regional australia bank

2023 Annual Report

Directors
Graham Olrich
Mike Fenech
Dr Alison Sheridan
Kate James
David Johnson
Neville Parsons
Sally Mackenzie
Geoff Thompson

Chief Executive Officer
David Heine

Company Secretary
David Munday

Assistant Company Secretary
Andrew Gahan

Registered Office
Technology Park
Madgwick Drive
ARMIDALE NSW 2350

Solicitors
Wallmans Lawyers
400 King William Street
ADELAIDE SA 5000

APJ Law
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Bankers
Australia and New Zealand Banking
Group Limited (ANZ)
Martin Place
SYDNEY NSW 2000

Cuscal Limited
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SYDNEY NSW 2000

Auditors
KPMG
International Tower 3
300 Barangaroo Avenue
SYDNEY NSW 2000

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132 067 | regionalaustraliabank.com.au

Regional Australia Bank Ltd ABN 21 087 650 360 AFSL & Australian Credit Licence 241167.

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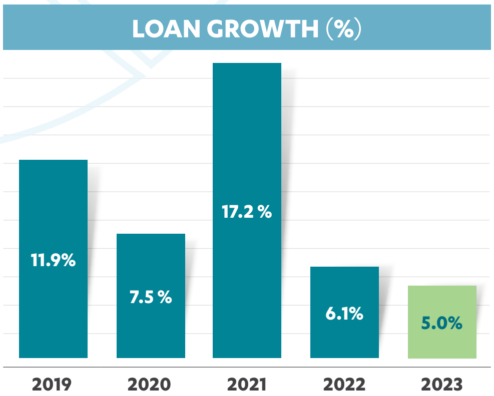
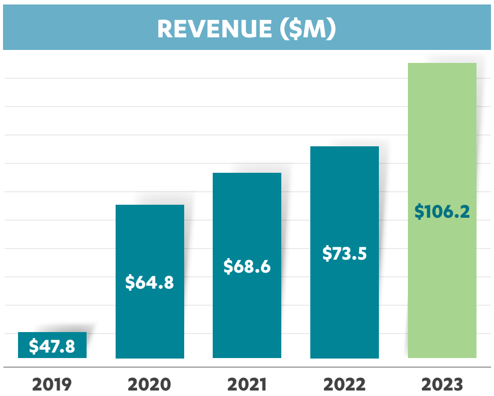
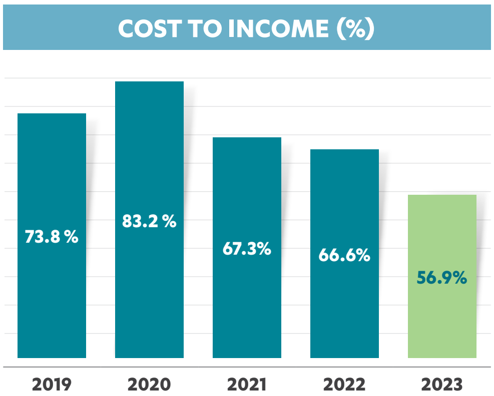
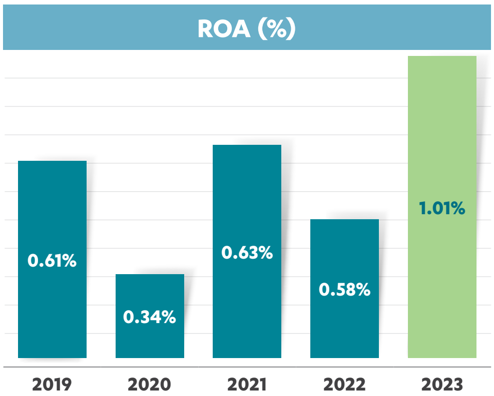
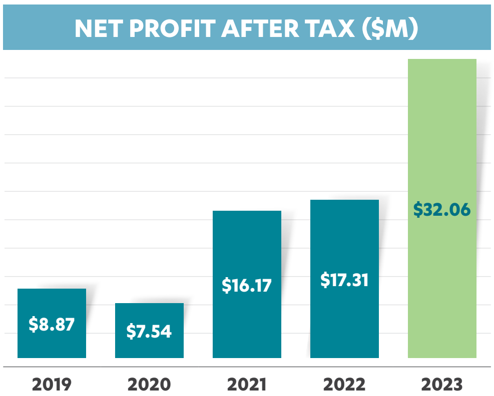
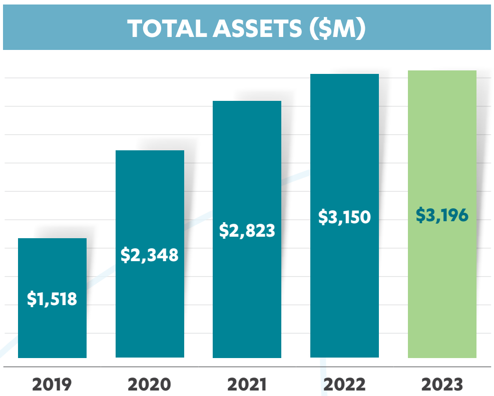












Corporate Governance Statement

This Corporate Governance Statement describes Regional Australia Bank's key governance functions and articulates how decision making is undertaken. Our goal is to ensure the sustainability of our banking performance and long-term value to our communities, members, and employees.

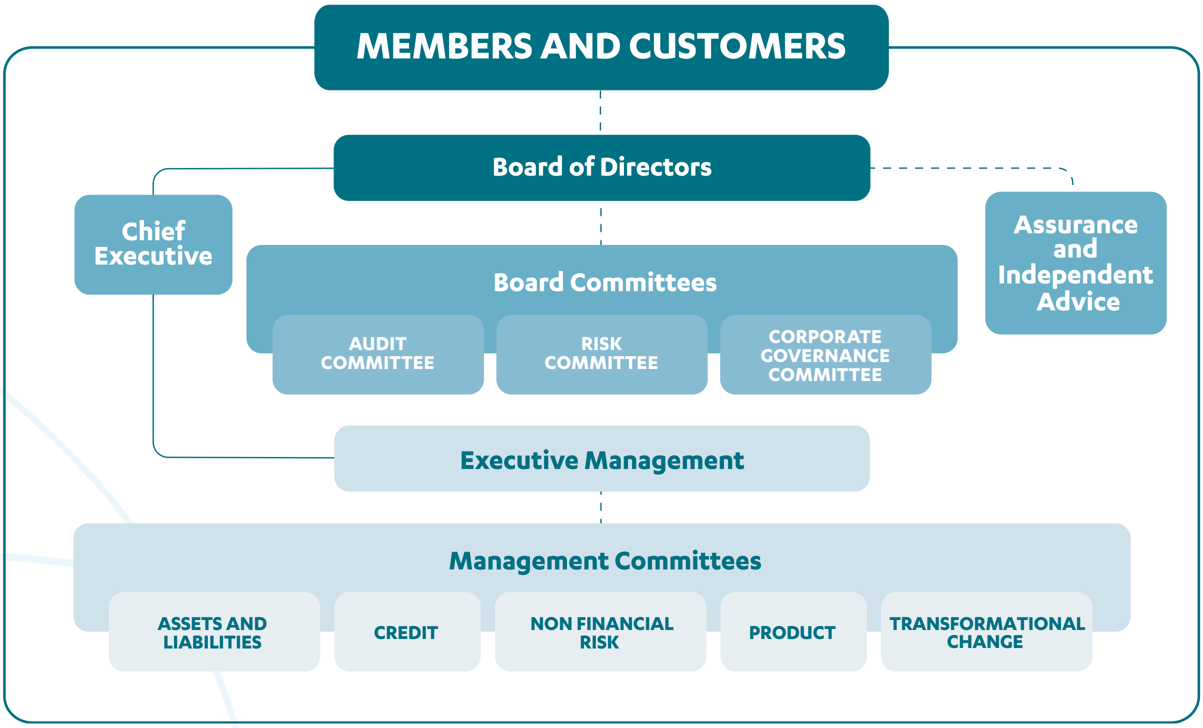
BOARD OVERSIGHT

Throughout the year, the Board has been focused on being more visible with staff, at various levels, and members at community events. This has assisted the Board to set the 'tone from the top' and to enhance a culture of frank and open discussion. These practices have assisted the Board with strengthening their view on the business environment and strengthening engagement.

Regional Australia Bank's Corporate Governance Framework guides effective decision making across all aspects of the bank. This corporate governance framework is designed to assist with achieving its strategic plan, whilst ensuring a clear structure of oversight of key controls and effective leadership.

The Board and Chief Executive Officer (CEO) instil a culture of acting lawfully, ethically and responsibly, which is supported by the long-held values of Integrity, Respect, and Fairness. These values and the behaviours underpin the banks operational activities. Such values also protect members interests, as well as ensuring there is a strong risk culture in place.

The Board ensures effective control of the corporate governance framework through delegation, risk management and a system of assurance regarding financial and non-financial



reporting. Regional Australia Bank's Corporate Governance Framework is designed as per table on page 06.

Role of the Board

The Board's role and responsibilities are set out in the Board Corporate Governance Policy, which acts as the Board's Charter and adopts the Corporate Governance Framework. The Board has a further range of policies which detail the purpose, specific roles and responsibilities, delegations, operation, and performance of the Board.

Key elements of the Board's role are described as follows:

- approve and guide the strategic direction, major initiatives and objectives;
- monitor financial and strategic performance and maintain a direct and ongoing dialogue with external and internal auditors;
- review the bank's risk appetite, risk policies and risk management strategy;
- monitor compliance with regulatory and statutory requirements and the implementation of associated policies;
- approve and monitor the values, culture, reputation and ethical standards;
- set the performance standards for the Chief Executive Officer (CEO) and monitor ongoing performance;
- undertake Board and director performance assessments; and
- participate in member engagement and events.

In addition, the Board Chair meets with key regulators.

The Board carries out its role in accordance with the values of Integrity, Respect, and Fairness. To ensure these values are adhered to, the Board has established guidelines designed around skills, knowledge, experience and values for the nomination and selection of directors and for the operation of the Board.

Meetings of the Board are held regularly. Board committees meet as often as required (no less than four times per year) to carry out their respective functions to support and advise the Board. During FY2023, the Board and committees continued to enable virtual attendance at Board and Board committee meetings as needed to respond to flexible ways of working and environmental cost savings.

Importantly, the Board has delegated day to day management of Regional Australia Bank to the CEO. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment, accountability, and performance.

Review of Performance

As a key part of good governance practice, the Board undertakes an annual performance review process designed to assess the performance and effectiveness of the Board, the Board committees, and each individual director.

Evaluating the performance of each individual director is based on the expectation they are performing their duties in the best interest of members, in accordance with Regional Australia Bank's values, their respective duties and obligations as a director and the bank's strategic objectives. Outcomes from the individual director reviews are then reflected in the Board Skills and Assessment Matrix so that there is an understanding of the collective skills of the Board and skills of respective directors.

Corporate Governance Statement

During FY2023, the Board used an external governance specialist to assist it with providing an independent review of the Board's performance. The report provided areas of focus for the Board to improve its effectiveness and governance practices. These actions have all been implemented by the Board.

The Board approves the performance objectives and measures of the CEO, with the Chair undertaking a bi-annual review of the CEO's performance. The CEO has a similar structured process which periodically evaluates the performance of each individual Executive Manager.

For the purposes of the Banking Executive Accountability Regime (BEAR), Regional Australia Bank has registered all directors, the CEO and Executive Management as 'Accountable Persons' with the Australian Prudential Regulation Authority (APRA). The BEAR is a performance and accountability regime and has strengthened clarity on accountabilities and decision-making processes across the bank.

STRUCTURING THE BOARD TO ADD VALUE

Board Skills, Experience and Diversity

The Board believes that its membership should comprise high quality directors with an appropriate mix and diversity of relevant financial, industry

57%
of directors have experience or detailed knowledge with a regional context

57%
of directors have contemporary banking skills

43%
of the directors are female

Collectively a strong balance of experience, skills and diversity to deliver long term value creation

BOARD EXPERIENCE, SKILLS & DIVERSITY		
EXPERIENCE	Financial Performance	
	Legal and Compliance	
	People, Culture, Conduct	
	Experience with a Regional Context	
	Experience in the role as a Director	
	Leadership	
	Strategy	
	Customer Service	
SKILLS	Risk Management	
	Technology, Digitisation and Cyber	
	Contemporary Banking Skills	
	Governance	
TENURE	12 years or more	4
	7 to 11 years	2
	3 to 6 years	0
	Less than 3 years	1
DIVERSITY	Female (3 out of 7)	43%
	Male (4 out of 7)	57%
	Composition 4 member elected 3 board appointed	

experience and other necessary skills, and expertise to meet Regional Australia Bank's strategic objectives.

Each year the Board reviews its collective skills against the Board's skills, experience and knowledge requirements. The election of directors is determined in accordance with Regional Australia Bank's Constitution, and other statutory and regulatory requirements. Directors are either member elected or are appointed by the Board, allowing the Board the flexibility to source appropriate skills and expertise onto the Board when necessary.

The Board Corporate Governance Committee has been delegated responsibility to review and make recommendations to the Board regarding Board diversity, and to assist in the director nomination process. The Board requires that each of its directors and executive management undertake fit and proper and BEAR accountability character assessments to ensure compliance with APRA's Prudential Standard *CPS 520 Fit and Proper* as well as the BEAR regime requirements.

Details of the directors' experience and qualifications are set out in the directors report.

The following table provides an overview of the responsibilities between the Board Committees.

BOARD COMMITTEE	TERMS OF REFERENCE
Audit Committee	Assists the Board in fulfilling its statutory and fiduciary duties. The committee provides an objective review of the reporting of financial information and the internal control environment, including an understanding of the financial, tax and accounting risks. The Internal Auditor and the External Auditor are both invited to attend meetings at the discretion of the committee.
Corporate Governance Committee	Assists the Board in ensuring that Regional Australia Bank operates in accordance with a clear, consistent and effective governance framework that conforms to Regional Australia Bank's legal and governance obligations and the required standards of corporate behaviour. The committee monitors legal and regulatory developments relating to the governance framework to ensure it is operating against best practice. The Board Corporate Governance Committee also undertakes the responsibility of assessing all persons, including existing directors, prior to their appointment or election as a director as to their fitness and propriety and their BEAR regime accountability. The committee makes recommendations to the Board on candidates for appointment as director. The Board Corporate Governance Committee also comprises the Board Remuneration Committee. This committee makes recommendations to the Board on the remuneration to be paid to directors, the CEO and Executive Managers, to ensure it remains market-competitive and adheres to legislative and prudential requirements.
Risk Committee	Assists the Board in ensuring there is an efficient and effective risk framework to bring the transparency, focus and independent judgement to oversee Regional Australia Bank's operations. This involves evaluating the adequacy and effectiveness of Regional Australia Bank's risk management framework, risk appetite and the appropriateness of the risk culture.

Corporate Governance Statement

Board Committees

Regional Australia Bank's three (3) Board committees assist the Board in its oversight role. These committees are the Board Audit Committee, Board Risk Committee, and the Board Corporate Governance Committee. Directors have access to all Board committee meeting papers and may attend any Board committee meeting.

Each of the Board committees has its own terms of reference that sets out its purposes, authority, duties, and responsibilities. The Board and its committees are structured to ensure that they are of a size that facilitates effective and efficient decision making. These committees comprise directors with a broad range of skills and experience from a diverse range of backgrounds appropriate to Regional Australia Bank's business; and that the Board Chair, Audit Committee Chair and Risk Committee Chair are independent directors.

Directors' Independence

APRA's Prudential Standard *CPS 510* on governance mandates that Authorised Deposit Taking Institutions (ADI's) must have a majority of independent directors at all times. All the directors of Regional Australia Bank serve in a non-executive capacity and the Board has adopted specific principles in determining directors' independence.

The Board assesses independence annually in accordance with its Governance Policy, requiring each director to disclose all information that could reasonably be considered to influence their capacity to act as an independent director.

100%
of the Board are Independent Directors

Access to Independent Information and Advice

In order to fulfil their responsibilities, the Board collectively, and each director individually, has the right to engage independent professional advice whenever it is considered necessary. Individual directors may seek independent professional advice on any matter connected with the discharge of their responsibilities to ensure they exercise their objective, unfettered and independent judgement as a director.

In addition, the Board, the Board's committees, and individual directors, at the expense of Regional Australia Bank, may obtain relevant professional advice, as required, to assist in undertaking their role. All directors have unrestricted access to records and information of Regional Australia Bank to assist with discharging their fiduciary duty.

ACTING ETHICALLY AND RESPONSIBLY – OUR GUIDING PRINCIPLES

The Board, CEO, Executive Management, and all employees are responsible for adhering to, and promoting, high standards of ethical behaviour, values, behaviours, and decision making.

Code of Conduct

The Board operates in a manner reflecting Regional Australia Bank's values and behaviours. To support this, the Board sets the 'tone from the top' and has developed a Code of Conduct which is reviewed annually to ensure it reflects and instils the highest standards and level of behaviour and practices as well as providing a guideline for ethical behaviour and decision making expected by all Regional Australia Bank employees.

Conflict of Interest

The Board recognises that conflicts of interest or potential conflicts of interest may arise from time to time for its directors. In accordance with the *Corporations Act 2001* and Regional Australia Bank's Constitution and Conflicts of Interest Policy, each director must ensure that no action or decision is taken that places their interest in front of the interests of Regional Australia Bank. Directors and Executive Management are required to disclose to the Board any material matter (whether actual or potential) in which they may have an interest.

The Board has established a process for the handling of actual or potential conflicts of interest with respect to the activities or decision-making responsibilities of Regional Australia Bank's directors and Executive Management. Directors are also given the opportunity to declare any interest as a standing item in each of the respective Board committees and Board meeting agendas.

Management Delegation

The Board has delegated authority to the CEO to ensure Regional Australia Bank's strategic objectives are achieved. The CEO is responsible for day-to-day leadership and management of Regional Australia Bank's business activities and implementation of Board-approved strategies, policies, resolutions, and directions.

As a key operation of the Governance Framework to ensure responsible decision making, the CEO has a structure of management committees, as well as Executive Management to make decisions in relation to operational matters. Delegations from the CEO to management are clearly documented. They are designed to enhance the empowerment of decision-making by individuals and to improve efficiency in member service and experience as well as managing business risks.

Whistle-blower Protection

A strong commitment to a culture of risk management and compliance, ethical behaviour, and good corporate governance is a key focus of everyone at Regional Australia Bank. The bank's whistle-blower protection policy enables individuals to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal, or discriminatory treatment.

RESPONSIBLE REMUNERATION

The Board recognises that to achieve the bank's strategic objectives, it must attract, motivate and retain exceptional people with the relevant industry and specialist experience. The Board, through the oversight of the Board Corporate Governance Committee, is responsible for remuneration practices that assist in attracting and retaining Executive Management and other individuals who are critical to Regional Australia Bank's success.

It is Regional Australia Bank's objective to provide maximum member benefit from the retention of a high-quality Board and leadership team by remunerating fairly and responsibly by reference to prevailing market benchmarks and performance.

In accordance with the requirements of APRA's Prudential Standard *CPS 510* on governance, Regional Australia Bank has a structure for

Corporate Governance Statement

managing approval of remuneration for Board, the CEO, and Executive Management. The CEO has designed the Executive Management remuneration to provide the necessary motivation to grow the business over the medium to long term.

The Board regularly undertakes an independent review of remuneration to ensure that remuneration practices are prudent and consistent with competitive market practices.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board of Regional Australia Bank is committed to ensuring that the financial reports present a true and fair view and are constructed in accordance with applicable accounting rules and policies. The Board, through the responsibility of the Board Audit Committee, maintain a close focus to ensure the external auditor is independent and serves member's interests by accessing the true financial position of Regional Australia Bank.

SOCIAL IMPACT AND SUSTAINABILITY

The Board of Regional Australia Bank is committed to ensuring that a sustainable business is a good business. This is achieved through long term decisions to serve members / customers well and help our communities grow into the future.

The Board Environmental Policy Framework focuses on the commitment to act as a responsible partner to all the banks stakeholders and to ensure that Regional Australia Bank manages its business in an environmentally sustainable manner. The board also maintains a strong focus on the social aspects of supporting regional Australian communities.

RECOGNISE AND MANAGE RISK

A strong risk culture is critical to Regional Australia Bank's business. The responsibility for risk management at Regional Australia Bank is at the business level. The Board has delegated to the CEO the responsibility for implementing a system of internal controls to identify and manage these risks.

The Board is responsible for overseeing the establishment and ongoing monitoring of risk management systems and frameworks and for setting the bank's risk appetite, as well as overseeing risks inherent in Regional Australia Bank's business.

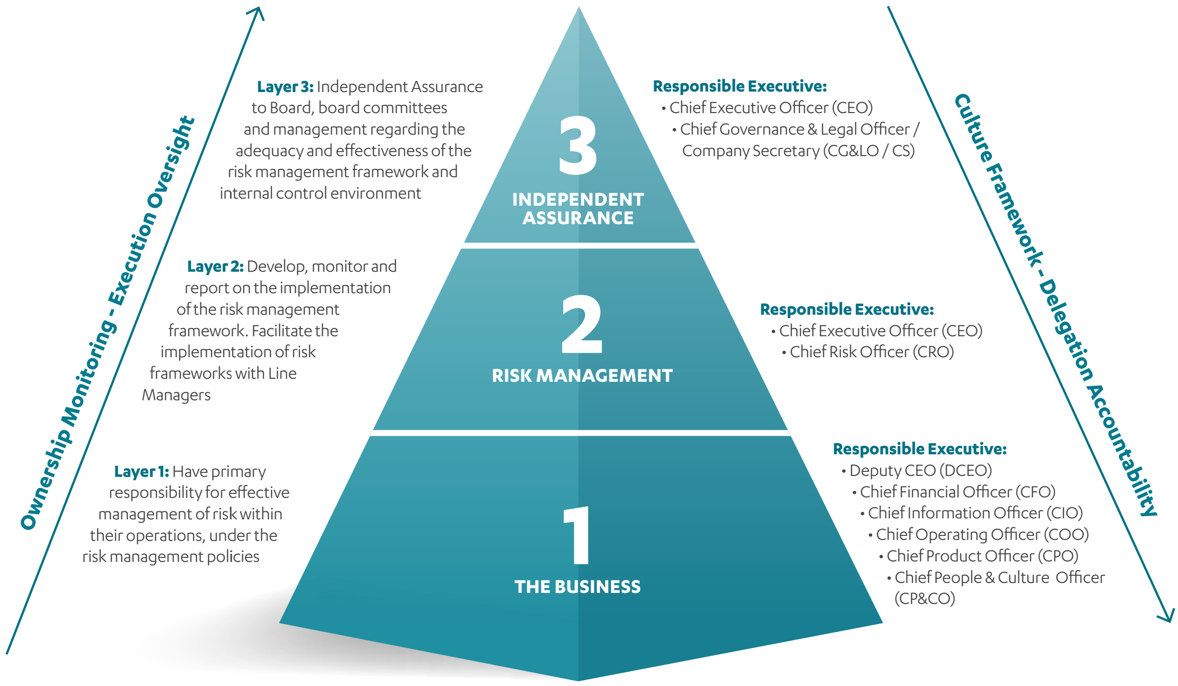
Each Executive Manager has clearly outlined accountabilities in their respective roles and are accountable to the CEO that the systems of risk management and internal controls under their respective business areas operate effectively to manage the risks of Regional Australia Bank.

There are established policies for oversight and management of material risks. These are embedded as controls to manage Regional Australia Bank's material business risks. Further explanatory notes on the management of risks are included throughout the financial report.

Regional Australia Bank operates using a Three Lines of Defence approach to risk management which assists in ensuring a strong risk culture. All employees at Regional Australia Bank are responsible for managing risk and operating within the set risk profile of the bank.

The approach of the Three Lines of Defence operating structure is outlined in the diagram below:

3 LINES OF DEFENCE, RISK GOVERNANCE MODEL



Financial Report

2022 - 2023

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Regional Australia Bank Ltd ("the Company"), and the CMG Funding Trust No.1 ("the Trust") for the financial year ended 30 June 2023 and the auditor's report.

The Company is a public company registered under the *Corporations Act 2001 (Cth)* limited by shares.

The Trust is a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2023 (together referred to as "the Group").

Principal Activities

The principal activities of the Group during the year were the provision of retail and commercial financial services to customers in the form of taking deposits and giving financial accommodation as prescribed by Regional Australia Bank's Constitution.

Results

The profit of the Group for the year before income tax is $45,821,000 (2022: $24,574,000) representing a strong result in a period of strong inflation and rising interest rates. These results include impairment provisions relating to economic conditions and climate related natural disasters.

Directors' Qualifications, Experience and Special Responsibilities

At the date of this report, the Board comprises seven Non-Executive Directors. The names of the Directors in office at any time during or since the end of the year, together with details of their qualifications, experience and special responsibilities are as follows:

Name	Qualifications	Position	Experience and Special Responsibilities
Graham Olrich	Dip FS, Dip FS (Credit Union Directorship), FAICD	Non-Executive Director	- Director since 2011 - Chair since November 2014 - Ex-officio Member of the Audit Committee - Ex-officio Member of the Corporate Governance Committee - Ex-officio Member of the Risk Committee
Michael Fenech	B.Ec, GAICD	Non-Executive Director	- Director since 2014 - Deputy Chair since November 2022 - Member & Chair of the Audit Committee - Member of the Corporate Governance Committee
Dr Alison Sheridan	BAgEc (Hons), PhD, GAICD	Non-Executive Director	- Director since 2003 - Member & Chair of the Risk Committee - Member of the Corporate Governance Committee
Kate James	BRurSci, GAICD	Non-Executive Director	- Director since 2008 - Member of the Corporate Governance Committee - Member of the Audit Committee
David Johnson	BA, CPA, GAICD	Non-Executive Director	- Director since 2016 - Member of the Risk Committee - Member of the Audit Committee
Neville Parsons	B.Ec, LLB, FAIM, MAICD, FIPS	Non-Executive Director	- Director since 2007 - Member & Chair of the Corporate Governance Committee - Member of the Risk Committee
Sally Mackenzie	BA, MCom, GAICD	Non-Executive Director	- Director since March 2022 - Member of the Audit Committee - Member of the Risk Committee
Geoff Thompson	BFin Admin, FCA, GAICD	Non-Executive Director	- Resigned as Director on 17 November 2022 - Member & Chair of the Audit Committee (resigned 17 November 2022)

Information on Company Secretary

The Company Secretary is David Munday, LLB, BComm, Grad Dip Applied Corporate Governance, AGIA, GAICD who was appointed to the position in 2004. Andrew Gahan, LLB, BComm, Diploma Financial Planning was appointed Assistant Company Secretary in 2022.

Directors' Benefits

No Director has received or become entitled to receive, during, or since the end of the financial year, a benefit because of a contract made by the Company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest, other than that disclosed in Note E2 of the financial report.

DIRECTORS' REPORT

Information on Board and Committee Meetings for the financial year ended 30 June 2023

	Board		Corporate Governance		Audit		Risk	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Olrich	10	10	5	5	5	5	5	5
Michael Fenech	10	10	5	4	5	5	-	-
Dr Alison Sheridan	10	10	5	5	-	-	5	5
Kate James	10	9	5	5	3	2	2	2
David Johnson	10	10	-	-	5	5	5	5
Neville Parsons	10	10	5	5	-	-	5	5
Sally Mackenzie	10	10	-	-	5	5	5	5
Geoff Thompson (resigned 17 November 2022)	2	2	-	-	2	1	-	-

Directors, Officers or Auditors Indemnity

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

No cover has been provided for the benefit of the auditors of the Company.

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying, against a liability, any person who is or has been an officer or auditor of the Group.

Significant Changes in State of Affairs

The Memorandum Of Understanding between Macquarie Credit Union (MCU) and Regional Australia Bank was executed on 28 July 2023.

Significant Events After the Balance Date

Regional Australia Bank has entered into an Memorandum of Understanding with Macquarie Credit Union on 28 July 2023 confirming support for a merger between the two organisations. Regional Australia Bank has conducted due diligence and the Board agreed to proceed with a transfer of business with Macquarie Credit Union Ltd pending regulatory and member approval.
Also, following the balance date, S&P Global Ratings has assigned the Company a public entity credit rating of 'BBB/A-2' with a outlook positive. Other than noted above, there has not arisen in the interval between the end of this financial year and the date of this report any other item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of operations, or the state of the affairs of the Group in future financial year.

Likely Developments and Expected Results

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

(a) the operations of the Group;

(ii) the results of those operations; or

(iii) the state of affairs of the Company

in the financial years subsequent to this financial year.

Rounding

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC *Corporations (Rounding in financial / directors' reports) Instruments 2016/191* .

DIRECTORS' REPORT

Non-Audit Services

The following non-audit services were provided by the Company's auditor, KPMG. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

KPMG received or are due to receive the following amounts for the provision of non-audit services for the year ended 30 June 2023:

	$
Taxation Services	31,857
Total	31,857

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out following the Directors' Report.

Public Prudential Disclosures

Regional Australia Bank (RAB) is classed as a Non-Significant Financial Institution under the revised Prudential Standard APS 330 Public Disclosure that applies from 1st January 2023.

Please refer to the APRA website for published statistics that are relevant to RAB (Monthly Authorised Deposit-taking Institution Statistics | APRA and Quarterly authorised deposit-taking institution statistics | APRA).

Monthly Authorised Deposit-taking Institution Statistics | APRA

Quarterly authorised deposit-taking institution statistics | APRA

Signed in accordance with a resolution of the Board of Directors.

Graham Olrich

Director

Mike Fenech

Director

Date: 29 September 2023

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

To the Directors of Regional Australia Bank Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Regional Australia Bank Ltd for the financial year ended 30 June 2023 there have been:

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

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

KPMG

KPMG

Nicholas Buchanan
Partner

Sydney
29 September 2023

Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Notes	Consolidated		Parent	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Interest income using the effective interest method	B1	**134,315**	74,276	**156,733**	80,032
Interest expense using the effective interest method	B1	**(35,886)**	(8,904)	**(63,985)**	(24,547)
Net interest income		**98,429**	65,372	**92,748**	55,485
Non-interest income	B2	**7,774**	8,110	**13,320**	17,846
Net operating income		**106,203**	73,482	**106,068**	73,331
Loan impairment release / (expense) and bad debts written off	C2 (b)	**(1,140)**	126	**(1,140)**	126
Employee benefits expense	E1 (a)	**(30,828)**	(24,792)	**(30,828)**	(24,792)
Occupancy expense		**(2,969)**	(2,973)	**(2,969)**	(2,973)
Depreciation and amortisation expense		**(1,682)**	(1,698)	**(1,682)**	(1,698)
Information technology and communication expense		**(8,317)**	(6,617)	**(8,317)**	(6,617)
Member transaction costs		**(7,325)**	(6,079)	**(7,325)**	(6,079)
Other operating expenses		**(8,121)**	(6,875)	**(7,986)**	(6,724)
Total operating expenses		**(60,382)**	(48,908)	**(60,247)**	(48,757)
Profit before income tax		**45,821**	24,574	**45,821**	24,574
Income tax expense	B3 (a)	**(13,761)**	(7,264)	**(13,761)**	(7,264)
Net profit after tax attributable to members		**32,060**	17,310	**32,060**	17,310
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Revaluation of Other Financial Assets		**(100)**	(462)	**(100)**	(462)
Income tax relating to components of other comprehensive income	B3 (b)	**30**	139	**30**	139
Other comprehensive income for the year, net of tax		**(70)**	(323)	**(70)**	(323)
Total comprehensive income for the year		**31,990**	16,987	**31,990**	16,987

The accompanying notes should be read in conjunction with these financial statements

Statement of Financial Position
As at 30 June 2023

		Consolidated		Parent	
	Notes	2023	2022	2023	2022
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents	B4	**296,979**	279,552	**249,894**	178,381
Receivables from financial institutions	B5	**35,000**	-	**35,000**	-
Investments at amortised cost	C4	**365,494**	495,138	**365,494**	495,138
Loans, advances and notes from securitisation trust at amortised cost	C2	**2,473,787**	2,354,980	**3,088,787**	2,969,980
Trade and other receivables	C6	**6,500**	1,101	**10,269**	2,607
Other Financial Assets	C3	**2,225**	2,475	**2,225**	2,475
Land and buildings	F5	**4,630**	4,765	**4,630**	4,765
Plant and equipment		**3,266**	2,910	**3,266**	2,910
Intangible Assets - computer software		**265**	943	**265**	943
Right of use assets	F2	**4,422**	4,909	**4,422**	4,909
Net deferred tax assets	B3 (b)	**3,235**	2,811	**3,235**	2,811
Total Assets		**3,195,803**	3,149,584	**3,767,487**	3,664,919
LIABILITIES					
Deposits	C1	**2,700,507**	2,699,099	**2,700,507**	2,699,099
Trade and other payables	C7	**27,823**	18,450	**27,816**	18,450
Term Funding Facility	C8	**212,958**	212,958	**212,958**	212,958
Lease Liabilities		**4,630**	4,951	**4,630**	4,951
Current tax liabilities		**6,096**	2,716	**6,096**	2,716
Employee Benefits	E1 (b)	**4,804**	**4,415**	**4,804**	**4,415**
Provisions		**136**	136	**136**	136
Other Borrowings	C2 (h)	**-**	-	**571,691**	515,335
Total Liabilities		**2,956,954**	2,942,725	**3,528,638**	3,458,060
Net Assets		**238,849**	206,859	**238,849**	206,859
EQUITY					
Contributed Equity		**47,998**	47,998	**47,998**	47,998
Capital Reserve Account	D2	**1,126**	1,143	**1,126**	1,143
Reserves	D3	**863**	933	**863**	933
Retained earnings		**188,862**	156,785	**188,862**	156,785
Total Equity		**238,849**	206,859	**238,849**	206,859

The accompanying notes should be read in conjunction with these financial statements

Statements of Changes in Equity
For the year ended 30 June 2023

Consolidated	Contributed Equity $'000	Capital Reserve Account $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2021	47,998	1,165	1,256	139,453	189,872
Total Net profit after tax attributable to members	-	-	-	17,310	17,310
Revaluation of Other Financial Assets	-	-	(323)	-	(323)
Revaluation of Property, Plant and Equipment	-	-	-	-	-
Transfer to/ (from) Reserves	-	(22)	-	22	-
Balance at 30 June 2022	47,998	1,143	933	156,785	206,859
Balance at 1 July 2022	**47,998**	**1,143**	**933**	**156,785**	**206,859**
Total Net profit after tax attributable to members	**-**	**-**	**-**	**32,060**	**32,060**
Revaluation of Other Financial Assets	**-**	**-**	**(70)**	**-**	**(70)**
Revaluation of Property, Plant and Equipment	**-**	**-**	**-**	**-**	**-**
Transfer to/ (from) Reserves	**-**	**(17)**	**-**	**17**	**-**
Balance at 30 June 2023	**47,998**	**1,126**	**863**	**188,862**	**238,849**

Parent	Contributed Equity $'000	Capital Reserve Account $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2021	47,998	1,165	1,256	139,453	189,872
Total Net profit after tax attributable to members	-	-	-	17,310	17,310
Revaluation of Other Financial Assets	-	-	(323)	-	(323)
Revaluation of Property, Plant and Equipment	-	-	-	-	-
Transfer to/ (from) Reserves	-	(22)	-	22	-
Balance at 30 June 2022	47,998	1,143	933	156,785	206,859
Balance at 1 July 2022	**47,998**	**1,143**	**933**	**156,785**	**206,859**
Total Net profit after tax attributable to members	**-**	**-**	**-**	**32,060**	**32,060**
Revaluation of Other Financial Assets	**-**	**-**	**(70)**	**-**	**(70)**
Revaluation of Property, Plant and Equipment	**-**	**-**	**-**	**-**	**-**
Transfer to/ (from) Reserves	**-**	**(17)**	**-**	**17**	**-**
Balance at 30 June 2023	**47,998**	**1,126**	**863**	**188,862**	**238,849**

The accompanying notes should be read in conjunction with these financial statements

Statements of Cash Flows

For the year ended 30 June 2023

		Consolidated		Parent	
		2023	2022	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES	**Notes**	**$'000**	**$'000**	**$'000**	**$'000**
Interest received		**134,315**	74,136	**156,733**	79,891
Dividends received		**30**	24	**30**	24
Fees and commissions received		**7,033**	8,549	**6,673**	7,616
Other income		**258**	479	**6,164**	11,061
Interest paid		**(25,223)**	(8,904)	**(53,322)**	(24,744)
Payments to suppliers and employees		**(62,778)**	(44,697)	**(64,913)**	(44,349)
Income taxes paid		**(10,805)**	(6,282)	**(10,805)**	(6,282)
(Increase) / decrease in operating assets					
Receivables from financial institutions		**(35,000)**	-	**(35,000)**	-
Member loans		**(119,296)**	(135,071)	**(119,296)**	(235,071)
Increase/(Decrease) in operating liabilities					
Member deposits		**1,408**	304,734	**1,408**	304,734
Term funding facility		**-**	-	**-**	-
Borrowings (securitisation)		**-**	-	**56,356**	27,095
Net cash provided (used) by operating activities	B4 (c)	**(110,058)**	192,968	**(55,972)**	119,975
CASH FLOW FROM INVESTING ACTIVITIES					
Purchases and proceeds from investments at amortised cost		**129,644**	(150,422)	**129,644**	(150,422)
Payments for other financial assets		**180**	66	**180**	66
Proceeds from sale of property, plant and equipment		**146**	-	**146**	-
Payments for property, plant and equipment		**(1,194)**	(1,067)	**(1,194)**	(1,067)
Purchase of intangible assets		**(82)**	(246)	**(82)**	(246)
Net cash (used in) investing activities		**128,694**	(151,669)	**128,694**	(151,669)
CASH FLOW FROM FINANCING ACTIVITIES					
Payment of lease liabilities		**(1,209)**	(1,443)	**(1,209)**	(1,443)
Net cash (used in) financing activities		**(1,209)**	(1,443)	**(1,209)**	(1,443)
Total net increase (decrease) in cash held		**17,427**	39,856	**71,513**	(33,137)
Cash at the beginning of year		**279,552**	239,696	**178,381**	211,518
Cash and cash equivalents at the end of year	B4 (a)	**296,979**	279,552	**249,894**	178,381

The accompanying notes should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

A ABOUT THIS REPORT

Corporate Information

The financial statements of Regional Australia Bank Ltd ("the Company") for the year ended 30 June 2023 were authorised for issuance in accordance with a resolution of the Directors on 29 September 2023.

The consolidated financial statements as at and for the year ended 30 June 2023 comprise Regional Australia Bank Ltd ("the Company"), and the CMG Funding Trust No.1 ("the Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2023 (together referred to as "the Group").

The registered office is at Technology Park, Madgwick Drive, Armidale NSW 2350.

The Company is a public company registered under the *Corporations Act 2001 (Cth)* limited by shares.

The principal activities of the Group are the provision of retail and commercial financial products and services to members in the form of taking deposits and giving financial accommodation as prescribed by Regional Australia Bank's Constitution. The members are the owners of the Company.

Basis of Preparation

The consolidated financial statements of the Company are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have been prepared on a historical cost basis, except for land and buildings and other financial assets, which have been measured at fair value.

Amounts are presented in Australian dollars, which is the Group's presentation currency. These amounts have been rounded to the nearest thousand dollars ('000), or in certain cases to the nearest dollar, as allowed by ASIC *Corporations Instrument 2016/191*.

Comparative figures have been adjusted to conform to changes in presentation for the current financial year

Statement of Compliance with IFRS

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of Consolidation

The consolidated financial statements include those of the Company and a Special Purpose Vehicle (the CMG Funding Trust No. 1, the securitisation trust) which relates to the issuance of residential mortgage-backed securities (RMBS). RMBS are issued by the securitisation trust and held by the Company for entering into potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trust is consolidated, as the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Statements of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity and Statements of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

Accounting Policies

(i) Financial Assets

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired; and
- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party unless under a 'pass-through' arrangement; or
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Impairment of non financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the difference is recognised as the impairment loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of the asset is increased to its recoverable amount.

A ABOUT THIS REPORT (continued)

(iii) Financial instruments

Classification and measurement of financial instruments

Cash and cash equivalents along with Receivables from financial institutions and Investments at amortised cost are held by the Group in separate portfolios to provide interest income and meet liquidity requirements. The Group considers these securities are held within a business model whose objective is achieved by collecting contractual cash flows, however, sales may occur that would be incidental to the business model. The financial assets have a maturity no longer than 5 years and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets therefore have been classified as financial assets held at amortised cost.

Loans and advances to members are classified at amortised cost. The Group considers these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The financial assets have a maturity no longer than 30 years and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets therefore have been classified as financial assets held at amortised cost.

Trade and other receivables are classified at amortised cost as they are held to collect under the Group's business model.

Other Financial assets are equity securities that represent investments the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at fair value through other comprehensive income (FVOCI).

Impairment of financial assets recorded at amortised cost

For investments recorded at amortised cost AASB 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition ("Stage 1"), and lifetime expected credit losses for financial instruments for which the credit risk has significantly increased since initial recognition ("Stage 2") or which are credit impaired ("Stage 3").

Calculation of expected credit losses (ECL)

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

For accounting purposes, the 12 months and lifetime PD represent 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 date and future economic conditions that affect the credit risk.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance date to the default event together with any expected drawdown of a facility.

The 12-months ECL is equal to the discounted sum of monthly PD over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full expected remaining life multiplied by LGD and EAD.

Determining a significant increase in credit Risk (SICR)

The Group assess when a significant increase in credit risk has occurred using qualitative and quantitative information. Information used includes internal risk grade indicators, hardship applications and loan segment information. As a backstop, financial instruments that are 30 days or more past due are treated as "Stage 2". Exposures move back to "Stage 1" once they no longer meet the criteria for a significant increase in credit risk.

Definition of default

The Group uses the definition of default aligned to the internal credit risk management framework. Default is generally defined as the point in time when the borrower is unlikely to meet its credit obligations in full, without recourse by the Group to take realisation of collateral; or the borrower is 90 days or more past due. When this occurs the loan is placed in stage 3 and a specific provision (or impairment) is estimated against the loan. This provision is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's effective interest rate. For impaired financial assets drawn and undrawn components, expected credit loss also reflects any credit losses related to the portfolio of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss provision. The best estimate of a loan loss is calculated using the weighted average of the shortfall gross carrying amount minus discounted expected future cash flow. Cash flows from collateral are included in the measurement of the expected credit losses of the related financial asset. The estimation of future cash flows are subject to significant estimation, uncertainty and assumptions.

Write off

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Indicators which trigger a write-off may include: bankruptcy, restructuring where there is a high improbability of recovery of part of the remaining exposure or when there is a high improbability of recovery of the remaining loan exposure or certainty that no recovery can be realised. If a provision for impairment has been recognised in relation to a loan, write offs are made against the provision. If no provision for impairment has previously been recognised, write offs are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income.

A ABOUT THIS REPORT (continued)

(iii) Financial instruments (continued)

Incorporation of Forward Looking information

The Group uses a range of relevant forward looking data, including macro economic forecasts and assumptions, for the determination of unbiased general economic adjustments and any idiosyncratic or targeted portfolio / geographical adjustments, in order to support the calculation of ECLs.

Forward looking adjustments for both macro-economic adjustments and more targeted portfolio / geographical adjustments, reflect reasonable and supportable forecasts of potential future conditions that are not captured in a base ECL calculation.

Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, and residential property prices. Portfolio and geographical adjustment taken into consideration include, but are not limited to, portfolio composition, and environmental conditions. The factors require an evaluation of both the current and forecast direction of the economic and environmental cycle.

Incorporating forward looking information, including macro-economic forecasts increases the degree of judgement required to assess how the changes in these data points, will affect ECLs. The methodologies and assumptions, including any forecasts of future economic and environmental conditions are reviewed regularly.

Whilst Cash and cash equivalents, Investments at amortised cost and trade receivables are subject to the impairment requirements of AASB 9, the identified impairment loss is immaterial.

Additional information about how the Group measures the allowance for impairment is described in Note C2.

(iv) Leases

At inception of a contract the Group assesses whether a contract is, or contains a lease based on the definition of a lease, as explained in Note F2.

As a lessee, the Group leases assets including property and equipment. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At Commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Other significant accounting policies can be found next to the note to which they relate.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has used its judgements, assumptions and applied estimates of future events. Some of these include areas involving:

- impairment assessment and charges on loans and advances (C2a);
- fair value of financial assets and liabilities (C3);
- recoverability of deferred tax assets (B3);

Further information on specific judgements, assumptions made and estimates applied, are contained within the notes to the financial statements.

New accounting standards and interpretations not yet adopted

There are no new standards that have not yet been adopted which are expected to have a significant impact on the Group.

B OUR BUSINESS PERFORMANCE

B1 INTEREST INCOME AND EXPENSE

(i) Interest income and expense

All Interest income and interest expense is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial instrument over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

Loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month. Interest income on impaired loans is recognised using the original effective interest rate.

	Consolidated		Parent	
	2023	2022	2023	2022
Interest Income using the effective interest method	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**12,611**	700	**10,385**	700
Investments at Amortised Cost	**10,135**	1,737	**10,135**	1,737
Loans and advances to members	**111,368**	71,448	**111,368**	70,750
Interest income accrued on impaired financial assets	**189**	166	**189**	166
Other interest income	**12**	225	**12**	28
Interest income on notes receivable from securitisation trust	**-**	-	**24,644**	6,651
Total interest income using the effective interest method	**134,315**	74,276	**156,733**	80,032
Interest Expense using the effective interest method				
Deposits	**35,672**	8,691	**35,672**	8,691
Other Borrowings	**214**	213	**28,313**	15,856
Total interest expense using the effective interest method	**35,886**	8,904	**63,985**	24,547
Net Interest Income	**98,429**	65,372	**92,748**	55,485

B2 NON-INTEREST INCOME

(i) Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its members. Under AASB 15, the assessment is based on whether the Group has satisfied its performance obligations under the contract.

Fee income earned or expenses incurred which are associated with the origination of loans and advances or financial liabilities are deferred and form part of the amortised cost of the asset or liability and result in an adjustment to the effective interest rate method.

Transaction fees, payment service income, write-offs recovered and other non interest income are recognised at a point in time in which the transaction takes place and the related performance obligation has been completed.

Insurance commissions are recognised once the performance obligation is satisfied. Insurance commissions which are earned on an on-going basis after an initial successful customer referral are required to be recognised as a contract asset under AASB 15, Note C3. The Group's performance obligations are to introduce or refer successful insurance policy applications. The performance obligations are therefore satisfied at the point in time the policy is placed by the provider. Cash is received each month based on the premium paid by the client in the previous month. Trail ceases once the policy is terminated.

Non-Interest Income				
Loan fees	**1,771**	1,764	**1,771**	1,778
Transaction fees	**2,999**	3,051	**2,639**	2,818
Insurance commissions	**572**	1,085	**572**	1,085
Payment services income	**1,691**	1,731	**1,691**	1,731
Write-offs recovered	**146**	185	**146**	185
Other non-interest income	**595**	294	**6,501**	10,249
Total non-interest income	**7,774**	8,110	**13,320**	17,846

B3 TAX

(a) Income Tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, if available, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
Numerical reconciliation of income tax expense to prima facie tax payable:	**$'000**	**$'000**	**$'000**	**$'000**
Profit from continuing operations before income tax expense	**45,821**	24,574	**45,821**	24,574
Prima facie tax calculated at 30% payable on the profit (2022: 30%)	**13,746**	7,372	**13,746**	7,372
Add tax effect of:				
Imputation credits	**(9)**	(7)	**(9)**	(7)
Sundry items	**96**	(101)	**96**	(101)
(over)/under provision for income tax in prior year(s)	**(72)**	-	**(72)**	-
Income tax attributable to profit	**13,761**	7,264	**13,761**	7,264
Current tax charge	**14,155**	6,897	**14,155**	6,897
Deferred Tax Charge / (Benefit)	**(394)**	367	**(394)**	367
	13,761	7,264	**13,761**	7,264

(b) Deferred Tax Assets and Liabilities

	Consolidated 2023	Consolidated 2022	Parent 2023	Parent 2022
Deferred tax assets				
Plant, property and equipment	**268**	238	**268**	238
Loan provisions	**1,766**	1,619	**1,766**	1,619
Employee leave benefits	**1,441**	1,325	**1,441**	1,325
Accrued expenses	**53**	47	**53**	47
Other	**52**	51	**52**	51
	3,581	3,280	**3,581**	3,280
Deferred tax liabilities				
Other Financial Asset	**0**	(30)	**0**	(30)
Other	**(346)**	(439)	**(346)**	(439)
	(346)	(469)	**(346)**	(469)
Net deferred tax assets	**3,235**	2,811	**3,235**	2,811
Movements:				
Opening balance at 1 July	**2,811**	3,039	**2,811**	3,039
Credited/(charged) to the income statement	**394**	(367)	**394**	(367)
Credited/(charged) to other comprehensive income	**30**	139	**30**	139
Closing balance at 30 June	**3,235**	2,811	**3,236**	2,811
Deferred tax assets to be recovered after more than 12 months	**3,581**	3,280	**3,581**	3,280
Deferred tax liabilities to be recovered after more than 12 months	**346**	469	**346**	469

B3 TAX (continued)

	Consolidated		Parent	
(c) Franking Account	**2023**	**2022**	**2023**	**2022**
The amount of franking credits available for the subsequent financial year are:	**$'000**	**$'000**	**$'000**	**$'000**
Franking account balance as at the end of the financial year at 30% (2022: 30%)	**63,500**	57,361	**63,500**	57,361
Franking credits that will arise from payment of income tax instalments as at the end of the financial year	**10,468**	6,129	**10,468**	6,129
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	**-**	10	**-**	10
Franking debits that will arise from the receipt of income tax refunds as at the end of the financial year	**(225)**		**(225)**	
Franking debits that will arise from payment of dividends as at the end of the financial year	**-**	-	**-**	-
Franking account balance for future reporting periods	**73,743**	63,500	**73,743**	63,500

B4 CASH AND CASH EQUIVALENTS

Cash on hand, deposits at call and short-term deposits in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values. For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

(a) Parent and Consolidated Reconciliations of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand, cash equivalents and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	**8,046**	8,395	**8,046**	8,395
Deposits at call	**234,433**	181,157	**187,348**	79,986
Short-term deposits	**54,500**	90,000	**54,500**	90,000
Total cash and cash equivalents	**296,979**	279,552	**249,894**	178,381

Cash on hand and at the bank held in the Trust $47,084,932 (2022: $101,178,629) is restricted for Trust use only.

The Group's exposure to interest rate risk is discussed in Note C5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

B4 CASH AND CASH EQUIVALENTS (continued)

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statements:

- customer deposits in and withdrawals from savings and at call, term and other deposit accounts;
- purchases and proceeds of net investments at amortised cost; and
- provision of member loans and the repayment of such loans.

	Consolidated		Parent	
	$'000	$'000	$'000	$'000
(c) Reconciliation of cash flow from operations with profit after income tax	**2023**	**2022**	**2023**	**2022**
Profit after income tax	**32,060**	17,310	**32,060**	17,310
Non-cash flows in profit after income tax:				
Amortisation of Intangible Assets	**760**	736	**760**	736
Depreciation (including Lease amortisation)	**2,097**	2,534	**2,097**	2,534
(Gain) / loss on sale of property, plant and equipment	**(95)**	-	**(95)**	-
Interest on lease liabilities	**200**	-	**200**	-
Loan impairment expense / (release) and bad debts written off	**1,140**	558	**1,140**	558
Changes in assets and liabilities:				
(Increase) / decrease in member loans (gross)	**(119,296)**	(135,628)	**(119,296)**	(235,628)
(Increase) / decrease in receivables from financial institutions	**(35,000)**	-	**(35,000)**	-
(Increase) / decrease in trade and other receivables	**(5,399)**	574	**(7,662)**	486
(Increase) / decrease in other assets	**-**	(2,777)	**-**	(2,777)
(Increase) / decrease in deferred tax asset	**(301)**	284	**(301)**	284
Increase / (decrease) in provisions	**(262)**	(7)	**(262)**	(7)
Increase / (decrease) in deposits	**1,408**	304,734	**1,408**	304,734
Increase / (decrease) in income taxes payable	**3,380**	557	**3,380**	557
Increase / (decrease) in deferred tax liability	**(123)**	56	**(123)**	56
Increase / (decrease) in other borrowings (securitisation)	**-**	-	**56,356**	27,095
Increase / (decrease) in trade and other payables	**9,373**	4,037	**9,366**	4,037
Net cash provided by (used in) operating activities	**(110,058)**	192,968	**(55,972)**	119,975

B5 RECEIVABLES FROM FINANCIAL INSTITUTIONS

Receivables from financial institutions includes short-term deposits.

Deposits with authorised deposit-taking institutions	**35,000**	-	**35,000**	-

(a) Maturity Analysis

Not longer than 3 months	**-**	-	**-**	-
Longer than 3 months and not longer than 6 months	**10,000**	-	**10,000**	-
Longer than 6 months and not longer than 12 months	**25,000**	-	**25,000**	-
Longer than 12 months	**-**	-	**-**	-
	35,000	-	**35,000**	-

C BANKING ACTIVITIES AND RISK MANAGEMENT

C1 DEPOSITS

All member deposits are initially recognised at the fair value of the amount received adjusted for any transaction costs. 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 expense on savings is brought to account on an accrual basis.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Member call deposits (including members' shares)	**1,837,595**	1,986,669	**1,837,595**	1,986,669
Member term deposits	**862,912**	712,430	**862,912**	712,430
Total Deposits	**2,700,507**	2,699,099	**2,700,507**	2,699,099
(a) Deposit Maturity analysis				
At call	**1,837,595**	1,986,669	**1,837,595**	1,986,669
Not longer than 3 months	**316,822**	328,522	**316,822**	328,522
Longer than 3 months and not longer than 6 months	**262,530**	151,822	**262,530**	151,822
Longer than 6 months and not longer than 12 months	**250,448**	192,029	**250,448**	192,029
Longer than 12 months	**33,112**	40,057	**33,112**	40,057
	2,700,507	2,699,099	**2,700,507**	2,699,099

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST

Loans and advances to members, including loans to Key Management Personnel, are initially recognised at fair value. Such assets are measured at amortised cost using the effective interest method, inclusive of loss allowance. Amortised cost is calculated by taking into account any fees and costs that are an integral part of the effective interest rate. Note: At the parent level the receivables from the Securitised trust attributable to the Class B notes do not meet the "Solely Payments of Principal and Interest "criteria under AASB 9. These are therefore carried at Fair Value through Profit and Loss. These amounts eliminate on consolidation.

Loans and advances to members				
Personal Loans	**43,678**	46,851	**43,678**	46,851
Mortgage Loans	**2,199,516**	2,088,228	**2,199,516**	2,088,228
Commercial Loans	**200,391**	195,492	**200,391**	195,492
Revolving Credit	**36,089**	29,807	**36,089**	29,807
Total loans and advances	**2,479,674**	2,360,378	**2,479,674**	2,360,378
Total provision for impairment	**(5,887)**	(5,398)	**(5,887)**	(5,398)
Net loans and advances to members	**2,473,787**	2,354,980	**2,473,787**	2,354,980
Notes receivable from securitisation trust at amortised cost	**-**	-	**615,000**	615,000
Net loans, advances and notes from securitisation trust	**2,473,787**	2,354,980	**3,088,787**	2,969,980

(a) Impairment of loans and advances

The Group assesses the impairment of loans and advances on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further details are included in Accounting polices (iii) Financial Instruments.

The collective assessment takes account of impairment that is likely to be present in the portfolio utilising an 'expected credit loss' (ECL) model. The model groups financial instruments into loan sub-portfolios that exhibit similar characteristics with further categorisation of the loan book into 12 months ECL and lifetime ECL. The 12 months ECL is from the date a financial asset is first recognised ("Stage 1"), lifetime ECL if the credit risk on that financial asset has significantly increased since the initial recognition ("Stage 2") and for assets that are assessed as credit impaired ("Stage 3") are included in individually assessed allowances. Refer to Accounting polices (iii) Financial Instruments for details of how the model is calculated and how the movement in credit risk is determined.

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST (continued)

(a) Impairment of loans and advances (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Write-offs recovered'.

Refer to Accounting polices (iii) Financial Instruments for details on the Group's write-off policy.

The impact of currently economic conditions on the global and domestic economy, with increasing interest rates and elevated inflation rates is creating forward looking uncertainty in the economic resilience of the regional Australia economy. This change in economic conditions is reflected in the Group's assessment of expected credit losses through the adjustment via a management overlay to reflect potential deterioration of the credit portfolio through increased interest rates and loan affordability. This management overlay has been performed based on number of management judgements, stress testing results and estimates.

The Group has also undertaken additional forward looking sensitivity analysis of the credit portfolios in relation to natural disasters and climate uncertainty to appropriately apply a prudent management adjustment overlay to the ECL allowance. This adjustment was measured based on results from stress testing the credit portfolios to measure changes in exposures and expected credit losses under potential stressed scenarios driven by natural disasters such as flood, bushfires, drought and climate uncertainty. These stressed scenarios provided a movement in default and collateral securities based on an alternative severe bad case. The applied adjustments were based on management judgment, historical experience, available information and portfolio outlook.

As a result of the sensitivity analysis performed for both potential impacts from the potential impact of economic conditions and from potential natural disasters and climate uncertainty the ECL model was adjusted by a management overlay with regards to these measured stress testing results. A management overlay was applied to the ECL model with regards to these measured stress testing results. The prior year management overlay for the COVID-19 pandemic has been removed as the financial impact of the pandemic has diminished.

	Parent and Consolidated	
	2023	**2022**
	$'000	**$'000**
Reported probability weighted ECL	**5,887**	5,398
Included in ECL:		
Management economic uncertainty overlay	**1,300**	350
Management natural disaster & climate uncertainty overlay	**400**	900

The following sensitivity table shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario when all other assumptions are held constant as at 30 June.

Reported probability weighted ECL	**5,887**	5,398
100% base scenario	**5,749**	5,261
100% downside scenario	**6,434**	5,940

The following table indicates the current weightings applied by the Group at 30 June:

Model	**Weighting**	
	2023	**2022**
Base	**60%**	60%
Upside	**10%**	10%
Downside	**30%**	30%

The modelled provision for ECL at 30 June 2023 is a probability weighted estimate of the Group's view of the forward looking distribution of potential outcomes. The base scenario has been adjusted with the latest view of available information regarding the various interplay of economic, societal and government responses regarding the economic conditions and potential natural disaster and climate uncertainty impacts. The current view is weighted as a 60% probable outcome of a base scenario, a 10% upside outcome and a 30 % downside outcome.

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST (continued)

(a) Impairment of loans and advances (continued)

Provision for impairments on loans and advances to members

	Parent and Consolidated			
	Stage 1	Stage 2	Stage 3	
	12-mth ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	Collective Provision	Collective Provision	Specific Provision	Total
	$'000	$'000	$'000	$'000
At 1 July 2022	3,901	130	1,367	5,398
Transferred to 12 months ECL collectively assessed	17	(17)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(3)	3	-	-
Transfer to lifetime ECL credit impaired	-	(5)	5	-
New and increased provisions net of releases	373	14	566	953
Impaired loans written off	-	-	(464)	(464)
At 30 June 2023	4,288	125	1,474	5,887

Provision for impairments on loans and advances to members

	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial loans	Revolving Credit	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2022	979	3,782	432	205	5,398
Charge/(Recovery) for the year	(302)	842	(26)	(25)	489
At 30 June 2023	677	4,624	406	180	5,887
Individual impairment	-	1,474	-	-	1,474
Collective impairment	677	3,150	406	180	4,413
	677	4,624	406	180	5,887
Gross amount of loans in arrears	1,346	28,927	2,948	423	33,644

Provision for impairments on loans and advances to members

	Parent and Consolidated			
	Stage 1	Stage 2	Stage 3	
	12-mth ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	Collective Provision	Collective Provision	Specific Provision	Total
	$'000	$'000	$'000	$'000
At 1 July 2021	4,389	185	1,381	5,955
Transferred to 12 months ECL collectively assessed	24	(24)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(3)	3	-	-
Transfer to lifetime ECL credit impaired	-	(12)	12	-
New and increased provisions net of releases	(509)	(22)	395	(136)
Impaired loans written off	-	-	(421)	(421)
At 30 June 2022	3,901	130	1,367	5,398

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST (continued)

(a) Impairment of loans and advances (continued)

	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial loans	Revolving Credit	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2021	1,229	3,994	454	278	5,955
Charge/(Recovery) for the year	(250)	(212)	(22)	(73)	(557)
At 30 June 2022	979	3,782	432	205	5,398
Individual impairment	33	1,332	-	-	1,365
Collective impairment	946	2,450	432	205	4,033
	979	3,782	432	205	5,398
Gross amount of loans in arrears	1,533	21,956	1,893	293	25,675

	Consolidated		Parent	
	2023	2022	2023	2022
(b) Loan impairment expense / (release) and bad debt written off	$'000	$'000	$'000	$'000
Loan impairment expense / (release)	489	(558)	489	(558)
Bad Debts written off	651	432	651	432
	1,140	(126)	**1,140**	(126)

	Parent and Consolidated	
	2023	2022
(c) Loan Maturity Analysis	$'000	$'000
Not longer than 3 months	**1,758**	7,759
Longer than 3 months and not longer than 12 months	**2,487**	20,949
Longer than 12 months and not longer than 5 years	**42,879**	81,649
Longer than 5 years	**2,432,550**	2,250,022
Total gross loans and advances to members	**2,479,674**	2,360,379
(d) Loan Security dissection		
Secured by mortgage over Commercial property	**151,926**	140,832
Secured by mortgage over real estate	**2,251,218**	2,136,917
Partly secured by goods mortgage	**48,075**	53,950
Wholly unsecured	**28,455**	28,679
Total gross loans and advances to members	**2,479,674**	2,360,378

(e) Loan to valuation ratio

The Group accepts a number of methods to value collateral for supporting loans. Real estate is valued utilising a licensed panel of valuers, the purchase price of arms length residential sales, Valuer General notices and market appraisals from real estate agents (a lower loan to valuation ratio is applied). Motor vehicles are valued by reference to an independent valuation guide.

It is impractical to provide a period end valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the loan to valuation ratio on loans secured by mortgages over real estate, on a portfolio basis is as follows:

Loan to valuation ratio of less than 80%	**1,929,646**	1,999,684
Loan to valuation ratio of more than 80% but mortgage insured	**170,729**	224,084
Loan to valuation ratio of more than 80% but not mortgage insured	**302,768**	53,981
Total loans secured by mortgage over real estate and commercial property	**2,403,144**	2,277,749

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST (continued)

(f) Concentration of loans

	Parent and Consolidated	
	2023	**2022**
	$'000	**$'000**
New South Wales	**2,267,227**	2,168,931
Other	**212,448**	191,447
Total	**2,479,674**	2,360,378

There were no loans to individual or related groups of members which exceed 10% of member funds in aggregate.

There is no concentration of loans to individual members employed in a particular industry.

(g) Off-Balance sheet arrangements

The Group had arrangements with Integris Securitisation Services Pty Limited whereby it acted as an agent to promote loans on their behalf, for on sale to an investment trust. The Group also managed the portfolio on behalf of the trust. This arrangement ceased with the assignment of the loans in the trust to the company on 6 June 2023 and the amount of securitised loans under management as at 30 June 2023 is $0 (2022 is $598,000).

(h) Self Securitisation

The Company has established the Trust to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Trust is in substance controlled by the Company. Accordingly, the Trust is consolidated into the Company's financial statements. The Company sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by the Company. Whilst the rights to the underlying cash flows have been transferred, the Company has been appointed to service the loans and must continue to manage the loans as if it were the lender. Accordingly, the mortgage loans and associated financial liability from the Trust on transfer of the loans are recognised in the Company's financial statements. During the financial year, an additional balance of $240,811,000 of loans was transferred to the trust.

		Consolidated		Parent	
		2023	**2022**	**2023**	**2022**
		$'000	**$'000**	**$'000**	**$'000**
Loans assigned to the securitisation trust		**-**	-	**571,691**	515,335
C3 OTHER FINANCIAL ASSETS					
Equity Securities designated as FVOCI					
Australian Settlements Limited		**3**	3	**3**	3
Auswide Bank Ltd		**4**	4	**4**	4
Indue Ltd		**872**	872	**872**	872
MoneyMe Limited		**16**	116	**16**	116
		895	995	**895**	995
Contract assets					
Insurance contracts.	B2 (i)	**1,330**	1,480	**1,330**	1,480
		1,330	1,480	**1,330**	1,480
Total Other Financial Assets		**2,225**	2,475	**2,225**	2,475

C3 OTHER FINANCIAL ASSETS (continued)

Equity Securities designated as at FVOCI (continued)

Other Financial Asset investments are non-derivative financial assets, principally equity securities. After initial recognition Other Financial Asset securities are measured at fair value with gains or losses being recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gains or losses recognised in other comprehensive income are transferred to retained earnings.

The Group has classified investments in unlisted securities as Other Financial Assets investments and movements in fair value are recognised directly in equity. The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For equity investments with no active market, fair values are estimated on the basis of the actual or forecasted financial position and results of the underlying assets or net assets taking consideration their risk profile. Refer to Note C5 (d).

The fair value of the shareholding of Indue Ltd and Australian Settlements Limited was based on a Net Asset Valuation basis performed in 2023. Indue Ltd and Australian Settlements Limited were created to supply services to mutual banks, credit unions and building societies, and they do not have an independent business focus. The shares in Indue Ltd and Australian Settlements Limited are held to enable the Group to receive essential banking services.

Auswide Bank Ltd is listed on the Australia Stock Exchange (ASX: ABA) and shares are valued at market price as at the balance date.

MoneyMe Limited is listed on the Australian Stock Exchange (ASX: MME) and shares are valued at market price as at the balance date.

C4 INVESTMENTS AT AMORTISED COST

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The assets are subject to impairment under AASB 9. The estimated provision for impairment losses was determined to be immaterial.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as Investments at Amortised Cost as they are held within a business model whose objective is achieved by collecting the contractual cash flows. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between the initially recognised amount and the maturity amount.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
Current	**$'000**	**$'000**	**$'000**	**$'000**
ADI debt investments	146,697	121,254	146,697	121,254
Semi Government securities	46,568	55,488	46,568	55,488
Commonwealth Government securities	-	104,971	-	104,971
Residential Mortgage Backed securities	2,680	-	2,680	-
Total investments at amortised cost	**195,946**	281,713	**195,946**	281,713
Non-Current				
ADI debt investments	127,897	109,625	127,897	109,625
Semi Government securities	24,114	70,412	24,114	70,412
Residential Mortgage Backed securities	17,538	33,388	17,538	33,388
Total investments at amortised cost	**169,548**	213,425	**169,548**	213,425

C5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and operational risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity in the case of interest rate risk and ageing analysis for credit risk.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Asset and Liability Committee (ALCo), the Credit Committee, the Non-Financial Risk Committee (NFRC), the Transformational Change Committee (TCC), and the Product Committee under policies approved by the Board after recommendation from the Audit Committee or Risk Committee.

(a) Credit Risk

Credit risk is the risk that the Group will incur a loss when its members, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits for individual counterparties, geographical and industry concentrations and monitoring these exposures.

The Group has established a credit control review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Credit limits are established by use of a comprehensive assessment process. The credit control review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**296,979**	279,552	**249,894**	178,381
Trade and other receivables	**6,500**	1,101	**10,269**	2,607
Loans and advances to members	**2,479,674**	2,360,378	**2,479,674**	2,360,378
Notes receivable from securitisation trust	**-**	-	**615,000**	615,000
Other financial assets	**2,225**	2,475	**2,225**	2,475
Investments at amortised cost	**195,946**	281,713	**195,946**	281,713
Total on balance sheet	**2,981,324**	2,925,219	**3,553,008**	3,440,554
Credit risk exposures relating to off balance sheet assets:				
Guarantees	**2,899**	3,147	**2,899**	3,147
Loan Repayments in advance	**197,710**	185,691	**197,710**	185,691
Undrawn loan commitments	**147,004**	146,173	**147,004**	146,173
Total off balance sheet	**347,613**	335,011	**347,613**	335,011
Total on and off balance sheet	**3,328,936**	3,260,230	**3,900,620**	3,775,565

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the member. Guidelines are in place with regards to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending, charges over real estate properties and inventory; and
- for retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The terms and conditions are specific to individual loan and security types.

It is the Group's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not occupy repossessed properties for business use.

C5 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit Risk (continued)

(ii) Collateral (continued)

Maximum exposure to credit risk taking into account the estimated FV of collateral held

	Consolidated 2023			
		Estimated FV of collateral held		
	Exposure to credit risk	Property	Total Collateral	Net Exposure
Credit risk exposures relating to on balance sheet assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	**296,979**	**-**	**-**	**296,979**
Trade and other receivables	**6,500**	**-**	**-**	**6,500**
Loans and advances to members - Secured	**2,451,219**	**3,883,493**	**3,883,493**	**-**
Loans and advances to members - Unsecured	**28,455**			**28,455**
Other financial assets	**2,225**	**-**	**-**	**2,225**
Investments at amortised cost	**195,946**	**-**	**-**	**195,946**
Total on balance sheet	**2,981,324**	**3,883,493**	**3,883,493**	**530,105**
Credit risk exposures relating to off balance sheet assets:				
Guarantees	**2,899**	**-**	**-**	**2,899**
Loan Repayments in advance	**197,710**	**-**	**-**	**197,710**
Undrawn loan commitments	**147,004**	**-**	**-**	**147,004**
Total off balance sheet	**347,613**	**-**	**-**	**347,613**
Total on and off balance sheet	**3,328,936**	**3,883,493**	**3,883,493**	**877,717**

	Consolidated 2022			
		Estimated FV of collateral held		
	Exposure to credit risk	Property	Total Collateral	Net Exposure
Credit risk exposures relating to on balance sheet assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	279,552	-	-	279,552
Trade and other receivables	1,101	-	-	1,101
Loans and advances to members - Secured	2,331,698	3,359,115	3,359,115	-
Loans and advances to members - Unsecured	28,680			28,680
Other financial assets	2,475	-	-	2,475
Investments at amortised cost	281,713	-	-	281,713
Total on balance sheet	2,925,219	3,359,115	3,359,115	593,521
Credit risk exposures relating to off balance sheet assets:				
Guarantees	3,147	-	-	3,147
Loan Repayments in advance	185,691	-	-	185,691
Undrawn loan commitments	146,173	-	-	146,173
Total off balance sheet	335,011	-	-	335,011
Total on and off balance sheet	3,260,230	3,359,115	3,359,115	928,532

During the financial period the Group realised $34,470 (2022:$49,967) of real estate and other assets through the enforcement of security. As at period-end, the market value of assets in possession by the Group was $250,000 (2022:$Nil). The Group uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

C5 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit Risk (continued)

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment under Stage 2 or Stage 3 of the ECL calculation.

(iv) Impairment assessment

The main considerations for loan impairment assessment are as follows:

- whether any payments of principal or interest are overdue; or
- there are any known difficulties in the cash flows of counterparties; or
- infringements of the original terms of the contract.

The Group addressed impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(v) Collectively assessed allowances

Allowances are assessed collectively for losses in sub-portfolios of loans and advances that are not individually assessed. Allowances are evaluated on each reporting date with each portfolio being separately reviewed. The grouping for collective impairment assessment is Personal Loans, Mortgage Loans, Commercial Loans and Revolving Credit.

Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, forecasts of future economic conditions and expected receipts and recoveries. Management is responsible for calculating the length of the emergence period which can extend for as long as eighteen months.

(vi) Individually assessed allowances

The Group determines specific allowances for credit impaired Stage 3 loans. When specific allowances are assessed the value may, or may not consider taking security into consideration.

(vii) Analysis of age of financial assets that are past due but not impaired

	Parent and Consolidated				
As at 30 June 2023	**1 to 30 days**	**30 to 60 days**	**60 to 90 days**	**90+ days**	**Total**
Loans and advances to members	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Personal Loans	**665**	**189**	**24**	**487**	**1,365**
Mortgage Loans	**15,015**	**2,704**	**2,083**	**9,105**	**28,907**
Commercial Loans	**579**	**1,200**	**-**	**1,169**	**2,948**
Revolving Credit	**164**	**51**	**43**	**167**	**425**
Total	**16,422**	**4,145**	**2,150**	**10,927**	**33,644**
As at 30 June 2022					
Loans and advances to members					
Personal Loans	553	134	111	783	1,581
Mortgage Loans	9,530	2,070	1,584	8,724	21,908
Commercial Loans	753	17	201	922	1,893
Revolving Credit	111	50	30	102	293
Total	10,947	2,271	1,926	10,531	25,675

(viii) Analysis of financial assets individually determined to be impaired

	2023			2022		
	Gross Impaired Assets	**Individually Assessed Provisions**	**Impaired Assets Net of Assessed Provisions**	**Gross Impaired Assets**	**Individually Assessed Provisions**	**Impaired Assets Net of Assessed Provisions**
Parent and Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and advances to members	**4,490**	**1,474**	**3,016**	5,482	1,365	4,117
Financial assets individually assessed as impaired	**4,490**	**1,474**	**3,016**	5,482	1,365	4,117

C5 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit Risk (continued)

(ix) Credit quality of financial assets

The credit quality of loans and advances and financial investments, can be assessed by reference to external credit ratings (if available):

	Stage 1		Stage 2		Stage 3	
	12-mth ECL		Lifetime ECL not credit impaired		Lifetime ECL credit impaired	
	Collective Provision		Collective Provision		Specific Provision	
	Parent and Consolidated		Parent and Consolidated		Parent and Consolidated	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Loans and Advances	**2,462,178**	**2,345,369**	**2,925**	**3,871**	**14,571**	**11,138**

ECL stage 1: Corresponds to a senior investment grade to investment grade security with a Standard and Poor's rating of AAA to BBB-

ECL Stage 2: Corresponds to a sub-investment grade security with a Standard and Poor's rating of BB+

ECL stage 3: Corresponds to a security in default with a Standard and Poor's rating of D

Cash and cash equivalents and Investments at amortised cost	Consolidated		Parent	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
AAA	**81,552**	192,312	**81,552**	192,312
AA	**300,470**	324,352	**253,385**	223,235
A	**103,016**	85,173	**103,016**	85,173
BBB	**174,864**	94,890	**174,864**	94,890
Unrated	**37,571**	77,963	**37,571**	77,909
	697,473	774,690	**650,388**	673,519

Financial Investments are subject to ECL provision but the Group has assessed the amount as immaterial.

The portfolio composition of loans and advances to members are as follows:

	Parent and Consolidated			
	Housing	Commercial	Personal	Total
As at 30 June 2023	$'000	$'000	$'000	$'000
Loans	**2,199,516**	**200,391**	**43,678**	**2,443,585**
Revolving Credit and Overdrafts	**4,710**	**18,847**	**12,532**	**36,089**
Total Balances	**2,204,226**	**219,238**	**56,209**	**2,479,674**
Percentage of portfolio	**88.9%**	**8.8%**	**2.3%**	**100.0%**
Maximum percentage under Group policy	**100.0%**	**17.0%**	**30.0%**	
As at 30 June 2022				
Loans	2,088,228	195,492	46,851	2,330,571
Revolving Credit and Overdrafts	3,223	13,919	12,665	29,807
Total Balances	2,091,451	209,411	59,516	2,360,378
Percentage of portfolio	88.6%	8.9%	2.5%	100.0%
Maximum percentage under policy	100.0%	17.0%	30.0%	

C5 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has wholesale funding sources and emergency funding tools in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

The Group maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption to cash flow. The Group also has lines of credit available, including membership of the Credit Union Financial Support Scheme (CUFSS), that it can access to meet its liquidity needs. As a member of CUFSS, the Group has contractually committed emergency liquidity funding available from the CUFSS members.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank deposits available for immediate sale.

In order to minimise the risk of the Group's liquidity ratio falling below minimum regulatory limits the Board has determined a target liquidity ratio of 12%. In the event that the Group's liquidity ratio falls below 12%, or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and management.

The liquidity ratio during the year was as follows:	**2023**	**2022**
	%	**%**
As at 30 June	**16.68**	16.87
Average during the period	**17.22**	17.78
Highest	**20.39**	19.79
Lowest	**14.90**	16.19

Maturities of financial liabilities

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the expected maturity date or settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Parent & Consolidated					
Financial Liabilities	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**No Maturity**	**Total**
As at 30 June 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deposits	**1,837,595**	**322,515**	**531,141**	**35,975**	**-**	**2,727,226**
Trade and other payables	**13,717**	**-**	**-**	**-**	**-**	**13,717**
Lease Liability	**4,630**	**-**	**-**	**-**	**-**	**4,630**
Term Funding Facility	**-**	**-**	**213,598**	**-**	**-**	**213,598**
Total financial liabilities	**1,855,942**	**322,515**	**744,739**	**35,975**	**-**	**2,959,170**
Contingent liabilities	**2,899**	**-**	**-**	**-**	**-**	**2,899**
Commitments	**263,706**	**81,008**	**-**	**-**	**-**	**344,714**
Total other liabilities	**266,605**	**81,008**	**-**	**-**	**-**	**347,613**
As at 30 June 2022						
Deposits	1,985,964	329,426	346,683	41,324	-	2,703,397
Trade and other payables	14,807	-	-	-	-	14,807
Lease Liability	4,951	-	-	-	-	4,951
Term Funding Facility	-	-	-	213,958	-	213,958
Total financial liabilities	2,005,722	329,426	346,683	255,282	-	2,937,113
Contingent liabilities	3,147	-	-	-	-	3,147
Commitments	252,928	78,936	377	1,686	-	333,927
Total other liabilities	256,075	78,936	377	1,686	-	337,074

The table excludes a parent liability of $1,134,841,000 (2022: $800,515,000) over the maturity profile of self securitised mortgage loans all of which are greater than 5 years referred to in Note C2 (h).

The table includes a drawn allocation of $212,958,000 under the Term Funding Facility (TFF) from the Reserve Bank of Australia referred to in Note C8. No further amounts are available for draw down on the TFF.

C5 FINANCIAL RISK MANAGEMENT (continued)

(c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are considered to ensure positions are maintained within the established limits.

(i) Value at Risk (VaR)

VaR is a statistical measure of the potential loss expected due to a change in market conditions arising from currently held positions, given a certain confidence level and holding period. VaR is presented as a dollar amount and is based on historically observed volatility. The holding period represents the implied liquidation period of the portfolio. It is the number of days required to either liquidate a portfolio or hedge the risk within the portfolio. The observation period is the number of days over which the previous market data (interest rates) is observed to predict the future. The 99% confidence level is the degree of confidence with which the VaR number will not be exceeded. A 99% confidence level implies that for 99 out of 100 observations, the market value based loss will not be greater than the VaR number.

As a normal distribution is used, the standard deviation of the portfolio is multiplied by 2.33 to achieve a 99% confidence level. A proxy set of interest rates must be used to estimate the changes in the yield curve. The proxy curve used by the Group is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

Since VaR is an integral part of the Group's interest rate risk management, VaR limits have been established for all non-trading operations and exposures are reviewed monthly against the limits by management.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
VaR exposure at 30 June	**1,973**	2,652	**1,973**	2,652
Average monthly VaR exposure	**2,328**	1,013	**2,328**	1,013
Maximum monthly VaR exposure	**2,574**	2,652	**2,574**	2,652
Minimum monthly VaR exposure	**1,973**	307	**1,973**	307

(ii) Sensitivity

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's statement of profit and loss and other comprehensive income. This methodology was also applied in previous years.

The sensitivity of the statement is the effect of the assumed changes in interest rates on the net income for one year, based on fixed rate non-trading financial assets and liabilities, and other stable funding liabilities, held at year end.

1% shift upwards of interest rate impact to income statement	**3,769**	(3,204)	**3,769**	(3,204)
1% shift downwards of interest rate impact to income statement	**(3,769)**	3,204	**(3,769)**	3,204

(d) Fair Value Measurements of financial assets and liabilities

AASB 13 Financial Instruments: Disclosures, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The majority of financial assets and financial liabilities of the Group are carried at amortised cost. While this is the value at which the Group expects the assets to be realised and the liabilities to be settled , the table below includes the estimated fair values as at 30 June.

C5 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair Value Measurements of financial assets and liabilities (continued)

	Consolidated				
As at 30 June 2023	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	**296,979**	**296,979**	**-**	**-**	**296,979**
Receivables from financial institutions	**35,000**	**-**	**-**	**35,000**	**35,000**
Investments at Amortised cost	**365,494**	**-**	**365,494**	**-**	**365,494**
Loans and advances	**2,473,787**	**-**	**-**	**2,473,787**	**2,455,862**
Trade and other receivables	**6,500**	**6,500**	**-**	**-**	**6,500**
Other Financial assets	**2,225**	**20**	**-**	**2,205**	**2,225**
Total financial assets	**3,179,985**	**303,499**	**365,494**	**2,510,992**	**3,162,060**
Financial liabilities					
Deposits	**2,700,507**	**-**	**2,700,507**	**-**	**2,699,918**
Trade and other payables	**27,823**	**27,823**	**-**	**-**	**27,823**
Term Funding Facility	**212,958**	**-**	**212,958**	**-**	**206,295**
Total financial liabilities	**2,941,288**	**27,823**	**2,913,465**	**-**	**2,934,036**
As at 30 June 2022					
Financial assets					
Cash and cash equivalents	279,552	279,552	-	-	279,552
Investments at Amortised cost	495,138	-	495,138	-	495,138
Loans and advances	2,354,980	-	-	2,354,980	2,354,980
Trade and other receivables	1,101	1,101	-	-	1,101
Other Financial assets	2,475	-	-	2,475	2,475
Total financial assets	3,133,246	280,653	495,138	2,357,455	3,133,246
Financial liabilities					
Deposits	2,699,099	-	2,699,099	-	2,699,099
Trade and other payables	18,450	18,450	-	-	18,450
Term Funding Facility	212,958	-	212,958	-	212,958
Total financial liabilities	2,930,507	18,450	2,912,057	-	2,930,507

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

Cash and cash equivalents and receivables from financial institutions; trade and other receivables and payables

The carrying values of cash, cash equivalents, liquid assets, trade receivables and payables, other receivables and other payables and receivables due from other financial institutions approximate their fair value as they are short term in nature or are receivable or payable on demand.

Investments at amortised cost

The amortised cost carrying value approximates fair value and they are considered level 2 under the fair value measurement hierarchy.

Loans and advances to members

The carrying value of loans, advances and other receivables is net of specific provisions for impairment. These are carried at amortised cost. The amortised cost carrying value will approximate fair value for variable rate loans. The fair value of fixed loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the fixed loans. Loans, advances and other receivables are considered level 3 under the fair value measurement hierarchy.

Other financial assets

Investments in unlisted and listed equity investments with a fair value of $895,105 (2022: $995,108) were included in Other Financial Asset Investments as at 30 June 2023. All Other Financial Assets other than Auswide Bank Ltd and MoneyMe Ltd (level 1) are categorised as level 3 within the fair value hierarchy of AASB 13. There is no immediate intention to dispose of these investments. There were no changes between levels during the year.

Deposits

Deposits are carried at amortised cost. The amortised cost carrying value approximated fair value for call and variable rate deposits. The fair value of Term Deposits is calculated by using the discounted cash flows of the future principal and interest), based on the period to maturity of the deposit type and the interest rate applicable to its related period to maturity. Deposits are considered level 2 under the fair value hierarchy.

As at 30 June 2023 and 2022 there were no transfers of securities between levels.

C5 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair Value Measurements of financial assets and liabilities (continued)

Term Funding Facility

Term Funding Facility (TFF) is carried at amortised cost. The fair value of the TFF is calculated by using the discounted cash flow of the principal and interest payable at maturity on the facility using the interest rate applicable to its related period to maturity for Government bond at the year end date.

(e) Operational Risk

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

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior management and the functioning of the Non-Financial Risk Committee (NFRC) under policies approved by the Board after recommendation from the Audit Committee or Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

C6 TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts owed to the Group for services provided, accrued interest on loans and advances, investments, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables includes interest accrued on investments which is received on maturity. Amounts due for services provided are normally settled in 30 days.

Trade and other receivables are initially recorded at fair value including transaction costs. At reporting date, trade and other receivables are measured at amortised cost. These have been assessed for AASB 9 ECL and the amount is immaterial.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Accrued Interest and other accrued income	**1,560**	180	**1,560**	180
Sundry debtors and settlement accounts	**3,985**	69	**3,985**	69
Intercompany receivable from securitisation trust	**-**	-	**3,769**	1,506
Prepayments	**955**	852	**955**	852
Total trade and other receivables	**6,500**	1,101	**10,269**	2,607

There were no receivables past due at balance date. With the exception of the intercompany receivable from the securitisation trust, the majority of trade and other receivables are collectable within 12 months.

C7 TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent accrued interest on deposits and liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled within 30 days.

Accrued interest payable	**14,106**	3,643	**14,106**	3,643
Sundry creditors and accrued expenses	**2,595**	1,876	**2,588**	1,869
Clearing accounts	**11,122**	12,931	**11,122**	12,938
Total trade and other payables	**27,823**	18,450	**27,816**	18,450

C8 TERM FUNDING FACILITY

Term Funding Facility (TFF)	**212,958**	212,958	**212,958**	212,958

Reserve Bank of Australia Term Funding Facility (TFF)

As part of the response to the COVID-19 Pandemic, the Reserve Bank of Australia (RBA) made available a Term Funding Facility (TFF) for Australian ADI's. These ADI's were able to draw down on additional funding at 0.10% for up to 3 years up to an individual limit set by the RBA. Regional Australia Bank as at 30 June 2023 has drawn an allowance of $212,957,966. There are no further amounts available for draw down as at 30 June 2023.

Terms of the Term Funding Facility are;

- Term of any drawdown is a maximum of 3 years from the date of drawdown. Regional Australia Bank drawn tranches are scheduled for repayment between November 2023 and June 2024
- Interest rate is fixed at 0.10% for the term of the facility
- Collateral consists of that currently eligible for the RBA's domestic market operations and includes self-securitised asset backed securities of which the Trusts of the group are included
- The RBA applies haircuts to the collateral which are set out on the RBA website and may be varied at any time
- Participants may terminate usage of the TFF, in part or in full, before its maturity date in accordance with procedures set out by the RBA

D CAPITAL

D1 CAPITAL MANAGEMENT

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority (APRA).

The primary objectives of the Group's capital management activities are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its activities.

During the past year the Group has complied in full with all its externally imposed capital requirements.

Although the Group actively monitors and manages its risk exposure in each of these areas, the Group does not calculate and determine its minimum capital needs by allocating a specific value or 'capital charge' to each type of risk. Rather, the Board has resolved that the Group will maintain, based on the outcomes of its annual capital planning processes, an 'internal minimum' target capital ratio (TCR) of 14%.

For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Common Equity Tier 1 capital and Additional Tier 1 capital. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standard *APS 110: Capital Adequacy* .

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 capital comprises the highest quality capital components. Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an institution as a going concern.

For capital adequacy purposes, the capital base at Level 1 and Level 2 is defined as the sum of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Common Equity Tier 1 Capital	**232,318**	199,598
Tier 2 Capital	**5,068**	4,907
Total Capital	**237,386**	204,505
Risk Weighted Assets	**1,388,917**	1,338,397
	%	**%**
Risk-based Capital Ratio	**17.09%**	15.28

The Group has been in compliance with the capital requirements imposed by APRA throughout the year.

The risk weights attached to each asset are based on the weights prescribed by APRA. During the year there was a benefit to the capital ratio from the revised APRA credit risk standard on the calculation of risk weighted assets that contributed to a increase in the capital ratio.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
D2 CAPITAL RESERVE ACCOUNT	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance	**1,143**	1,165	**1,143**	1,165
Transfer from/(to) retained earnings	**(17)**	(22)	**(17)**	(22)
Closing balance	**1,126**	1,143	**1,126**	1,143

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

D CAPITAL (Cont.)

D3 RESERVES

	Consolidated		Parent	
	2023	2022	2023	2022
Other reserves	$'000	$'000	$'000	$'000
Land and Buildings revaluation reserve	**859**	859	**859**	859
Other Financial Asset investments revaluation reserve	**5**	74	**5**	74
Total other reserves	**864**	933	**864**	933
Movements				
Land and Buildings revaluation reserve				
Opening balance	**859**	859	**859**	859
Movement in Land and Building revaluation reserve	**-**	-	**-**	-
Balance at end of year	**859**	859	**859**	859
Other Financial Asset investments revaluation reserve				
Opening balance	**74**	397	**74**	397
Movement in Other Financial Asset revaluation reserve	**(69)**	(323)	**(69)**	(323)
Balance at end of year	**5**	74	**5**	74

The Land & Buildings revaluation reserve records increments and decrements arising from the revaluation of land and buildings.

The Other Financial Asset investments revaluation reserve records investment in primarily equity investments that are not held for trading and are measured at fair value through other comprehensive income, where an irrecoverable election has been made by management. Amounts in the reserve are subsequently transferred to retained earnings, and not profit or loss, when the asset is derecognised. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

E EMPLOYEES

E1 EMPLOYEE BENEFITS EXPENSE

	Parent & Consolidated	
	2023	**2022**
(a) Employee benefits expense	**$'000**	**$'000**
Salaries and wages	**23,711**	19,841
Superannuation expense	**2,355**	1,907
Other employee benefits expense	**4,762**	3,044
	30,828	24,792

(b) Provision for Employee benefits

Liabilities for wages, salaries and annual leave are expected to be settled within 12 months of the reporting date after the end of the period in which the employees render related service are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The liability for annual leave is recognised in the provision for annual leave.

The liability for long service leave is not expected to be settled within 12 months after the end of the period in which the employees render the related service recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the corporate bond rate at reporting date on national government bonds with terms to maturity that match, as closely as possible, to the estimated future cash flows.

Contributions are made by the Group to an employee's superannuation fund and are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
Current	**$'000**	**$'000**	**$'000**	**$'000**
Annual leave	**2,037**	1,828	**2,037**	1,828
Long service leave	**2,060**	2,109	**2,060**	2,119
Total provisions	**4,097**	3,937	**4,097**	3,947
Non-current				
Long service leave	**707**	478	**707**	468
	707	478	**707**	468

E2 KEY MANAGEMENT PERSONNEL

(a) Remuneration of Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of that entity. KMP have been taken to comprise the Directors and members of the Executive Management Team responsible for the day to day financial management and operational management of the Group.

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

	Consolidated and Parent	
	2023	**2022**
	$	**$**
Short-term employee benefits	**3,742,373**	2,801,827
Termination benefits	**-**	926,774
Superannuation contributions	**314,387**	218,258
Total remuneration of KMP	**4,056,760**	3,946,859

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, paid sick leave, profit-sharing and bonuses, and value of fringe benefits received, but excludes out of pocket expense reimbursements.

(b) Loans to KMP

All loans disbursed to KMP were approved on the same terms and conditions, which are applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with KMP and have been assessed in the ECL model as part of the Stage 1 collective provision.

KMP who are not directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (a) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP.

The aggregate value of loans to KMP as at balance date:	**7,947,245**	5,323,152
The total value of revolving credit facilities to KMP as at balance date:	**166,000**	119,000
Less amounts drawn down and included in total loans above	**(60,559)**	(41,226)
Net revolving credit facilities available	**105,441**	77,774
Fixed term loans disbursed to KMP during the year:	**3,662,382**	2,537,017
Average balance of revolving credit facilities	**27,658**	11,987
Total loans disbursed to KMP	**3,690,040**	2,549,004
Interest and other revenue earned on loans and revolving credit facilities to KMP	**181,161**	81,067
ECL Provision for KMP Loans and credit facilities	**-**	-

(c) Deposits from KMP

Total value of term and savings deposits from KMP as at balance date:	**3,881,774**	2,755,816
Total interest paid on deposits to KMP during the year:	**23,343**	1,787

Directors have received interest on deposits with the Group during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Group.

The Group's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

(d) Other transactions of KMP

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

Apart from the above transactions, there are no service contracts to which KMP or their close family members are an interested party.

F OTHER DISCLOSURES

F1 REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
Remuneration of the auditor for:	**$**	**$**	**$**	**$**
Statutory and Regulatory Audits	**297,823**	253,881	**297,823**	253,881
Other Audit Services	**20,252**	99,200	**20,252**	99,200
Taxation Services	**31,857**	22,700	**31,857**	22,700
Total remuneration of auditors	**349,932**	375,781	**349,932**	375,781

F2 LEASES

(a) Leases as a Lessee

The Group has entered into commercial leases on certain commercial properties from which branches operate. The leases typically run for a period between one to ten years, with an option to renew the lease after that date. Lease payments are renegotiated at the expiry of the lease, or on exercising of option to renew, to reflect market rental. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The retail and office property leases were entered into prior to 1 July 2019 and are classified as leases under AASB 16.

The Group leases office equipment with contract terms of 5 years. These leases are short-term and of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information for which the Group as a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	Consolidated and Parent	
	2023	**2022**
Land and Buildings	**$'000**	**$'000**
Balance at 1 July	**4,909**	4,928
Depreciation charge for the year	**(1,175)**	(1,375)
Additions to right-of-use assets	**710**	1,356
Derecognition of right-to-use assets	**(22)**	-
Balance at 30 June	**4,422**	4,909

(ii) Amounts recognised in profit or loss

Leases under AASB 16		
Interest on lease liabilities	**200**	198
Expenses relating to short-term leases	**602**	585

(iii) Amounts recognised in statement of cash flows

Total Cash outflow for leases	**1,209**	1,287

(iv) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the Lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. At 30 June 2023, management has not considered whether any of the extension options will be exercised.

F3 COMMITMENTS

To meet the financial needs of members, the Group enters into loan commitments. Even though these obligations may not be recognised on the Statements of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

(a) Undrawn Loan Commitments

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitment since most commitments to extend credit are contingent upon members maintaining specific standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

These commitments have been considered when estimating the overall ECL provisions for loans and advances. See note C2 a) for breakdown of ECL.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Loans Approved but not funded	**81,008**	78,936	**81,008**	78,936
Loan Repayments in advance	**197,710**	185,691	**197,710**	185,691
Undrawn lines of commitment	**65,996**	67,237	**65,996**	67,237
	344,714	331,864	**344,714**	331,864

F4 CONTINGENT LIABILITIES

Credit Union Financial Support Scheme (CUFSS)

The parent is a party to the Credit Union Financial Support Scheme (CUFSS). CUFSS is a voluntary scheme to provide financial support to member Australian mutual ADI's in the event of a liquidity problem. CUFSS is a company limited by guarantee with each members guarantee being $100.

As a member of CUFSS, the parent:

- May be required to advance funds of up to 3% of total assets (capped at $100 million) to a CUFSS member requiring financial support
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS

No such directions has, at balance date, been requested to the parent.

Financial Guarantees

Letters of guarantee commit the Group to make payments on behalf of customers in the event of a specific act, generally related to contract performance. Guarantees carry the same credit risk as loans. The guarantees committed to by the Group are secured by term deposit and / or real property.

The amount guaranteed at balance date is limited to $2,898,661 (2022: $3,147,576).

F5 LAND AND BUILDINGS

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less subsequent depreciation on buildings and less any impairment losses recognised after the date of revaluation. The fair value is reassessed prior to sale.

Any property revaluation increment is credited to the land and building revaluation reserve included in the equity section of the statements of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statements of profit or loss and other comprehensive income, in which case the increase is recognised in profit or loss.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Both the Armidale head office and branch properties were last revalued based on an independent assessment by Herron Todd White Valuers as at June 2021.

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

	Consolidated		Parent	
	2023	**2022**	**2023**	**2022**
(a) Land and buildings	**$'000**	**$'000**	**$'000**	**$'000**
At valuation	**4,900**	4,900	**4,900**	4,900
Less accumulated depreciation	**(270)**	(135)	**(270)**	(135)
Total land and buildings	**4,630**	4,765	**4,630**	4,765

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of land and buildings between the beginning and end of the current financial year are set out below.

Balance at 1 July	**4,765**	4,903	**4,765**	4,903
Disposals	**-**	(3)	**-**	(3)
Depreciation expense	**(135)**	(135)	**(135)**	(135)
Balance at 30 June	**4,630**	4,765	**4,630**	4,765

F6 SUBSEQUENT EVENTS

Regional Australia Bank has entered into an Memorandum of Understanding with Macquarie Credit Union on 28 July 2023 confirming support for a merger between the two organisations. Regional Australia Bank has conducted due diligence and the Board agreed to proceed with a transfer of business with Macquarie Credit Union Ltd pending regulatory and member approval.
Also, following the balance date, S&P Global Ratings has assigned the Company a public entity credit rating of 'BBB/A-2' with a outlook positive. Other than noted above, there has not arisen in the interval between the end of this financial year and the date of this report any other item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of operations, or the state of the affairs of the Group in future financial year.

DECLARATION BY DIRECTORS

The Directors of Regional Australia Bank Ltd (the Company) declare that in the opinion of the Directors:

(a) The financial statements and notes of the consolidated Group and Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the consolidated Group and Company as at 30 June 2023 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and *Corporations Regulations 2001;*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) Note A confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Graham Olrich	**Mike Fenech**
Director	**Director**

Date: 29 September 2023

Independent Auditor's Report

To the members of Regional Australia Bank Ltd

Opinion

We have audited the consolidated ***Financial Report*** of Regional Australia Bank Ltd (the Group Financial Report). We have also audited the Financial Report of Regional Australia Bank Ltd (the Parent Financial Report).

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

- giving a true and fair view of the ***Group***'s and of the Parent's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective ***Financial Reports*** of the Group and the Parent comprise:

- Statements of financial position as at 30 June 2023
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Regional Australia Bank Ltd (the Parent) and the entity it controlled at the year-end or from time to time during the financial year.

Basis for opinions

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Parent in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

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

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

29 September 2023

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