Level 3 in the fair value hierarchy.

Determining the terms of lease contracts

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Company has a number of leases with extension and termination options and exercises judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate each lease. All relevant factors that create an economic incentive to exercise an option to extend or terminate a lease are considered including, but not limited to:

- the relevant cost of lease payments at the time of the option vs expected market rates;
- the cost of the relevant leasehold improvements and their carrying value;
- the cost of terminating and relocating; and
- the importance of the underlying leased asset to the Company.

Notes to the financial statements

for the year ended 30 June 2022

	Land and buildings \$'000	Leasehold improvements \$'000	Right-of-use assets \$'000	Plant and equipment \$'000	Total \$'000
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Consolidated Entity 2022

At cost / fair value	10,850	4,313	8,108	8,862	32,133
Accumulated depreciation	–	(3,451)	(4,507)	(6,270)	(14,228)
Carrying amount	10,850	862	3,601	2,592	17,905

Consolidated Entity 2021

At cost / fair value	26,102	3,835	9,229	14,666	53,832
Accumulated depreciation	(801)	(3,097)	(4,446)	(11,192)	(19,536)
Carrying amount	25,301	738	4,783	3,474	34,296

The Company 2022

At cost / fair value	10,850	4,313	8,108	8,862	32,133
Accumulated depreciation	–	(3,451)	(4,507)	(6,270)	(14,228)
Carrying amount	10,850	862	3,601	2,592	17,905

The Company 2021

At cost / fair value	13,791	3,835	9,229	14,491	41,346
Accumulated depreciation	(801)	(3,097)	(4,446)	(11,016)	(19,360)
Carrying amount	12,990	738	4,783	3,475	21,986

The Company holds short term leases for rented premises and ATM machines. The total expense incurred for these leases for the year ended 30 June 2022 was \$226,040.

During the financial year, the Company sold the land and building at Castlemaine and the ECS Unit Trust, which is part of the Consolidated Entity, sold the land and building at Kew. Proceeds received for Kew and Castlemaine properties was \$15.1 million and \$1.1 million respectively and the net gain following property disposal and settlement costs was \$11.8 million and \$0.8 million respectively. This includes amounts recorded through the Asset Revaluation Reserve (ARR) of \$11.8 million for Kew property and \$0.8 million for Castlemaine property representing fair value increases. These amounts were previously recorded through Other Comprehensive Income (OCI) and have been transferred to retained earnings post property settlement. The Company also recognised a right of use asset in relation to Kew Branch of \$0.5 million and Collingwood head office premises of \$8.4 million.

Notes to the financial statements

for the year ended 30 June 2022

24. Intangible assets

Accounting policy

Assets acquired in a business combination

Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at fair value less any accumulated amortisation and impairment losses.

Software

Software assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The costs of developing internal-use software are recognised only when the Company can demonstrate the technical feasibility, the resources and the intention to complete the asset, its ability to use or sell the asset, generate future economic benefits and measure reliably the expenditure during development. Amortisation of the asset begins when development is complete and the asset is available for use in the condition as intended by management. The asset is amortised over the useful life of the software, using the straight-line method.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Key judgements and estimates

Impairment testing

The Company's intangible assets are assessed for indicators of impairment on at least an annual basis and whenever events or changes in circumstances indicate that the carrying amount of intangible assets may exceed their recoverable amount. In addition, intangible assets that are not yet available for use are tested annually for impairment irrespective of whether there is any indication of impairment. The expected useful life of intangible assets, including software assets, is reviewed on an annual basis. The assessment of impairment and expected useful life requires judgement to be applied and consideration of a number of factors including but not limited to: changes in business strategy, technology, regulations, and customer preferences or requirements.

Amortisation

The amortisation period of intangibles should be determined on a case-by-case basis. The following ranges are applied:

- For software that is used on a mainframe or a mid-range hardware platform, 1 to 5 years.
- For software that is used on a PC hardware platform, 1 to 3 years.

Notes to the financial statements

for the year ended 30 June 2022

	Core deposit intangibles \$'000	Software \$'000	Total \$'000
Consolidated Entity and the Company 2022			
At cost / fair value	3,081	4,237	7,318
Amortisation	(1,985)	(4,039)	(6,024)
Impairment	(1,096)	–	(1,096)
Carrying amount	–	198	198

Consolidated Entity and the Company 2021			
At cost / fair value	3,081	6,423	9,504
Amortisation	(1,985)	(5,957)	(7,942)
Impairment	(1,096)	–	(1,096)
Carrying amount	–	466	466

25. Other liabilities

Accounting policy

Trade and sundry creditors and accruals

Trade and sundry creditors and accruals are on contractual terms and are generally payable within one to three months.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the future lease payments arising from a change in an index or a rate used, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Notes to the financial statements

for the year ended 30 June 2022

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is determined through reference to internal cost of funds rates to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Provisions

A provision is recognised in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Key judgements and estimates

Incremental borrowing rate

When calculating incremental borrowing rates where the Company cannot readily determine the interest rate implicit in the lease, the Company uses its incremental borrowing rate ("IBR") to discount future payments in measuring lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore requires estimation when no observable rates are available or when adjustments are required to reflect the terms and conditions of the lease. The Company estimates the IBR for each lease using observable inputs, such as market interest rates, when available.

Long service leave

The liabilities for long service leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The discount for long service leave is the yield proximate to the reporting date on the Australian Corporate Bond market.

Notes to the financial statements

for the year ended 30 June 2022

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Trade creditors and accruals	19,431	16,388
Leases	4,213	5,281
Sundry creditors	8,495	13,442
Deferred income	522	208
Other liabilities	32,661	35,319
Provision for employee entitlements	7,822	6,825
Sundry provisions	2,256	1,867
Provisions	10,078	8,692

In January 2022, the Company entered into a 5 year lease agreement relating to Kew bank branch. The value of the lease liability at inception was \$0.5 million. Subsequent to the reporting period, the Company entered into a 10 year lease agreement relating to Collingwood head office premises. The value of the lease liability is \$8.1 million.

26. Reserves

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
General reserves	618,182	566,155	606,357	566,155
Asset revaluation reserve	3,017	12,267	3,017	3,032
Cash flow hedge reserve	28,401	1,170	28,401	1,170
Fair value reserve	16,076	15,534	16,076	15,534
General reserve for credit losses	–	5,088	–	5,088
Redeemed capital reserve	1,738	1,738	1,738	1,738
Total reserves	667,414	601,952	655,589	592,717

Nature and purpose of general reserves

General reserve

The general reserve relates to accumulated retained earnings and net assets acquired through acquisitions.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property.

Cash flow hedge reserve

The cash flow hedge reserves relates to the effective portion of the gain or loss on the hedging instrument.

Notes to the financial statements

for the year ended 30 June 2022

Fair value reserve

The fair value reserve relates to the fair valuation of equity investments not held for trading under AASB 9 Financial Instruments.

General reserve for credit losses

In accordance with APRA Prudential Standard (APS) 220 Credit Risk Management, effective 1 January 2022, the measurement of provisions held against expected credit losses must be in accordance with Australian Accounting Standards. As a result, the maintenance of a general reserve for credit losses is no longer required and the reserve has been transferred back to retained earnings.

Redeemed capital reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999.

The Corporations Act requires redemption of shares to be made out of profits. Since the value of the shares redeemed has been paid to customers in accordance with the Constitution of the Company, the redeemed capital reserve account represents the amount of profits appropriated to the account.

Dividends

There were no dividends declared or paid during the financial year.

27. Related party disclosures

(a) Transactions with key management personnel

Key management personnel comprises seven non-executive Directors, one Managing Director and eight executive managers during the year to 30 June 2022.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Short-term employee benefits	4,121	3,868
Long-term employee benefits	128	98
Post-employment benefits	405	229
	4,654	4,195

Inclusive within amounts for the year ended 30 June 2021 is the addition of a director payment whose term of office ended during the 2021 financial year.

Post-employment benefits are payments to defined contribution superannuation plans under which an entity pays fixed contributions to separate entities and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of profit or loss as incurred.

Notes to the financial statements

for the year ended 30 June 2022

(b) Loans to key management personnel

Aggregate value of loans and credit facilities to key management personnel and related parties at balance date amounted to:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Key management personnel	4,026	2,225
Related parties	3	1
Total	4,029	2,226
Loans made during the financial year by the Company to key management personnel and related parties:	2,899	955

All loans disbursed were approved in accordance with standard lending policies for each class of loan.

Repayments against loans and interest charged to key management personnel and related parties amounted to:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Repayments	1,154	2,167
Interest charged	58	91

During the year repayments were made on all loans to key management personnel and related parties in accordance with terms and conditions.

All transactions between key management personnel and related parties and the Company were conducted in accordance with normal terms and conditions. The terms and conditions in respect of all loans to key management personnel and related parties have not been breached.

There has been no significant increase in credit risk in key management personnel loans during the year and the 12 month expected credit loss amount for these loans are included in Note 10.

Notes to the financial statements

for the year ended 30 June 2022

(c) Other key management personnel transactions with the Company

There are no other transactions or contracts to which key management personnel or related entities are a related party.

(d) Amounts paid to associates

The Company has an agreement with Data Action Pty Ltd for the provision of computer facilities and associated support services. The arrangements with Data Action Pty Ltd are disclosed in note 8. The table below illustrates the payments made to Data Action for these services:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Amounts paid to associates	11,095	10,290

28. Auditor's remuneration

The auditor of the Consolidated Entity and the Company is EY (Ernst & Young).

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Audit services		
Audit and review of financial reports	200	177
Other regulatory audit services	194	175
	394	352
Other services		
Taxation services	22	19
Assurance services	95	65
	117	84

Notes to the financial statements

for the year ended 30 June 2022

29. Commitments for expenditure

The Company has contracts with Data Action Pty Ltd to provide computer facilities management services and associated support services, with Cuscal Ltd for payment services and with Macquarie Telecom for hosting and cloud enablement services. The balance of fees payable under the contracts are payable over the following periods:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Within one year	22,673	18,498
1-2 years	19,125	18,960
2-5 years	30,644	43,067
Total material service contract commitments	72,442	80,525

30. Forward commitments and contingent liabilities

(a) Outstanding loan commitments

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Loans approved but not fully funded	298,586	368,265
Undrawn credit commitments	188,342	196,066
Loans available for redraw	810,222	776,612
Total outstanding loan commitments	1,297,150	1,340,943

Generally, there are no restrictions to withdrawal of funds under undrawn credit commitments, provided normal repayments are maintained. All such commitments are, however, cancellable at the discretion of the Company.

Notes to the financial statements

for the year ended 30 June 2022

(b) Bank guarantees

To meet the financial needs of customers, the Company enters into various irrevocable commitments and contingent liabilities consisting of bank guarantees. Even though these obligations are not recognised on the Statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Company. Bank guarantees (including standby letters of credit) commit the Company to make payments on behalf of customers in the event of a specific act. Guarantees and standby letters of credit carry a similar credit risk to loans.

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Nominal value of Bank Guarantees	4,485	11,661

(c) Liquidity support scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary emergency liquidity support scheme that mutual banks, credit unions and building societies participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee being \$100.0 million.

As a participant to the CUFSS Limited scheme, the Company:

- May be required to advance funds of up to \$100.0 million (excluding permanent loans) of total assets to another mutual ADI requiring financial support;
- May be required to advance permanent loans of up to 0.1% of total assets per financial year to another mutual ADI requiring financial support; and
- Agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

Notes to the financial statements

for the year ended 30 June 2022

31. Employee benefits

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Salaries and wages accrued	1,233	766
Liability for long service leave	4,421	4,000
Liability for annual leave	3,252	2,779
Liability for purchased annual leave	29	47
Total employee benefits	8,935	7,592

(a) Superannuation

The Company contributes on behalf of its employees into superannuation funds under normal conditions of employment and in satisfaction of the requirements of the Superannuation Guarantee Scheme. During the year, the Company contributed to various superannuation funds with the main fund being NGS Super.

(b) Contributions paid and payable to superannuation plans

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Employer contributions	4,590	3,958

(c) Employees

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Full-time equivalent employees	487	417

Notes to the financial statements

for the year ended 30 June 2022

32. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the Statement of cash flows, cash means cash on hand and cash equivalents. Cash equivalents are highly liquid investments with short periods to maturity (one to two days) that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, as well as borrowings that are integral to the cash management function and that are not subject to a term facility.

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	Consolidated Entity and the Company 2022 \$'000	Consolidated Entity and the Company 2021 \$'000
Cash on hand	5,403	5,139
Cash at bank	126,233	142,027
Deposits at call	49,800	34,268
Total cash and liquid assets	181,436	181,434

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of cash flows:

- deposits, shares and withdrawals from savings and investment accounts;
- loans and repayments; and
- borrowings and repayments.

Notes to the financial statements

for the year ended 30 June 2022

(c) Cash flows from operating activities

	Consolidated Entity 2022 \$'000	Consolidated Entity 2021 \$'000	The Company 2022 \$'000	The Company 2021 \$'000
Operating profit after income tax	34,387	40,692	34,387	40,692
<i>Adjustments for:</i>				
Dividends accrued	2,642	(2,642)	2,642	(2,642)
Depreciation	3,538	4,568	3,366	4,437
Amortisation	624	2,092	624	2,092
Impairment of property, plant and equipment	–	1,096	–	1,096
(Profit) / loss on disposal of non-current assets	(803)	68	(207)	68
(Profit) / loss on disposal of investment securities	(94)	–	(94)	–
Bad debts written off	204	520	204	520
Charge for loan impairment	915	(1,204)	915	(1,204)
Share of profit in associate	1,528	(554)	1,528	(554)
Cash flows from operating activities before changes in operating assets and liabilities	42,941	44,636	43,365	44,505
Increase / (decrease) in employee entitlements	997	864	997	864
Increase / (decrease) in deposits ¹	806,411	679,023	820,123	679,124
Increase / (decrease) in loans and advances ¹	(1,068,814)	(765,150)	(1,068,814)	(765,150)
Increase / (decrease) in sundry provisions	389	863	389	863
(Increase) / decrease in accrued income	(2,464)	(3,538)	(2,555)	(3,507)
(Increase) / decrease in prepayments	(1,119)	(1,056)	(1,119)	(1,056)
Increase / (decrease) in trade creditors and accruals	3,043	(4,456)	3,043	(4,456)
Increase / (decrease) in net deferred income	314	(610)	314	(610)
(Increase) / decrease in sundry debtors	(5,561)	1,440	(6,872)	1,440
(Increase) / decrease in deferred tax assets	–	–	–	1,150
Increase / (decrease) in deferred tax liabilities	(2,688)	2,621	(2,688)	1,525
Increase / (decrease) in provision for income tax	(61)	9,672	(61)	9,672
Increase / (decrease) in leases	(1,068)	(2,011)	(1,068)	(2,011)
Increase / (decrease) in sundry creditors	(4,947)	7,722	(4,947)	7,722
Net cash provided by operating activities	(232,627)	(29,980)	(219,894)	(29,925)

¹ For the year ended 30 June 2022, deposits and loans and advances have been reclassified to operating activities. In prior years, these items were included in financing and investing activities respectively.

Notes to the financial statements

for the year ended 30 June 2022

33. Controlled entities

Details of controlled entities consolidated into the Consolidated Entity financial statements are as follows:

Name	Country of incorporation	% owned	Investment at cost \$'000	Contribution to operating profit after tax \$'000
Ed Credit Services Pty Ltd	Australia	100	–	–
ECS Unit Trust	Australia	100	3,618	633
Buloke Funding Trust No. 1	Australia	100	–	–

34. Events after balance date

Subsequent to the reporting period, the Company entered into a 10 year lease agreement relating to head office premises. The value of the lease liability and right of use asset at inception was \$8.1 million and \$8.4 million respectively.

Other than the matter above there have been no events subsequent to balance date that would have a material effect on either the Consolidated Entity's, or the Company's financial statements as at 30 June 2022.

Directors' declaration



Directors' declaration

for the year ended 30 June 2022

In the opinion of the Directors of Bank Australia (the Company),

- (a) the financial statements and notes set out on pages 29 to 120 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of their performance, for the financial year ended on that date
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors:



Steve Ferguson, Director

Signed on 29 September 2022



Damien Walsh, Director

Signed on 29 September 2022

Independent Auditor's Report



Independent Auditor's Report

to the members of Bank Australia Limited



Opinion

We have audited the financial report of Bank Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 30 June 2022;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended 30 June 2022;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The director's declaration.

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

- a) Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2022 and of their financial 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 Group in accordance with the auditor independence requirements of 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 is the directors' report accompanying the financial report.

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.



Independent Auditor's Report

to the members of Bank Australia Limited



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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

to the members of Bank Australia Limited



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Luke Slater'.

Luke Slater, Partner
Melbourne

29 September 2022





