2023 Financial Report

Bank Australia

Acknowledgement of Country

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

We share a belief with our customers that money can be used to create a world where people and the planet thrive.

Contents

Introduction

About Bank Australia and this report

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

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

This report highlights our financial performance for the year ending 30 June 2023. We produce this report in part to meet our obligations under the Corporations Act 2001. This report also shows how we use the business of banking to create a positive impact for people and the planet, while delivering positive social and environmental outcomes for our customers. This is responsible banking in action.

Commitment to our customers

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

This is responsible banking in action

1. Customers deposit funds

Our customers deposit money into transaction and savings accounts and term deposits.

See Financial liabilities on page 46

2. Where we lend

We lend that money to others for purposes outlined in our Responsible Banking Policy; some is lent to projects that benefit people and the planet.

See Financial assets on page 49

3. Members benefits

We manage these funds to generate profits for the benefit of our customers and communities and to ensure competitive rates and lower fees.

See Financial performance on page 66

4. Risk Management

We manage risk and capital responsibly to continue operations as an authorised deposit-taking institution and successfully achieve our purpose.

See Capital and risk Management on page 75

Key highlights

FY23 was a year of significant

We strengthened our financial position

Total deposits

$7.7 billion

(FY22: $7.4b)

Total assets

$10.5 billion

(FY22: $9.7b)

Total customer loans

$8.1 billion

(FY22: $7.4b)

Loans funded in FY23

$2.0 billion

(FY22: $2.6b)

Impact assets

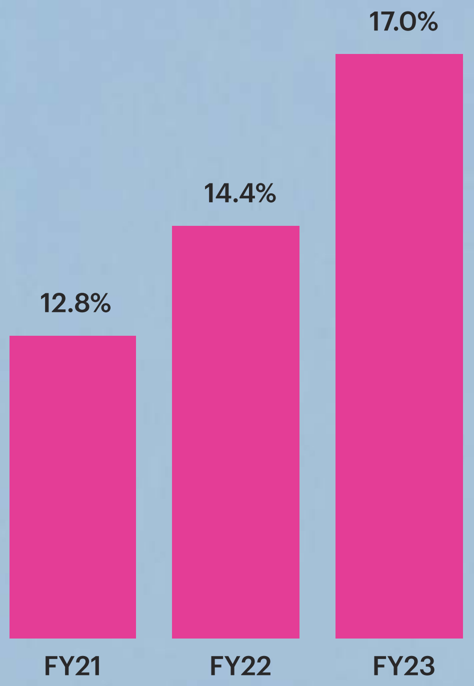
$1.8 billion

(FY22: $1.4b)

financial achievement

We continued to grow our impact assets

Impact assets (%)



Total assets ($m)

Key highlights

With strong financial performance and another record profit which has been invested back into the business

Performance

Net profit after tax

$52.3 million

(FY22: $34.4m)

Net interest margin

2.02%

(FY22: 1.73%[1])

Cost to income

66.2%

(FY22: 70.1%)

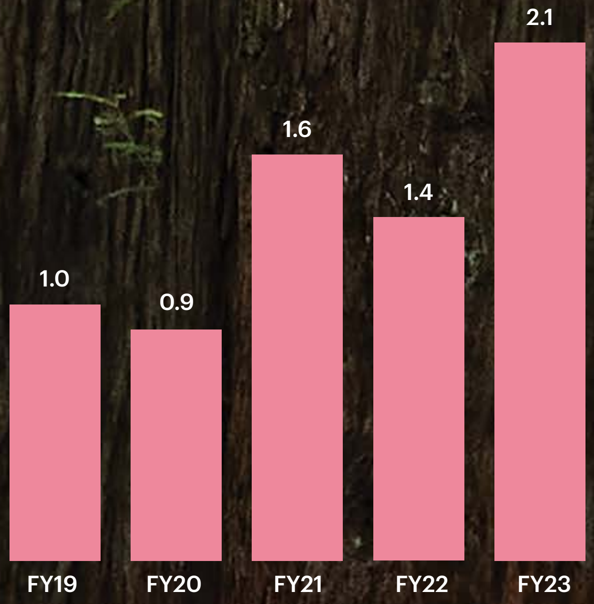
Impact fund contribution

$2.1 million

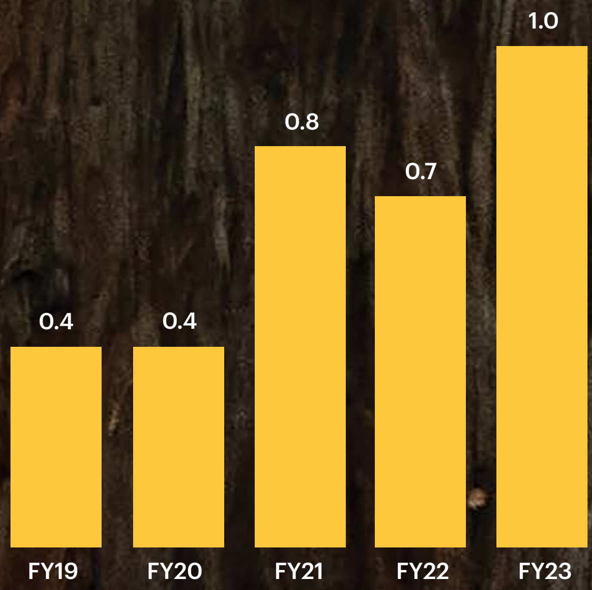
(FY22: $1.4m)

1 Net interest margin is presented on a normalised basis and excludes the impact of the fixed rate lock derivative and the lease liability interest expense.

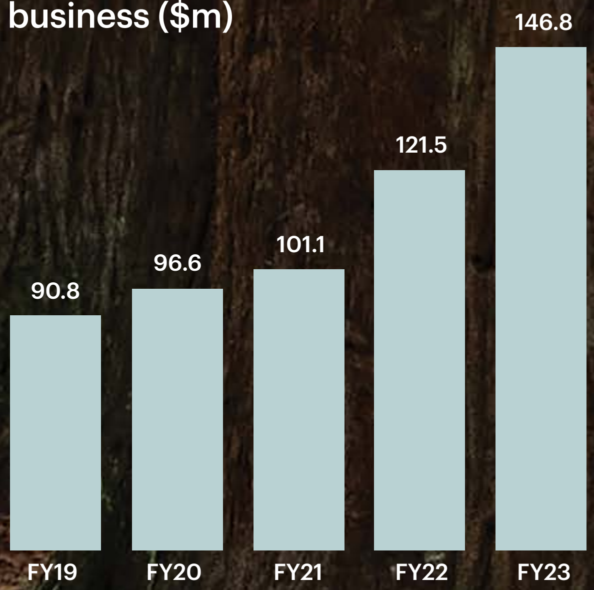
Impact fund contributions ($m)



Retained as capital to support future balance sheet growth ($b)[2]



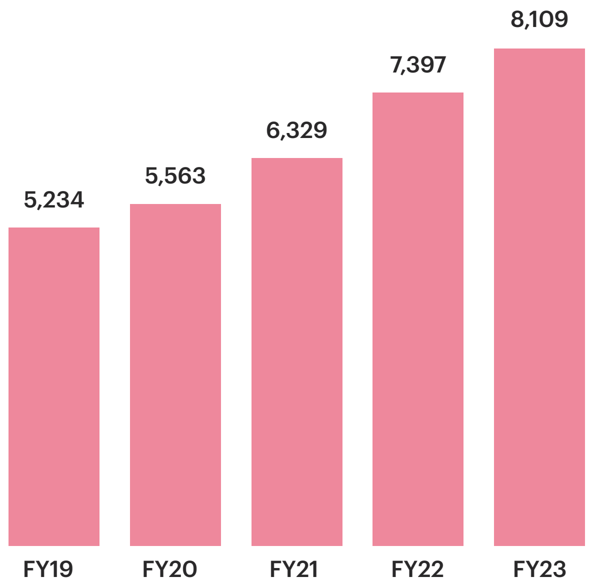
Operating costs have increased to support the demands of our growing business ($m)



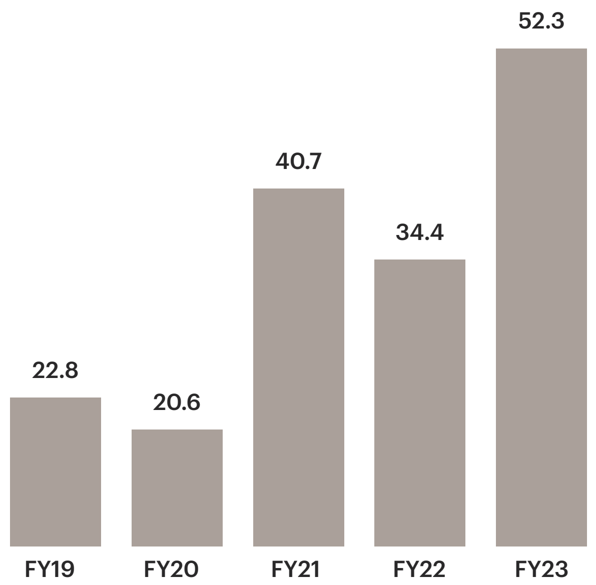
2 Total mortgage growth supported by additional capital (profit) generated each year

Our performance over the past 5 years

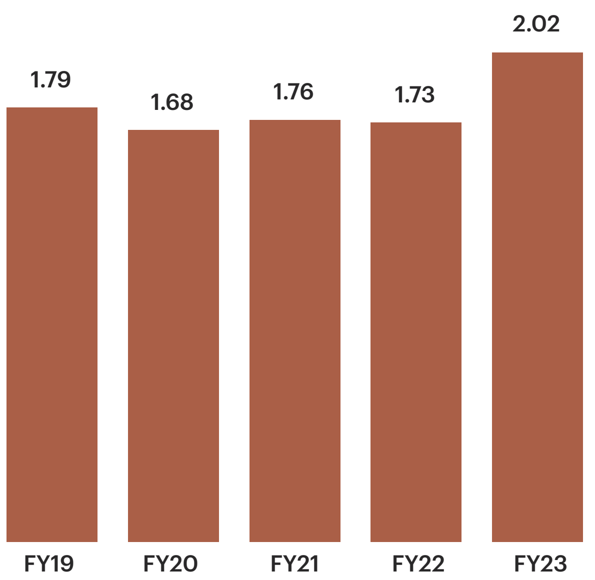
Loans ($m)



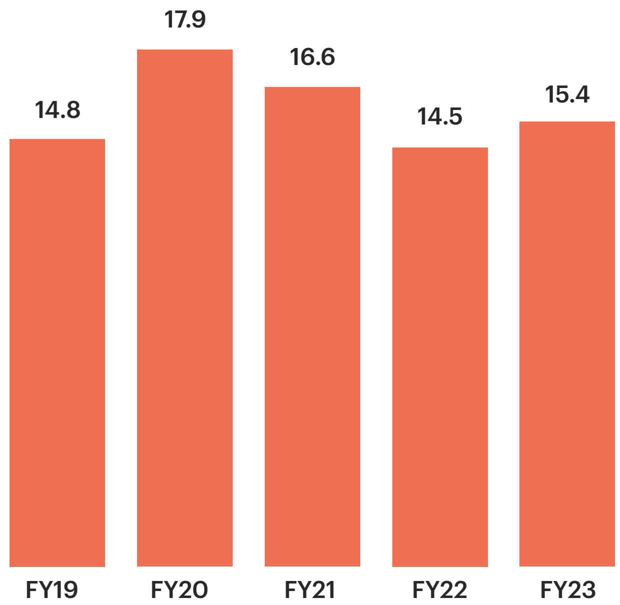
Net profit after tax ($m)



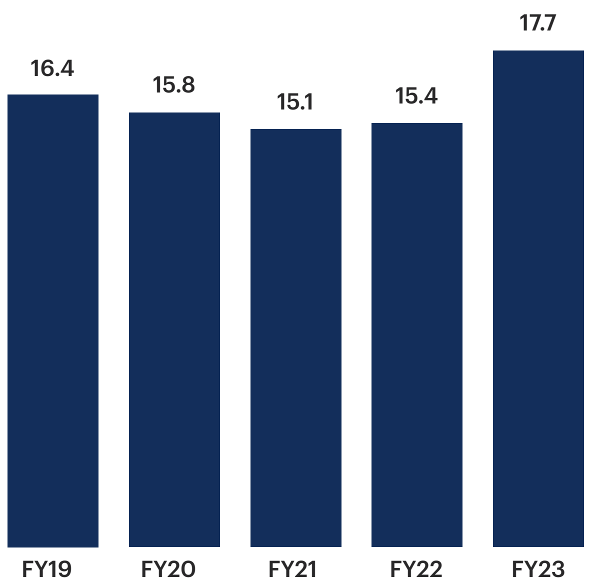
Net interest margin (%)



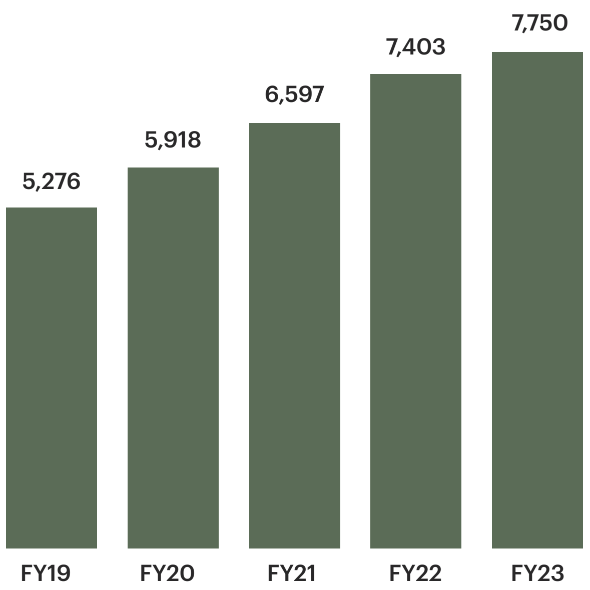
Liquidity (%)



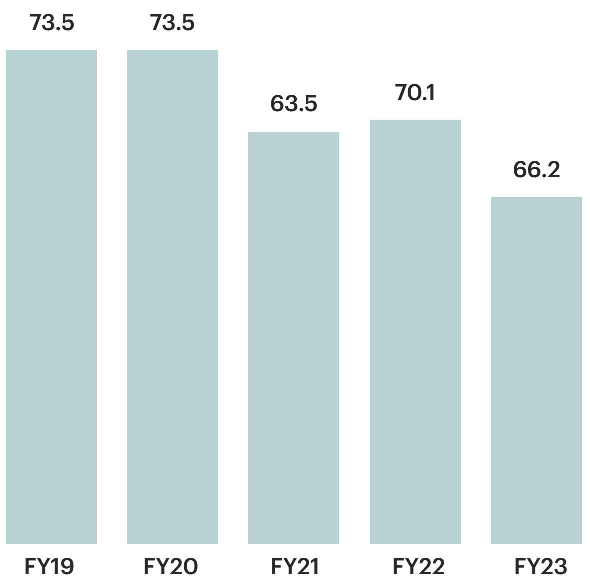
Capital adequacy ratio (%)



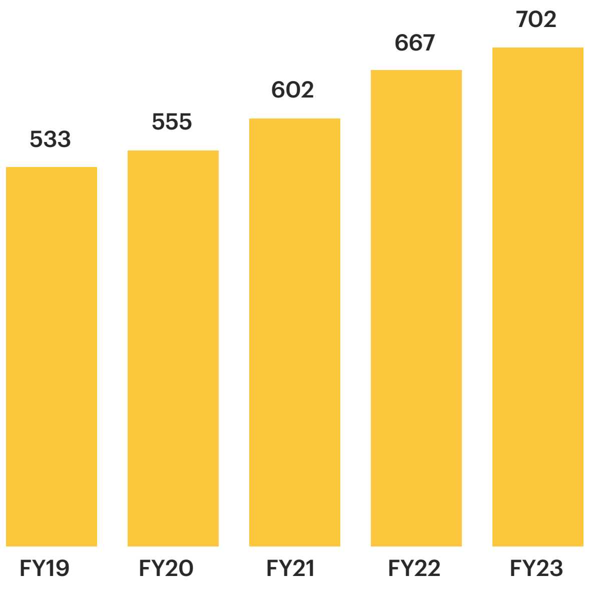
Customer deposits ($m)



Cost to income (%)



Customer owners' funds ($m)



Directors' report

The following section of the report includes the Directors' report together with the financial report of Bank Australia Limited and the consolidated financial report of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2023.

1. Directors

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

Name and qualifications

J S Downes *BA (Hons), DipEd, GradDipBus (Acct), FAICD, FCPA, FCA, FRSV*	**Independent:** Yes **Term of office:** Director since March 2012. Appointed Chair 28 March 2014. **Skills and Experience:** Judith is a Non-Executive Director with extensive experience in finance, banking and accounting. She has over 25 years' experience as a company Director. Judith has worked in senior Executive and Non-Executive roles in banking, funds management, life insurance, medical technology, mining and property. She held senior roles in ANZ for 12 years, including Chief Financial Officer and Chief Operating Officer Institutional Division and Group General Manager Finance. Prior to working as an accountant, Judith taught secondary mathematics. Judith has been a member of both international and Australian bodies that are involved with the development of accounting standards. Other past positions include Director, ING Australia and Director, Australian Mathematical Science Institute. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-executive Director and Chair, Sentient Impact Group (since 2023) • Non-Executive Director, Victorian Academy of Teaching and Leadership (since 2022) • Non-Executive Director, ImpediMed Limited (2017 to 2022) • Non-Executive Director, Clean TeQ Holdings Limited (2018 to 2021) • Non-Executive Director, The Spinal Research Institute (2016 to 2020) • Member, AICD APRA Forum (2016 – 2023) • Member, Global Alliance for Banking on Values Governing Board Forum (since 2015, Chair 2017 – 2019) **Board Committee membership:** Member of the Nominations Committee (since 2015) Member of the Audit Committee (since 2023) Member of the Governance and Remuneration Committee (since 2023) Chair of the Corporate Actions Committee (since 2023) Ex officio member of the Audit, Governance and Remuneration and Risk Committees (since 2014 to 2023)

M J Bastian *LLB(Hons), GDLP, BBus(Mgt), RN, FAICD, A Fin*	**Independent:** Yes **Term of office:** Director since November 2012. **Skills and Experience:** Melissa has a diverse background and experience in a variety of industries including banking, law, health, local and federal government, education, insurance and leadership development. She has advanced leadership and communication skills and extensive management, business planning, compliance, strategy development, financial management and corporate governance experience. She is currently the Managing Director of Just Better Care Gippsland. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director, Gippsland Primary Health Network (since 2019 to 2022) • Executive Director, MJB Enterprises Pty Ltd (since 2017) • Non-Executive Director, Lewian Holdings Pty Ltd (since 2015) **Board Committee membership:** Member of the Governance and Remuneration Committee (since 2020) Member of the Risk Committee (since 2017)

A-M O'Loghlin

BA, DipEd, BEd, Diploma of Superannuation Management (part), GAICD

Independent: Yes

Term of office: Director since November 2015.

Skills and Experience:

Anne-Marie has extensive experience in strategic planning, corporate governance, financial management, stakeholder management and managing organisational growth. Anne-Marie has over 30 years' experience as a company Director and Chair for a range of organisations including the Peter MacCallum Cancer Centre, Utilities Trust of Australia, Northern Health, Netball Australia, Victorian Superannuation Board and Australian Council for Superannuation Investors and was a trustee on the MCG Trust.

Anne-Marie was CEO of an industry superannuation fund, Company Secretary to its trustee company HEST Australia Ltd from 1998 to 2015. Prior to this role she was Victorian Branch Secretary of the Australian Education Union and a primary school teacher.

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

- Chair, Telstra Super (since 2019)
- Chair, Telstra Super Financial Planning (since 2019)
- Deputy Chair, Ovarian Cancer Research Foundation Committee (since 2019)
- Member, Australian Commonwealth Games Foundation Investment Committee (since 2019)

Board Committee membership:

Chair of the Governance and Remuneration Committee (Member since 2015 and Chair since 2017)

Member of the Audit Committee (since 2021)

S J Ferguson *BComm, GAICD, ACA*	**Independent:** Yes **Term of office:** Director since November 2020. **Skills and Experience:** Steve has extensive experience in financial auditing and assurance having retired from professional services firm EY (Ernst & Young) as a Senior Partner in 2018. Throughout his career, Steve advised and led the audits of a wide range of large Australian and international businesses in the banking and financial services, infrastructure, telecommunications and retail sectors. Steve is an Independent Director of Parkinson's Australia where he chairs the Audit and Risk Committee, and he is an external member of the University of New South Wales' Audit Committee and Risk Committee. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director and Chair of the Audit Committee, General Reinsurance Australia Ltd (since 2021) • Non-Executive Director and Chair of the Audit Committee, General Reinsurance Life Australia Ltd (since 2021) • Chief Financial Officer (part-time), BackTrack Youth Works Ltd (since 2021) • Non-Executive Director and Chair of the Audit and Risk Committee, Parkinson's Australia (since 2017) • External Member, University of New South Wales Audit Committee (since 2020) and Risk Committee (since 2021) **Board Committee membership:** Chair of the Audit Committee (since 2020 and Chair since 2021) Member of the Governance and Remuneration Committee (since 2021)

H L Gluer *BComm, MBA, FCPA, FAICD*	**Independent:** Yes **Term of office:** Director since 5 February 2018 **Skills and Experience:** Helen has a diverse professional background, having commenced her career with Commonwealth Bank before moving into corporate recovery roles with Queensland Industry Development Corporation and Suncorp-Metway. Helen then took up finance roles with Brisbane City Council and Chief Executive roles with Tarong Energy Corporation and Stanwell Corporation, Under Treasurer for Queensland Treasury and Trade and Chief Executive Officer for Queensland Rail. Helen also has over 15 years' experience as a Non-Executive Director including Gladstone Ports Corporation (Chair, Central Queensland Ports Authority), City Super, Queensland Resources Council and Translink Transit Authority (Chair of Audit Committee). **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • No other directorships and offices **Board Committee memberships:** Member of the Audit Committee (since 2018 and Chair from 2020 to 2021) Member of the Risk Committee (since 2019)

A J Healy
BSc, GDipEco
GDipFin, GAICD

Independent: Yes

Term of office: Director since 1 January 2022. Appointed Deputy Chair 29 June 2023.

Skills and Experience:

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

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

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

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

Board Committee membership:

Chair of the Risk Committee (Member since 2022 and Chair since 2022)

Member of the Corporate Actions Committee (since 2023)

Member of the Audit Committee (since 2022 to 2023)

M Thompson AM BE (elec) Hons, BBus (Info Sys), MDefStud, MA (Strat Stud), PhD, GAICD, FIEAUST	**Independent:** No **Term of office:** Director since 16 January 2023. **Skills and Experience:** Marcus is currently the Director of Cyber Compass Pty Ltd, an independent advisory focused on improving cybersecurity across a variety of industries – including banking and finance. Marcus' diverse experience, and deep knowledge across cybersecurity will play a critical role in the continued oversight of cybersecurity risk management and evolving challenges in banking. Marcus was appointed a Member of the Order of Australia in the 2014 for his distinguished career in the Australian Defence Force where he served in a variety of command, regimental and Special Operations appointments. Marcus is also the Board Chair of Penten, and the Board Chair of ParaFlare. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director, ParaFlare Holdings Pty Ltd (and group companies) (Chair since 2022) • Non-Executive Director, Penten (Chair since 2021) • Strategic advisor – Macquarie Technology group (since 2021) • Advisor – HyprFire (since 2022) • Advisor – Conceal (USA) (since 2022) • Advisor AirGap Networks (USA) (since 2021) • Director, Cyber Compass Pty Ltd (since 2021) **Board Committee membership:** Member of the Risk Committee and Governance and Remuneration Committee (since 2023)

Directors' report

D K Wakeley *BEc, FCA, FAICD*	**Independent:** Yes **Term of office:** Director since 1 January 2017. **Skills and Experience:** David has a diverse background and over 30 years' experience in a variety of industries including professional accounting, pharmaceuticals, motoring services, education and financial services. Until March 2017, David was CEO of Autopia Management Pty Ltd and prior to this David was CEO of AIM NSW and ACT Pty Ltd and Virgin Money Australia Pty Ltd. David is currently engaged in a range of activities including coaching, mentoring, as an advisor to a number of private companies in the technology space and a Board member of a number of organisations. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director, ParaFlare Holdings Pty Ltd (and group companies) (since 2019) • Non-Executive Director, UrbnSurf Pty Ltd (and group companies) (since 2019, Chair to 2021) • Non-Executive Director, Robert Menzies College at Macquarie University (since 2018) • Non-Executive Director, Streem Pty Ltd (2019 to 2022) **Board Committee membership:** Member of the Risk Committee (Member since 2017 and Chair from 2021 to 2022) Member of the Governance and Remuneration Committee (since 2019)

D G Walsh *BBus (Acct), MBA, FAICD, FFIN, FCA, FCPA*	**Independent:** No **Term of office:** Appointed CEO on 1 September 2011 and Managing Director on 22 September 2011. **Skills and Experience:** Damien became Managing Director on 22 September 2011, after serving as General Manager of Corporate Services for eight years and also as Company Secretary. Damien has over 30 years of experience in the mutual banking sector. Damien is responsible for and manages the Bank's group operations. He works with the Board in setting group strategy, monitoring group performance and budget, and ensuring the bank adheres to all prudential, legal and compliance matters. **Directorships of listed entities within the last three years, other directorships and offices (current and recent):** • Non-Executive Director Global Alliance for Banking on Values (since 2020 to 2023) • Council member, Australian Banking Association (2015 to 2020 and since 2021) • Alternate Director, Data Action Ltd (2013 to 2021) **Board Committee membership:** Member of the Audit Committee (since 2011) Member of the Governance and Remuneration Committee (since 2011) Member of the Risk Committee (since 2011) Member of the Corporate Actions Committee (since 2023)

2. Nominations Committee

The function of the Nominations Committee is to provide the Board with its determinations on the fitness and propriety of potential candidates for the office of Director of the Company, in accordance with the Fit and Proper Policy and Constitution. The Committee is comprised of three members with a requirement that the majority of members are independent of the Company and the Board of Directors. The Nominations Committee met twice during the year ending 30 June 2023.

J Brown, Independent Member

Juliet has been a member of the Nominations Committee since 2020 and Chair since 2022.

Her career has been in business and law across various industries including insurance, superannuation, health and transport in both the public and private sectors.

Juliet's extensive experience as a Non-Executive Director includes chairmanship, governance, audit and risk committee experience of APRA regulated entities.

Her current roles include Chair of the Lifetime Support Authority of South Australia and Director of Medical Insurance Australia Pty Ltd where she is Chair of the Governance Committee.

Juliet resigned from the Nominations Committee in 2023.

R W Goudswaard, Independent Member

Rob has been a member of the Nominations Committee since 2022.

Rob started in banking on the ANZ's graduate program to become Chief Risk Officer for Institutional Bank, helping steer the bank to recovery post GFC. Along the way he took postings to the Pacific and the Middle East, and developed deep expertise in banking for corporate, small business and agribusiness. He also learned to be an effective leader of people, being responsible for more than 5,000 staff in some roles. When he moved on from ANZ after 30 years, it was to become CEO of Rural Finance Victoria, where he increased profit by 50% and managed its sale for a $400 million return for the Victorian Government. Then, Rob was appointed CEO of Australia's largest member-owned bank and in this role he drove a digital agenda that transformed the presence of member–owned banks for personal banking. His success was recognised with CEO Magazine's 2018 Financial Services Executive of the Year award and Highly Commended for CEO of the Year.

Today, he chairs the advisory Board for the Australian presence of the global neobank Revolut and is a Non-Executive Director for major listed Malaysian bank AmBank and for ANZ's Loan Mortgage Insurance in Australia. He's an advisor for startups MyCall and Jane's Weather and is on the Board of IT scaleup Centelon Solutions. Rob also serves as Chair of Cornerstone Healthcare Funds Management and on the Board of mental health provider Orygen, including Chairing the Orygen Foundation.

Throughout his career, Rob has been committed to continuing professional education, always making time for formal learning and on track to be the first Australian to complete the Advanced Certification in Corporate Governance at INSEAD, France.

F Raymond, Independent Chair

Fran has been a member and Chair of the Nominations Committee since 2023. Her career has been as Chief Financial Officer and Chief Operating Officer in the federal Government and as a Non-Executive Director in banking, reinsurance and health sectors.

Fran's extensive experience as a Non-Executive Director includes chairmanship, governance, audit and risk, nomination, and governance and remuneration committee experience of APRA regulated entities. Her current roles include as a member of various government audit and risk committees and as a non- executive Director of the Australian Reinsurance Pool Corporation and Annecto where she is Chair of the Governance Committee.

3. Company Secretary

L B O'Brien

BComm, MAppFin, CA, MAICD

Louise was appointed Company Secretary in August 2016.

R M Salisbury

BSc (Hons), CTA

Robert's international career spans 25 plus years as a Chartered Accountant and Chartered Tax Adviser in the Accounting profession and the Financial Services industry. A proficient financial and product controller, company secretary, project manager, mentor and coach managing large businesses and teams in a multi-cultural environment.

4. Executive leadership team

P R Ashkettle, Chief Risk Officer

BCA, MBA

Patrick was appointed Chief Risk Officer in 2014.

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

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

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

S Clancy AM, Chief People Officer

BA, FAICD, FAIM, FAHRI

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

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

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

S Courville, Chief Impact Officer

BES, MSc, PhD

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

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

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

B E Jordon, Chief Operating Officer

BEc (Hons), MAICD

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

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

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

L B O'Brien, Chief Financial Officer

BComm, MAppFin, CA, MAICD

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

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

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

S Wall, Chief Transformation Officer

BSc, MBA

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

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

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

J P Yardley, Deputy Chief Executive Officer

MBA, GAICD

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

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

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

5. Directors' meetings

Director	Board		Audit Committee		Risk Committee		Governance and Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
J S Downes	9	9	4	4	4	4	4	4	2	2
M J Bastian	9	9	–	–	6	6	4	4	–	–
S J Ferguson	9	9	4	4	–	–	4	4	–	–
H L Gluer	9	9	4	4	6	6	–	–	–	–
A J Healy	9	9	2	2	6	6	–	–	–	–
A-M O'Loghlin	9	9	4	4	–	–	4	4	–	–
M Thompson	5	5	2	2	2	2	–	–	–	–
D K Wakeley	9	9	–	–	6	6	4	4	–	–
D G Walsh	9	9	4	4	6	6	4	4	–	–
Independent Member of Nominations Committee										
J Brown	–	–	–	–	–	–	–	–	2	2
R W Goudswaard	–	–	–	–	–	–	–	–	2	2
F Raymond	–	–	–	–	–	–	–	–	–	–

A – Number of meetings attended.

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

The Board established a Corporate Actions Committee on 29 June 2023. The committee held no meetings during the year-ended 30 June 2023. The Board established working groups which met several times in 2023 to deal with matters relating to corporate actions.

6. Remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the Non-Executive Directors, the Managing Director and senior Executives of the Company.

Remuneration levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and Executives.

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

Remuneration

		Short term benefits	Post employment benefits	
	Financial year	**Fees**	**Super contribution**	**Total remuneration**
Current Non-Executive Directors				
J S Downes	2023	137,275	14,414	151,689
	2022	128,925	12,893	141,818
M J Bastian	2023	76,264	8,008	84,272
	2022	73,277	7,163	80,440
G J Camm (retired July 2021)	2023	–	–	–
	2022	5,299	530	5,829
S J Ferguson	2023	91,517	9,610	101,127
	2022	80,121	8,012	88,133
H L Gluer	2023	76,264	8,008	84,272
	2022	74,705	7,471	82,176
A J Healy (joined January 2022)	2023	88,986	9,344	98,330
	2022	34,835	3,484	38,319
A-M O'Loghlin	2023	101,126	–	101,126
	2022	88,300	3,222	91,522
M Thompson (joined January 2023)	2023	34,089	4,091	38,180
	2022	–	–	–
D K Wakeley	2023	78,801	8,275	87,076
	2022	83,202	8,320	91,522
Total Non-Executive Directors	**2023**	**684,322**	**61,750**	**746,072**
	2022	**568,664**	**51,095**	**619,759**

The aggregate remuneration for Non-Executive Directors of the Board, as approved by members at the 2022 Annual General Meeting, is $814,698 per year on a pro rata basis. This sum represents total Board remuneration for the Non-Executive Directors, including fees, superannuation and all relevant taxes payable by either the Company or the Directors. The base remuneration for a Director in 2023 was $86,670, inclusive of superannuation. The Chairs of the three Board Committees received a 20% loading of $17,334 taking their total remuneration to $104,004, inclusive of superannuation. The Chair of the Board received an 80% loading of $69,336 taking their total remuneration to $156,006, inclusive of superannuation.

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

Executive Leadership Team

The following table lists the remuneration bands for the bank's Executives, including the Managing Director, for the year ended 30 June 2023:

	No. of Executives
Less than $500,000	5
$500,000 – $1,000,000	2
More than $1,000,000	1
Total	**8**

7. Principal activities

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

8. Review of operations

The consolidated entity reported a net profit after tax for the financial year ended 30 June 2023 of $52.3 million (FY22: $34.4 million). The record result was driven largely by an improvement in net interest margin, which increased from 1.73% to 2.02%, as interest rates rose throughout the year. The result also reflects the continued growth in the entity's balance sheet, with average assets $1 billion higher than prior year.

The consolidated entity's total assets surpassed $10 billion during the year, increasing to $10.5 billion. Overall, lending grew by 9.6% to $8.1 billion (FY22: $7.4 billion), with residential mortgage loan growth of 10% being twice the growth rate of the market. The growth reflected new business and the impact of rising interest rates and broader cost of living pressures on loan repayment rates.

The impact of rising interest rates and cost of living pressures also contributed to a slowdown in customer deposit growth, which grew by 4.7% to $7.7 billion (FY22: $7.4 billion).

Despite the current economic environment, customer resilience has remained strong backed by saving buffers built up during the Covid-19 pandemic. Impaired loans decreased during the period as loans restructured during the Covid-19 pandemic returned to performing, reducing the impaired asset ratio to 0.18% (FY22: 0.27%). A small number of customers are experiencing financial difficulty though, due to unemployment, reduced income and medical reasons, and the bank continues to work with them through loan repayment pauses, reduced repayments, loan term extensions and debt consolidation. Given the economic outlook, provisions for impairment have been maintained at $10.4m.

Our impact finance business continued to grow with our portfolio of impact assets increasing to $1.8 billion (FY22: $1.4 billion). Impact finance assets now represent 17.0% of total assets and sees us progressing well towards our 2025 goal of 20%.

Directors' report

In 2022, we identified four key areas to focus our impact; namely climate action, affordable and accessible housing, nature and biodiversity and First Nations reconciliation.

During the year, we partnered with The Australia Institute and Boundless Earth to pilot a home electrification initiative to gain insights into how we can help customers make the transition to electrifying their homes as easy and accessible as possible. We also announced we will stop funding new fossil fuel car loans from 2025 to actively support the shift towards a decarbonised economy.

Our Clean Energy Home Loan portfolio grew 33% to a total of 452 loans, providing customers with a discount on their mortgage when buying or upgrading an energy efficient home. These homes emit on average 35% less carbon than a standard Bank Australia-funded home.

We continued to participate in the Victorian Homebuyer Fund and the First Home Guarantee initiatives, which help low and middle income earners access affordable homes. Further, through our partnership with Indigenous Business Australia (IBA), we continued to address inequities in the housing sector by supporting First Nations households with finance for their homes.

The entity piloted an Impact Term Deposit, raising $29.7 million, which directly contributed to financing a range of social and environmental asset categories, including Clean Energy Home Loans and loans into the community and specialist disability housing sectors.

In 2023, the impact fund provided $2.3 million to a number of partners and programs that support the bank's four priority impact areas, including donating to Australians for Indigenous Constitutional Recognition in support of the 'Yes' campaign, continuing our three-year partnership with Seed Mob, Australia's first Indigenous led youth climate justice network, supporting advocacy and research undertaken by Human Rights Watch on the rights of refugees and people seeking asylum and providing $295,282 grant funding to 16 customer community organisations, social enterprises and small businesses.

In 2023, we achieved a strong customer satisfaction score of 88.6% (FY22: 87.5%). Customer complaints decreased to 1,684 (FY22: 1,704), relating predominantly to service, administrative errors, contact centre wait times and differences in advertised short-term special rates for new loans and customers' existing rates on loans. These themes were consistent with 2022, although, complaints were also received from customers who had been victims of scams.

We continued to increase the capacity in our contact centre, resulting in an improvement in customer call wait times by 56%. Further, we saw an improvement in digital banking outages.

Fraud and scam activity continues to increase across the banking sector and the Australian economy. Scammers are making contact more frequently than ever and their approach has included imitating legitimate businesses, financial institutions or family members. To equip our customers with the tools to protect themselves, we delivered a scams awareness campaign to educate customers about the risk of scams and how to identify them. We focused on issuing fast and effective communication to customers once scams were detected, across multiple communication channels, including internet banking and banking app notifications, emails, web alerts, and social media posts. We also expanded our financial intelligence team to ensure we have greater capacity to monitor and protect our customers' funds. We invested in scams awareness training for our employees, increasing our team's ability to recognise, act on and escalate concerns about potential fraud and scam activity.

In 2023, the focus of our transformation program has been building capacity in the Transformation Division team and recruiting the new capabilities required to make digital banking easier for our customers and employees. During the year, we moved our non-core banking applications to a new data centre and network to ensure high availability and performance, rolled out a new customer relationship management (CRM) platform for frontline staff and continued to develop our new loan origination system to improve approval times for home loans, credit cards, personal and car loan applications.

Our annual employee engagement survey, based on Kincentric's engagement model, identified an overall engagement score of 70% (FY22: 72%). This places us in the top quartile of employer results and well above the Australian average of 61%.

In 2023, 34 employees participated in our leadership coaching circles program taking the total to 109 participants. This year the Executive team and Managing Director also completed an abridged version of the coaching circles to provide a practical overview of the program and enable them to support the program through informed participant selection.

The Values Based Leadership Program run by the GABV was completed by 12 employees bringing the total number of leaders to have completed the program to more than 40 since it began in 2019.

A key focus this year was implementing Indigenous cultural awareness training for our employees. The training aims to increase understanding of First Nations culture and history and focuses on the importance of creating cultural safety in the workplace. So far more than half of our employees have completed the training and the remaining training is scheduled to be completed by December 2023.

For further information on performance and how the Company has worked towards achieving the best possible outcomes for customers while remaining true to our purpose during the 2023 financial year, please refer to our 2023 Impact Report.

9. Credit rating

During the year ended 30 June 2023, the Consolidated Entity was rated by both Standard & Poor's and Moody's.

Standard & Poor's maintained long-term credit rating at 'BBB' with outlook being upgraded from stable to positive; short-term rating was maintained at 'A-2'.

Moody's maintained Bank Australia's long-term credit rating of Baa1 with a stable outlook and kept short-term rating of 'P2'.

10. Dividends

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

11. Events subsequent to balance date

The Directors have considered events subsequent to the balance date and, in accordance with applicable accounting standards, have disclosed within the Financial Statements of the Consolidated Entity and the Company as at 30 June 2023 those events where relevant.

12. Likely developments and expected results

The Directors are not aware of any other likely developments in financial years subsequent to 30 June 2023 that may significantly affect the operation and expected results of the Company.

13. Directors' interests

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

Directors' report

14. Indemnification of officers and auditors

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses contracts. The Company has not indemnified the current external auditors, EY (Ernst & Young). The Directors

have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

15. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 129 and forms part of the Directors' report for the financial year ended 30 June 2023.

16. Financial accommodation to Directors and associates

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

17. Basis of preparation

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

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

Judith Downes, Director
Signed on 28th September 2023

Steve Ferguson, Director
Signed on 28th September 2023

External Auditor's Independence Declaration

External Auditor's Independence Declaration

Building a better working world

As lead auditor for the audit of the financial report of Bank Australia Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater, Partner
28th September 2023

Financial Statements

Statement of Financial Position

as at 30 June 2023

	Note	**Consolidated Entity 2023 $m**	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Assets					
Cash and liquid assets	5	240.3	181.4	240.3	181.4
Due from other financial institutions	5	1.1	1.4	1.1	1.4
Investment securities	6	1,901.6	1,832.5	1,901.6	1,832.5
Current tax receivable		10.4	–	10.4	–
Other assets	22	42.8	26.0	42.8	27.9
Held for sale	23	1.1	–	1.1	–
Derivative assets	17	144.5	173.6	144.5	173.6
Net loans and advances	7	8,108.6	7,396.9	8,108.6	7,396.9
Investment in associates	8	6.6	6.4	6.6	6.4
Other investments	9	36.1	36.1	36.1	39.8
Property, plant and equipment	23	28.4	17.9	28.4	17.9
Intangible assets	24	–	0.2	–	0.2
Total assets		**10,521.5**	**9,672.4**	**10,521.5**	**9,678.0**
Liabilities					
Due to other financial institutions	5	102.3	125.5	102.3	125.5
Deposits	3	7,749.6	7,403.0	7,749.6	7,420.4
Borrowings	4	1,844.5	1,373.9	1,844.5	1,373.9
Current tax payable		–	8.5	–	8.5
Derivative liabilities	17	40.3	36.0	40.3	36.0
Net deferred tax liabilities	15	6.3	15.3	6.3	15.3
Other liabilities	25	65.4	32.7	65.4	32.7
Provisions	25	11.2	10.1	11.2	10.1
Total liabilities		**9,819.6**	**9,005.0**	**9,819.6**	**9,022.4**
Net assets		**701.9**	**667.4**	**701.9**	**655.6**
Customer owners' funds					
Reserves	26	701.9	667.4	701.9	655.6
Total customer owners' funds		**701.9**	**667.4**	**701.9**	**655.6**

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Note	**Consolidated Entity 2023 $m**	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Revenue					
Interest revenue	11	411.8	209.9	411.8	209.9
Interest expense	12	(207.1)	(53.6)	(207.1)	(53.6)
Net interest revenue		**204.7**	**156.3**	**204.7**	**156.3**
Share of profit in associate	8	0.1	(1.5)	0.1	(1.5)
Other income	13	16.9	18.6	28.7	19.2
Total revenue		**221.7**	**173.4**	**233.5**	**174.0**
Expenses					
Credit impairment (write-back) / charge	10	–	1.1	–	1.1
Operating expenses	14	146.8	121.5	146.8	122.1
Total expenses		**146.8**	**122.6**	**146.8**	**123.2**
Profit before income tax		**74.9**	**50.8**	**86.7**	**50.8**
Income tax expense	15	(22.6)	(16.4)	(22.6)	(16.4)
Profit for the period		**52.3**	**34.4**	**64.1**	**34.4**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		(0.5)	0.7	(0.5)	0.7
Income tax attributable to this item		–	(0.2)	–	(0.2)
Changes in fair value of equity instruments		–	–	–	–
at fair value through other comprehensive income		–	0.8	–	0.8
Income tax attributable to this item		–	(0.2)	–	(0.2)
Items that may be reclassified to profit or loss					
Net gain / (loss) on cash flow hedges		(28.1)	43.5	(28.1)	43.5
Income tax attributable to this item		10.6	(16.3)	10.6	(16.3)
Total comprehensive income for the period attributable to customer owners		**34.3**	**62.7**	**46.1**	**62.7**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.

Statement of Changes in Customer Owners' Funds

for the year ended 30 June 2023

	Retained earnings $m	General reserves[1] $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	Fair value reserve $m	General reserve for credit losses[2] $m	Total customer owners' funds $m
Consolidated Entity							
As at 30 June 2022	**–**	**619.9**	**3.0**	**28.4**	**16.1**	**–**	**667.4**
Profit for the period	52.3	–	–	–	–	–	52.3
Other comprehensive income	–	–	(0.5)	(17.5)	–	–	(18.0)
Total comprehensive income	**52.3**	**–**	**(0.5)**	**(17.5)**	**–**	**–**	**34.3**
Movement from controlled entity	–	0.2	–	–	–	–	0.2
Transfers between reserves	(52.3)	52.3	–	–	–	–	–
As at 30 June 2023	**–**	**672.4**	**2.5**	**10.9**	**16.1**	**–**	**701.9**
As at 30 June 2021	**–**	**567.9**	**12.3**	**1.2**	**15.5**	**5.1**	**602.0**
Profit for the period	34.4	–	–	–	–	–	34.4
Other comprehensive income	–	–	0.4	27.2	0.6	–	28.2
Total comprehensive income	**34.4**	**–**	**0.4**	**27.2**	**0.6**	**–**	**62.6**
Movement in deferred taxes	–	–	2.8	–	–	–	2.8
Transfers between reserves	(34.4)	52.0	(12.5)	–	–	(5.1)	–
As at 30 June 2022	**–**	**619.9**	**3.0**	**28.4**	**16.1**	**–**	**667.4**

1 For the year ended 30 June 2023, the redeemed capital reserve ($1.7 million) is included within general reserves. In prior years, the redeemed capital reserve has been disclosed separately.

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

	Retained earnings $m	General reserves[1] $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	Fair value reserve $m	General reserve for credit losses[2] $m	Total customer owners' funds $m
The Company							
As at 30 June 2022	**–**	**608.1**	**3.0**	**28.4**	**16.1**	**–**	**655.6**
Profit for the period	64.1	–	–	–	–	–	64.1
Other comprehensive income	–	–	(0.5)	(17.5)	–	–	(18.0)
Total comprehensive income	**64.1**	**–**	**(0.5)**	**(17.5)**	**–**	**–**	**46.1**
Movement from controlled entity	–	0.2	–	–	–	–	0.2
Transfers between reserves	(64.1)	64.1	–	–	–	–	–
As at 30 June 2023	**–**	**672.4**	**2.5**	**10.9**	**16.1**	**–**	**701.9**
As at 30 June 2021	**–**	**567.9**	**3.0**	**1.2**	**15.5**	**5.1**	**592.7**
Profit for the period	34.4	–	–	–	–	–	34.4
Other comprehensive income	–	–	0.4	27.2	0.6	–	28.2
Total comprehensive income	**34.4**	**–**	**0.4**	**27.2**	**0.6**	**–**	**62.6**
Movement in deferred taxes	–	–	0.3	–	–	–	0.3
Transfers between reserves	(34.4)	40.2	(0.7)	–	–	(5.1)	–
As at 30 June 2022	**–**	**608.1**	**3.0**	**28.4**	**16.1**	**–**	**655.6**

The Statement of Changes in Customer Owners' Funds is to be read in conjunction with the notes to the Financial Statements.

1 For the year ended 30 June 2023, the redeemed capital reserve ($1.7 million) is included within general reserves. In prior years, the redeemed capital reserve was disclosed separately.

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

Statement of Cash Flows

for the year ended 30 June 2023

	Notes	Consolidated Actuals 2023 $m	Consolidated Actuals 2022 $m	Company Actuals 2023 $m	Company Actuals 2022 $m
Cash flows from operating activities					
Inflows					
Interest received from customer loans		298.3	179.1	298.3	179.1
Interest received from investments		81.6	28.8	81.6	28.8
Net increase in deposits		346.5	806.4	329.2	820.1
Fees and commission received		21.9	12.2	23.2	10.9
Dividends received		1.2	5.1	1.2	5.1
Income tax refund		0.3	0.7	0.3	0.7
Bad debts recovered		–	0.1	–	0.1
Other income		0.6	1.1	13.1	1.7
Total inflows		**750.4**	**1,033.5**	**746.9**	**1,046.5**
Outflows					
Interest paid to customers		(116.4)	(39.9)	(116.4)	(39.9)
Interest paid to other corporations		(50.7)	(18.7)	(50.7)	(18.7)
Net increase in loans and advances		(711.7)	(1,068.8)	(711.7)	(1,068.8)
Payments to suppliers and employees		(147.3)	(118.9)	(147.3)	(119.1)
Income tax paid		(40.3)	(19.9)	(40.3)	(19.9)
Total outflows		**(1,066.4)**	**(1,266.2)**	**(1,066.4)**	**(1,266.4)**
Net cash from operating activities	32(c)	**(316.0)**	**(232.7)**	**(319.5)**	**(219.9)**
Cash flows from investing activities					
Acquisition of investment securities		(865.9)	(783.8)	(862.3)	(783.8)
Proceeds from sale of investment securities		801.7	707.1	801.7	707.1
Acquisition of non-current assets		(8.6)	(2.4)	(8.7)	(2.4)
Proceeds from disposal on non-current assets		–	16.4	–	3.6
Total outflows from investing activities		**(72.8)**	**(62.7)**	**(69.3)**	**(75.5)**
Cash flows from financing activities					
Net increase in due to other financial institutions		(22.9)	117.6	(22.9)	117.6
Net increase in borrowings		156.7	262.9	156.7	262.9
Net increase in sustainability bond		313.9	(125.1)	313.9	(125.1)
Net increase in subordinated debt		–	40.0	–	40.0
Total inflows from financing activities		**447.7**	**295.4**	**447.7**	**295.4**
Net increase in cash held		58.9	–	58.9	–
Cash at the beginning of the year		181.4	181.4	181.4	181.4
Cash at the end of the year	5	**240.3**	**181.4**	**240.3**	**181.4**

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements.

Notes to the Financial Statements

About the Financial Statements

This section summarises how the 30 June 2023 Financial Report has been prepared in accordance with the accounting standards issued by the Australia Accounting Standards Board and other regulatory requirements. This includes company information, significant judgements and accounting policy interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2023

1. Reporting entity

Bank Australia Limited (the Company) is a customer owned, mutual company, limited by shares, which is domiciled and incorporated in Australia. The address of the Company's registered office, as at 30 June 2023, is 54 Wellington Street, Collingwood, Victoria, 3066.

The consolidated Financial Statements for the financial year ended 30 June 2023 comprises the accounts of the Company and its subsidiaries (together referred to as the 'Consolidated Entity'). The Company is a for profit entity operating for the benefit of its customers and is primarily involved in the raising of funds, as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the use of those funds in providing financial services to its customers while delivering positive social and environmental outcomes.

2. Basis of preparation

(a) Statement of compliance

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

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

The consolidated Financial Statements were authorised for issue by the Directors on 28 September 2023.

(b) Basis of measurement

The Financial Statements have been prepared and presented in Australian dollars and on a cost basis except property, derivatives and some investments, which are stated at fair value.

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

(c) Use of estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are considered reasonable under the circumstances. These estimates and judgements inform the decisions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates in the event of realisation of the asset or liability. These accounting policies have been consistently applied by each entity in the Consolidated Entity. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that materially affects the Financial Statements are included in the following notes:

- Note 8 – Investment in associates;
- Note 9 – Other investments;
- Note 10 – Expected credit losses;
- Note 15 – Income tax;
- Note 17 – Derivative financial instruments and hedging;
- Note 18 – Measurement categories of financial instruments
- Note 19 – Fair value of financial instruments;
- Note 23 – Property, plant and equipment;
- Note 24 – Intangible assets; and
- Note 25 – Other liabilities

(d) Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Company. For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses.

Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

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

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

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

Investments in subsidiaries are recognised at cost in the Company's Financial Statements.

The consolidated Financial Statements of the Company comprise the accounts of Bank Australia Limited and its special purpose entity Buloke Funding Trust No. 1.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2023

(e) New standards and interpretations

New accounting standards that have become effective and standards and interpretations that are not yet effective and have not been early adopted by the Consolidated Entity for the reporting period ended 30 June 2023, are outlined in the table below.

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Currently, there is no material/ significant impact to the Consolidated Entity and the Company.	1 January 2025	1 January 2025
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the Statement of Financial Position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	No material/ significant impact to the Company or Consolidated entity.	1 January 2024	1 January 2024
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	This Standard amends AASB 101 to improve the information an entity provides in its Financial Statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.			

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	This Standard amends: • AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's Financial Statements; • AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; • AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; • AASB 134, to identify material accounting policy information as a component of a complete set of Financial Statements; and • AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	Note 2(c) Use of estimates and judgements updated to replace the term 'significantly affects' with the term 'materially affects'. Material accounting policy assessment and disclosure protocols are in line with standard amendments.	1 January 2023	1 January 2023
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	This Standard amends AASB 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 Revenue from Contracts with Customers to be accounted for as a sale.	Currently, there is no material/ significant impact to the Consolidated Entity and the Company.	1 January 2024	1 January 2024
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	This Standard makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2 Making Materiality Judgements. This Standard also repeals Australian Accounting Standards that have been superseded by either subsequent principal versions of the Standard or by other Standards without being formally repealed at the time.	The editorial corrections and repeals have no impact to the existing reporting completed by the Consolidated Entity and the Company.	1 January 2023	1 January 2023

Reference	Nature of change to accounting policy	Impact to the Company	Application date of standard	Application date for the Company
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	This Standard amends AASB 112 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions. The Standard amends AASB 112 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in AASB 112.	Note 15 Income Tax updated to replace the category description for temporary tax differences relating to offsetting right-of-use assets and lease liabilities. Previous description used was 'Right-of-use-assets', this has been updated to 'Leased assets and liabilities' in order to detail both components of the temporary tax difference.	1 Jan 2023	1 Jan 2023
AASB 2022-4 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*	This Standard amends AASB 1054 and AASB 1057 in relation to for-profit private sector entities that are required only by their constituting document or another document (being a document created before 1 July 2021 and not amended on or after that date) to prepare Financial Statements that comply with Australian Accounting Standards. The amendments require that when such entities prepare special purpose Financial Statements that refer to Australian Accounting Standards, the Financial Statements include disclosures that inform users of the basis upon which those Financial Statements were prepared.	No material/ significant impact to the either the Consolidated Entity or the Company.	Ending 30 Jun 2022	Ending 30 Jun 2022

Financial liabilities

As an Authorised Deposit Taking Institution (ADI), the Company accepts the deposits of our customers through transactional accounts, savings accounts and term deposits. The Company also raises funds through wholesale borrowings as and when required

The Company uses these deposits for lending to help create positive impact for people and the planet.

3. Deposits

Accounting policy

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

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Call deposits	5,548.1	5,894.1	5,548.1	5,894.1
Deposits from related entities	–	–	–	17.4
Term deposits	2,201.5	1,508.9	2,201.5	1,508.9
Total deposits	**7,749.6**	**7,403.0**	**7,749.6**	**7,420.4**

4. Borrowings and debt issuance

Accounting policy

Wholesale funding

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

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

Repurchase agreements

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
(a) Borrowings		
Wholesale term deposits	3.0	3.0
Negotiable Certificates of Deposits	251.3	312.1
Warehouse securitised funding	380.7	67.8
Repurchase agreements	660.7	756.1
Total borrowings	**1,295.7**	**1,139.0**

The Warehouse Facility provides the Company with access to secured funding backed by part of the mortgage portfolio beyond that provided by customer deposits. The funding from the Warehouse Facility is provided by Australia and New Zealand Banking Group Limited (ANZ). The Warehouse Facility was established in April 2017, expires in April 2024, and can be renewed with the agreement of the relevant parties. Refer to Note. 7 Loans and advances for further details.

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
(b) Debt issuance		
Sustainability bond	508.8	194.9
Subordinated debt	40.0	40.0
Total debt issuance	**548.8**	**234.9**

The Company's Medium Term Note Programme allows it to issue sustainability bonds, which are used to finance eligible assets that help achieve either of four of the United Nations Sustainable Development Goals (SDGs): affordable and clean energy, reduced inequalities, sustainable cities and communities and life on land. For more information about the sustainability bond and our approach to Impact Finance please see the 2023 Impact Report.

During the year, the Company issued two floating rate sustainability bonds of $225 million on 24 November 2022 and $225 million on 22 February 2023 under the Company's $1 billion Debt Issuance Programme (2021). These bonds have a maturity of 3 years and 4 years respectively with the use of the funds contributing to sustainable assets. Additionally, $135 million sustainability bonds matured during the year.

Financial assets

As an ADI, the Company accepts the deposits of our customers to achieve the Company's purpose.

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

We do this by lending money:

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

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

For more information refer to the 2023 Impact Report which explains how the Company has lived up to its responsible banking promise in financial year 2023.

5. Cash and balances with other financial institutions

Accounting policy

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

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

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
(a) Cash and liquid assets		
Cash on hand	5.5	5.4
Cash at bank	173.6	126.2
Deposit at call	61.2	49.8
Total cash and liquid assets	**240.3**	**181.4**

Cash and liquid assets include restricted balances of $107.8 million (2022: $77.9 million), representing deposits held in Buloke Funding Trust No.1' s securitisation trust, which are not available to the Company.

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
(b) Due from other financial institutions		
Collateral paid	1.1	1.4
Total due from other financial institutions	**1.1**	**1.4**
(c) Due to other financial institutions		
Collateral received	102.3	125.5
Total due to other financial institutions	**102.3**	**125.5**

Cash collateral balances are held against the fair value of the derivative portfolio.

6. Investment securities at amortised cost

Accounting policy

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

Investments are initially measured at fair value including direct transaction costs and are subsequently measured at amortised cost, net of any impairment losses, using the effective interest method. Investments are measured at amortised cost because (a) they are held to collect contractual cash flows and (b) their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Term deposits	52.7	52.7
Negotiable Certificates of Deposits	158.8	91.2
Asset backed securities	368.5	535.8
Floating rate notes	398.1	383.1
Fixed rate bonds	1,009.8	856.3
Fair value hedge adjustment	(86.3)	(86.6)
Total investment securities	**1,901.6**	**1,832.5**

7. Net loans and advances

Accounting policy

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

Securitisation

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

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

Net loans and advances

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Net loans and advances		
Home loans	7,703.2	6,996.2
Commercial lending	331.6	332.4
Personal loans	29.6	25.1
Overdrafts and revolving credit	40.6	41.4
Directors and related parties	6.9	5.0
Fair value hedge adjustment	(5.0)	(5.2)
Gross loans and advances	**8,106.9**	**7,394.9**
Less provision for impairment	(10.4)	(10.4)
Add net deferred loan fees and costs	12.1	12.4
Net loans and advances	**8,108.6**	**7,396.9**
Net loans and advances subject to COVID-19 restructuring		
Home loans	–	7.2
Gross loans and advances	–	**7.2**
Performing facilities	–	(0.2)
Net loans and advances	–	**7.0**
Performing facilities	–	1.9
Non-performing facilities	–	5.3
Gross loans and advances	–	7.2

During the year ending 30 June 2023, no new facilities were restructured as a result of COVID-19.

(i) Contingent liquidity facility

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

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

The value of loans which do not qualify for de-recognition as at 30 June 2023 was $1,458.6 million (2022: $1,601.2 million). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes as at 30 June 2023 was $1,541.1million (2022: $1,659.1 million).

(ii) Residential Mortgage Backed Security (RMBS) warehouse

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

The loan contractual benefits transferred to the Trust have not been de-recognised in the Company's Financial Statements because the Company retains the benefits of the Trust. The credit risk associated with the transferred loans remains with the Company. The company holds income and capital units in the trust which entitle the Company to any residual income of the trust after all required coupons to investors and servicing and managing fee payments have been met. The value of loans that do not qualify for de-recognition as at 30 June 2023 was $401.4 million (2022: $80.6 million). The value of associated liabilities, including floating rate notes and accrued interest payable on the notes at 30 June 2023 was $414.4 million (2022: $83.0 million).

(iii) Securitisation program

In the past, the Company conducted a loan securitisation program whereby residential mortgage loans were sold as securities to an unrelated entity, Integris Securitisation Services Pty Ltd. As the contractual arrangements of the program met the criteria for transferring assets off balance sheet, these assets were removed from the Company's Statement of Financial Position. The Company bears no risk exposure in respect of these loans. The Company receives fee and commission income from securitised loans which is included in non-interest revenue. The program gave the Company notice that it was making a call on all outstanding notes from its investors. Consequently, the Company repurchased loans previously sold to the program in June 2023 at the face value of $1.8 million (2022: $2.8 million).

8. Investment in associates

Accounting policy

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

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Investment in Data Action Pty Ltd	6.6	6.4
Total investments in associate	**6.6**	**6.4**

The Company has a 28.3% (2022: 28.3%) interest in Data Action Pty Ltd (Data Action), a provider of computer facilities management and associated support services. As the Company has representation on the Board and has determined it has significant influence over Data Action, the interests in the associate are accounted for using the equity method.

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Current assets	28.4	21.7
Non-current assets	26.2	18.1
Current liabilities	(14.5)	(10.6)
Non-current liabilities	(16.7)	(6.4)
Equity	**23.4**	**22.8**
Proportion of the Company's ownership	28.3%	28.3%
Carrying amount of the investment	**6.6**	**6.5**
Movement in share of equity for the year	**0.2**	**(1.5)**
Total revenue	65.0	52.4
Total expenses	(64.4)	(59.2)
Profit / (Loss) before tax	0.6	(6.8)
Tax	(0.2)	1.4
Profit / (Loss) after tax	**0.4**	**(5.4)**
Share of profit / (Loss) for the year	**0.1**	**(1.5)**

During the year the Company received no dividends from Data Action (2022: NIL)

Other disclosures in relation to Data Action are as follows:

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

9. Other investments

Accounting policy

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

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

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

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

Key judgements and estimates

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

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Shares at fair value				
Shares in Cuscal	36.1	36.1	36.1	36.1
Units in ECS Unit Trust	–	–	–	3.7
Total other investments	**36.1**	**36.1**	**36.1**	**39.8**

During the year, the Company received $1.2 million of dividends from Cuscal which has been recognised in the profit or loss (2022: $2.5 million).

10. Expected credit losses

Accounting policy

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

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

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

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

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

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

Loans and advances

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

Calculation of expected credit losses

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

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

The LGD represents expected loss conditional on default. LGD is determined with reference to the loss rate incurred in each segment of the portfolio over the observation period and the actual loss incurred (i.e. write- off) following a default. This methodology is applied consistently across each segment, except the home loan and commercial lending segments where a benchmark LGD is applied given the limited historical write-offs incurred in these segments.

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

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

Incorporation of forward looking adjustments

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

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

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

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

Write-off policy

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

Key judgements and estimates

Definition of default

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

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

Lifetime of an exposure

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

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

Significant increase in credit risk

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

Trigger for movements between stages
Financial instruments less than or equal to 30 days past due.
Financial instruments greater than 30 days past due and less than or equal to 90 days past due.
Financial instruments greater than 90 days past due.

Loans are transferred from stage 2 to stage 1 when there is no longer a significant increase in credit risk since the initial recognition of the loans. Loans which were non-performing will be transferred from stage 3 to stage 2 or stage 1 when they are deemed to have returned to performing status.

Forward-looking information

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

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

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

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

Scenario	Expectation
Base case	The base case scenario is detailed in the table below and assumes that economic growth will be constrained by the anticipated ongoing tightening of monetary policy by the RBA in response to higher than target inflation. The tightening of monetary policy is expected to result in an increase in unemployment from the current historically low levels.
Downside	Economic Slowdown: The scenario projects a slowdown in economic growth with marginal growth in 2023 (0.2%) and 2025 (0.3%) and negative growth in 2024 (-1.1%). Unemployment is projected to increase to 5.3% in 2023 and increase progressively to 7.1% and 7.4% in 2024 and 2025 respectively.
Severe downside	Economic Recession: The scenario projects negative economic growth over the three-year time horizon (2023: -0.8%; 2024: -3.5%; 2025 –0.8%). Unemployment is projected to increase to 6.7% in 2023, 9.5% in 2024 and 10.2% in 2025.

Base case economic forecast

	Forecast, as at 31 December		
	2023	2024	2025
GDP (annual % change)	1.3%	1.4%	1.4%
Unemployment rate	4.0%	4.6%	4.6%

Probability weightings

	Consolidated Entity and the Company 2023	Consolidated Entity and the Company 2022
Base	60%	50%
Downside	30%	15%
Severe downside	10%	35%

ECL–Sensitivity analysis as at 30 June 2023

	Consolidated Entity and the Company ECL collective provision $m	Consolidated Entity and the Company Impact $m
100% Base scenario	7.0	(3.0)
100% Downside scenario	12.1	2.1
100% Severe downside scenario	21.6	11.6

Notes to the Financial Statements

for the year ended 30 June 2023

Credit impairment charge

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Net new and increased provisions[1]	(0.1)	1.0
Write-offs	0.1	0.2
Recoveries of amounts previously written off	–	(0.1)
Total credit impairment charge	–	**1.1**

[1] Net of provision and write-backs

Provision for impairment

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Individual provision for impairment	0.4	0.4
Collective provision for impairment	10.0	10.0
Provision for impairment	**10.4**	**10.4**

Collective provision movement by stage

	Consolidated Entity and the Company			
	Stage 1 $m	**Stage 2 $m**	**Stage 3 $m**	**Total $m**
Balance as at 30 June 2022	**1.8**	**5.3**	**2.9**	**10.0**
Transferred to stage 1	5.0	(2.4)	(2.6)	–
Transferred to stage 2	–	0.1	(0.1)	–
Transferred to stage 3	–	–	–	–
New and increased/(Write Back)	(5.6)	1.3	0.7	(3.6)
Write-offs	–	–	–	–
Model risk reserve and macro-economic adjustment	0.4	3.6	(0.4)	3.6
Balance as at 30 June 2023	**1.6**	**7.9**	**0.5**	**10.0**

	Consolidated Entity and the Company			
	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m
Balance as at 30 June 2021	**2.1**	**2.6**	**4.2**	**8.9**
Transferred to stage 1	0.1	(0.1)	–	–
Transferred to stage 2	(0.1)	0.1	–	–
Transferred to stage 3	–	(0.1)	0.1	–
New and increased provisions (net of repayments)	(0.2)	(0.7)	(0.7)	(1.6)
Write-offs	–	–	–	–
Forward looking and other adjustments	(0.1)	3.5	(0.7)	2.7
Balance as at 30 June 2022	**1.8**	**5.3**	**2.9**	**10.0**

Summary of Non-Performing Exposures

Non-performing exposures

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

Non-accrual facilities

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

Restructured facilities

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

The following table provides details on gross impaired facilities.

	Non-performing exposures 2023 $m	Individual provision 2023 $m	Collateral[1] 2023 $m	Non-performing exposures 2022 $m	Individual provision 2022 $m	Collateral[1] 2022 $m
Consolidated Entity and the Company						
Non-accrual facilities	11.1	0.7	33.1	6.0	0.4	19.5
Restructured facilities	3.4	0.1	6.5	13.7	–	62.5
Total	**14.5**	**0.8**	**39.6**	**19.7**	**0.4**	**82.0**

1 Collateral held against non-accrual facilities and restructured facilities was primarily registered first mortgages over property. Property valuations for restructured loans are as at origination, whilst property values from non-accrual loans are updated once the account becomes non-accrual and every 12 months thereafter.

Financial performance

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

11. Interest revenue

Accounting policy

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

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

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

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Deposits with other financial institutions	3.9	0.1
Investment securities	57.6	23.5
Derivatives revenue	46.8	4.7
Loans and advances	303.5	181.6
Total interest revenue	**411.8**	**209.9**

12. Interest expense

Accounting policy

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Borrowings from other financial institutions	48.4	6.2
Derivatives expenses	10.4	9.5
Deposits	147.6	37.7
Leases	0.7	0.2
Total interest expense	**207.1**	**53.6**

13. Other income

Accounting policy

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

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

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract; Step 3: Determine the amount of consideration in the contract;

Step 4: Allocate the consideration to each of the identified performance obligations; and Step 5: Recognise revenue when (or as) each performance obligation is satisfied.

Fee income

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

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

Commission income

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

Dividends

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Fee income	3.6	4.6	3.6	4.6
Commissions	11.7	10.5	11.7	10.5
Dividends	1.2	2.5	1.2	2.5
Intercompany management fees	–	–	–	0.1
Miscellaneous income	0.4	1.0	0.4	0.9
Distribution income	–	–	11.8	0.6
Total other income	**16.9**	**18.6**	**28.7**	**19.2**

The Company received trust distribution income from the ECS Unit Trust of $11.8m (2022: $542k). The distribution was declared and approved by the trustee on 24th November 2022. On 9 February 2023, the Company resolved to determine the trust in accordance with the Trust Deed and resolved to approve the de-registration of Ed Credit Services Pty Ltd, the trustee for the ECS Unit Trust. The distribution comprised the profit on sale of the ECS Unit Trust's leasing business, which was sold on 30 June 2022, and the remaining assets of the trust on determination. For further information refer to Note 33 Controlled entities.

14. Operating expenses

Accounting policy

Operating expenses

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

Wages, salaries and related personnel expenses

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Personnel				
Salaries and related costs	65.7	51.2	65.7	51.2
Other staff related costs	10.0	6.5	10.0	6.5
	75.7	**57.7**	**75.7**	**57.7**
Customer services				
Fees and commissions	19.4	16.0	19.4	16.0
Other product and service delivery costs	4.4	3.8	4.4	3.8
	23.8	**19.8**	**23.8**	**19.8**
Information technology				
Applications, licences and outsourced services	16.6	16.4	16.6	16.4
Telecommunications	1.5	1.4	1.5	1.4
Depreciation and amortisation	0.6	0.6	0.6	0.6
	18.7	**18.4**	**18.7**	**18.4**
Occupancy expenses				
Depreciation of property, plant and equipment	2.1	1.9	2.1	1.7
Depreciation of right of use assets	2.0	1.7	2.0	1.7
Other occupancy expenses	2.9	2.2	2.9	3.0
	7.0	**5.8**	**7.0**	**6.4**
Other operating expenses				
Marketing and development	10.3	8.7	10.3	8.7
General administration costs	11.3	11.1	11.3	11.1
	21.6	**19.8**	**21.6**	**19.8**
Total operating expenses	**146.8**	**121.5**	**146.8**	**122.1**

15. Income tax

Accounting policy

Income tax

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

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

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

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

Goods and Services Tax (GST)

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

Key judgements and estimates

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

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for the year ended 30 June 2023

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Income tax expense				
Profit before income tax	74.9	50.8	86.7	50.8
Income tax at Australia's statutory tax rate of 30%	22.5	15.2	26.0	15.2
Tax effect of amounts which are not deductible / assessable in calculating taxable income:				
Fully franked dividends received	(0.5)	(2.2)	(0.5)	(2.2)
Other assessable income	0.3	3.4	(3.2)	3.4
Under/(over) provision of income tax in prior years	0.3	–	0.3	–
Income tax expense	**22.6**	**16.4**	**22.6**	**16.4**
Income tax expense comprises:				
Current income tax	21.8	19.1	21.8	19.1
Decrease / (increase) in deferred tax assets	3.8	(11.3)	3.8	(11.3)
(Decrease) / increase in deferred tax liabilities	(3.3)	8.6	(3.3)	8.6
Under / (over) provision of income tax in prior years	0.3	–	0.3	–
	22.6	**16.4**	**22.6**	**16.4**
Income tax expense recognised in other comprehensive income				
Deferred tax relating to revaluation of land and buildings	–	0.2	–	0.2
Deferred tax relating to revaluation of other investments	–	0.2	–	0.2
Deferred tax relating to cash flow hedge derivatives	(10.6)	16.3	(10.6)	16.3
	(10.6)	**16.7**	**(10.6)**	**16.7**
Franking credits	**236.8**	**196.2**	**236.8**	**196.2**

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	The Company 2023 $m	The Company 2022 $m

Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the income statement:				
Provision for impairment of loans and advances	3.1	3.1	3.1	3.1
Provision for employee entitlements	2.6	2.3	2.6	2.3
Sundry provisions	0.7	0.7	0.7	0.7
Leased assets and liabilities	0.5	0.2	0.5	0.2
Building depreciation	0.4	0.3	0.4	0.3
Trade creditors and accruals	0.5	3.4	0.5	3.4
Derivative financial instruments	5.2	7.8	5.2	7.8
Other	–	–	–	–
Gross deferred tax assets	**13.0**	**17.8**	**13.0**	**17.8**
Set-off of deferred tax assets and deferred tax liabilities	(13.0)	(17.8)	(13.0)	(17.8)
Net deferred tax assets	–	–	–	–

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for the year ended 30 June 2023

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	The Company 2023 $m	The Company 2022 $m
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Plant and equipment depreciation	1.1	0.3	1.1	0.3
Derivative financial instruments	4.4	8.5	4.4	8.5
	5.5	**8.8**	**5.5**	**8.8**
Amounts recognised directly in other comprehensive income:				
Land and buildings	1.1	1.0	1.1	1.0
Other investments	6.9	6.9	6.9	6.9
Derivative financial instruments	5.8	16.4	5.8	16.4
	13.8	**24.3**	**13.8**	**24.3**
Gross deferred tax liabilities	**19.3**	**33.1**	**19.3**	**33.1**
Set-off of deferred tax assets and deferred tax liabilities	(13.0)	(17.8)	(13.0)	(17.8)
Net deferred tax liabilities / (assets)	**6.3**	**15.3**	**6.3**	**15.3**
Movements				
Opening balance	15.3	4.1	15.3	1.5
Prior-year adjustment	0.9	–	0.9	–
Recognised in income statement	0.6	(2.7)	0.6	(2.7)
Recognised in other comprehensive income	(10.5)	13.9	(10.5)	16.5
Closing balance	**6.3**	**15.3**	**6.3**	**15.3**

Tax Transparency Code

The Tax Transparency Code (TTC) is an Australian Taxation Office set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The Company has prescribed to TTC reporting in order to contribute towards greater tax transparency and the enhancement of community understanding of tax compliance. Details of our TTC report for the year ended 30 June 2023 can be found on our website.

Capital and risk management

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

16. Risk management

Overview

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

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

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

Key material risks	Key sections applicable to this risk
Credit risk	• Overview, management and control activities • Exposure to credit risk • Credit quality • Concentration of credit risk
Liquidity risk	• Overview, management and control activities • Residual contractual maturities
Non-market traded risk	• Overview, management and control activities
Interest rate risk	• Overview, management and control activities • Effective interest rate and repricing analysis • Sensitivity to interest rate risk
Operational risk	• Overview, management and control activities

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

Risk management framework

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

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

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

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

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

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

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

(a) Credit risk

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

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

Management of credit risk

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

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

Exposure to credit risk

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

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

Maximum exposure to credit risk

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

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	The Company 2023 $m	The Company 2022 $m
Credit risk exposures relating to on balance sheet assets:				
Cash and liquid assets	240.3	181.4	240.3	181.4
Due from other financial institutions	1.1	1.4	1.1	1.4
Investment securities at amortised cost	1,901.6	1,832.5	1,901.6	1,832.5
Other assets[1]	38.5	21.9	38.5	23.8
Derivative assets	144.5	173.6	144.5	173.6
Gross loans and advances[2]	8,106.9	7,394.9	8,106.9	7,394.9
Investment in associate	6.6	6.4	6.6	6.4
Other investments[3]	36.1	36.1	36.1	39.8
Total on balance sheet	**10,475.6**	**9,648.2**	**10,475.6**	**9,653.8**
Credit risk exposures relating to off balance sheet assets:				
Credit-related commitments	1,345.3	1,297.1	1,345.3	1,297.1
Bank guarantees	5.6	4.5	5.6	4.5
Total off balance sheet	**1,350.9**	**1,301.6**	**1,350.9**	**1,301.6**
Total credit risk exposure	**11,826.5**	**10,949.8**	**11,826.5**	**10,955.4**

Credit quality

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

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

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

3 Other Investments are exposed to equity price risk as opposed to credit risk.

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for the year ended 30 June 2023

Investment securities – exposure by external credit rating

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

	2023				2022			
	AAA+ to A $m	BBB+ to B $m	Unrated $m	Total $m	AAA+ to A $m	BBB+ to B $m	Unrated $m	Total $m
Consolidated Entity and the Company								
ADIs	873.1	216.5	–	1,089.6	797.5	109.7	–	907.2
Government investments	443.5	–	–	443.5	389.5	–	–	389.5
Other	368.5	–	–	368.5	535.8	–	–	535.8
Total investments at amortised cost	**1,685.1**	**216.5**	**–**	**1,901.6**	**1,722.8**	**109.7**	**–**	**1,832.5**

Loans and advances – exposure by segment and stage

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

	2023				2022			
	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m	Stage 1 $m	Stage 2 $m	Stage 3 $m	Total $m
Consolidated Entity and the Company								
Home loans	8,456.6	336.8	13.1	8,806.5	7,667.8	391.1	17.6	8,076.5
Commercial lending	374.2	64.2	0.4	438.8	344.9	60.0	4.4	409.3
Personal loans	30.5	0.1	0.3	30.9	26.6	0.1	0.3	27.0
Overdrafts and revolving credit	185.6	0.8	0.2	186.6	188.3	0.5	0.2	189.0
Total loans and advances exposure	**9046.9**	**401.9**	**14.0**	**9,462.8**	**8,227.6**	**451.7**	**22.5**	**8,701.8**

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

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

Concentration of credit risk

Concentration risk is managed by counterparty and by geographical region. The Company implements certain exposure and concentration limits in order to mitigate the risk. As at 30 June 2023, no counterparties individually held loans which represented 10% or more of capital (2022: Nil).

Loans and advances – exposure by customer location

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

	Carrying amount 2023 $m	Off balance sheet 2023 $m	Total credit exposure 2023 $m	Carrying amount 2022 $m	Off balance sheet 2022 $m	Total credit exposure 2022 $m
Consolidated Entity and the Company						
Geographic areas						
Victoria	3,880.9	709.6	4,590.5	3,624.4	747.0	4,371.4
New South Wales	1,705.1	258.8	1,963.9	1,586.3	207.0	1,793.3
Queensland	975.7	148.3	1,124.0	904.0	148.7	1,052.7
Australian Capital Territory	574.0	87.5	661.5	520.0	85.7	605.7
Western Australia	491.1	65.6	556.7	360.2	47.5	407.7
South Australia	285.5	46.7	332.2	237.0	37.7	274.7
Tasmania	112.2	21.3	133.5	86.9	18.3	105.2
Northern Territory	52.4	6.4	58.8	53.5	5.7	59.2
Other territories	–	–	–	–	–	–
Non Resident	34.9	6.8	41.7	27.8	4.1	31.9
Total loans and advances exposure	**8,111.8**	**1,351.0**	**9,462.8**	**7,400.1**	**1,301.7**	**8,701.8**

Loans and advances – exposure by security location

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

	Carrying amount 2023 $m	Off balance sheet 2023 $m	Total credit exposure 2023 $m	Carrying amount 2022 $m	Off balance sheet 2022 $m	Total credit exposure 2022 $m
Consolidated Entity and the Company						
Geographic areas						
Victoria	3,831.0	546.5	4,377.5	3,572.3	558.1	4,130.4
New South Wales	1,690.3	171.7	1,862.0	1,581.1	163.4	1,744.5
Queensland	1,004.6	142.9	1,147.5	911.9	119.5	1,031.4
Australian Capital Territory	554.3	64.0	618.3	501.8	64.7	566.5
Western Australia	486.6	39.6	526.2	356.5	31.6	388.1
South Australia	329.7	35.1	364.8	284.9	29.8	314.7
Tasmania	125.2	16.8	142.0	104.9	13.4	118.3
Northern Territory	43.4	4.1	47.5	43.7	4.2	47.9
Approved but undrawn secured loans	-	205.7	205.7	–	191.5	191.5
Unsecured	46.7	124.6	171.3	43.0	125.5	168.5
Total loans and advances exposure	**8,111.8**	**1,351.0**	**9,462.8**	**7,400.1**	**1,301.7**	**8,701.8**

(b) Liquidity risk

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

Management of liquidity risk

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

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

Exposure to liquidity risk

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

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

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

Maturity analysis

	0–3 months $m	3–12 months $m	1–5 years $m	> 5 years $m	Total $m
Consolidated Entity 2023					
Financial liabilities					
Due to other financial institutions	102.3	–	–	–	102.3
Deposits	6,458.9	1,280.1	71.9	–	7,810.9
Lease Liabilities	0.2	0.7	6.4	8.9	16.2
Borrowings	792.6	558.8	577.1	49.6	1,978.1
Total Financial Liabilities	**7,354.0**	**1,839.6**	**655.4**	**58.5**	**9,907.5**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(11.0)	(32.0)	(52.0)	(35.0)	(130.0)
Total Cash Flows	**7,343.0**	**1,807.6**	**603.4**	**23.5**	**9,777.5**
Irrevocable loan commitments and guarantees	1,168.3	–	–	–	1,168.3
Total irrevocable loan commitments and guarantees	**1,168.3**	**–**	**–**	**–**	**1,168.3**
Consolidated Entity 2022					
Financial liabilities					
Due to other financial institutions	125.5	–	–	–	125.5
Deposits	6,509.5	820.9	85.4	–	7,415.8
Lease Liabilities	0.4	1.0	2.5	0.7	4.6
Borrowings	791.2	219.1	350.3	52.4	1,413.0
Total Financial Liabilities	**7,426.6**	**1,041.0**	**438.2**	**53.1**	**8,958.9**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(0.8)	(22.9)	(86.6)	(47.2)	(157.5)
Total Cash Flows	**7,425.8**	**1,018.1**	**351.6**	**5.9**	**8,801.4**
Irrevocable loan commitments and guarantees	1,113.3	–	–	–	1,113.3
Total irrevocable loan commitments and guarantees	**1,113.3**	**–**	**–**	**–**	**1,113.3**

Maturity analysis

	0–3 months $m	3–12 months $m	1–5 years $m	> 5 years $m	Total $m
The Company 2023					
Financial liabilities					
Due to other financial institutions	102.3	–	–	–	102.3
Deposits	6,458.9	1,280.1	71.9	–	7,810.9
Lease Liabilities	0.2	0.7	6.4	8.9	16.2
Borrowings	792.6	558.8	577.1	49.6	1,978.1
Total Financial Liabilities	**7,354.0**	**1,839.6**	**655.4**	**58.5**	**9,907.5**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(11.0)	(32.0)	(52.0)	(35.0)	(130.0)
Total Cash Flows	**7,343.0**	**1,807.6**	**603.4**	**23.5**	**9,777.5**
Irrevocable loan commitments and guarantees	1,168.3	–	–	–	1,168.3
Total irrevocable loan commitments and guarantees	**1,168.3**	**1,807.6**	**603.4**	**23.5**	**1,168.3**

	0–3 months $m	3–12 months $m	1–5 years $m	> 5 years $m	Total $m
The Company 2022					
Financial liabilities					
Due to other financial institutions	125.5	–	–	–	125.5
Deposits	6,526.9	820.9	85.4	–	7,433.2
Lease Liabilities	0.4	1.0	2.5	0.7	4.6
Borrowings	791.2	219.1	350.3	52.4	1,413.0
Total Financial Liabilities	**7,444.0**	**1,041.0**	**438.2**	**53.1**	**8,976.3**
Derivative Financial Instruments					
Interest rate swaps (assets & liabilities)	(0.8)	(22.9)	(86.6)	(47.2)	(157.5)
Total Cash Flows	**7,443.2**	**1,018.1**	**351.6**	**5.9**	**8,818.8**
Irrevocable loan commitments and guarantees	1,113.3	–	–	–	1,113.3
Total irrevocable loan commitments and guarantees	**1,113.3**	**–**	**–**	**–**	**1,113.3**

(c) Non-traded market risk

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

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

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

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

(d) Interest rate risk

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

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

Management of interest rate risk
The Company measures interest rate risk by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios, and managing the exposure within the limits set out in the Board Risk Appetite Statement.

During the year, the Company entered into a number of interest rate swaps to reduce the variability in cash flows, and changes in the economic values of assets and liabilities, associated with changes in market interest rates.

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

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
Consolidated Entity 2023							
Income earning assets							
Deposits at call	240.3	–	–	–	–	240.3	3.79
Due from other financial institutions	1.1	–	–	–	–	1.1	4.07
Investment securities[1]	995.9	96.7	155.5	253.4	486.4	1,987.9	3.71
Gross loans and advances[1]	5,042.2	1,258.1	1,275.2	493.6	42.8	8,111.9	4.80
Total income earning assets	**6,279.5**	**1,354.8**	**1,430.7**	**747.0**	**529.2**	**10,341.2**	**4.57**
Interest bearing liabilities							
Due to other financial institutions	102.3	–	–	–	–	102.3	4.07
Deposits	6,073.7	1,384.0	217.5	74.4	–	7,749.6	2.91
Borrowings	1,676.3	148.2	–	20.0	–	1,844.5	4.20
Leases	–	–	0.4	0.5	10.7	11.6	6.00
Total interest bearing liabilities	**7,852.3**	**1,532.2**	**217.9**	**94.9**	**10.7**	**9,708.0**	**3.17**
Derivative financial instruments							
Interest rate swaps – notional principal	461.6	415.0	(840.0)	486.4	(523.0)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of ($86.3m) and ($5.0m) respectively, which are offset in the derivative asset and liability balances on the balance sheet. Gross loans and advances also excludes individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
Consolidated Entity 2022							
Income earning assets							
Deposits at call	181.4	–	–	–	–	181.4	0.74
Due from other financial institutions	1.4	–	–	–	–	1.4	0.81
Investment securities[1]	1,067.9	48.9	113.0	253.5	435.8	1,919.1	1.76
Gross loans and advances[1]	3,805.9	626.3	1,360.4	1,566.1	41.4	7,400.1	2.96
Total income earning assets	**5,056.6**	**675.2**	**1,473.4**	**1,819.6**	**477.2**	**9,502.0**	**2.68**
Interest bearing liabilities							
Due to other financial institutions	125.5	–	–	–	–	125.5	0.81
Deposits	6,017.1	881.7	237.6	266.6	–	7,403.0	0.64
Borrowings	1,070.7	9.9	273.3	20.0	–	1,373.9	1.22
Leases	–	0.5	–	1.5	2.2	4.2	3.54
Total interest bearing liabilities	**7,213.3**	**892.1**	**510.9**	**288.1**	**2.2**	**8,906.6**	**0.7**
Derivative financial instruments							
Interest rate swaps – notional principal	1,401.8	439.8	(635.0)	(736.1)	(470.5)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of ($86.3m) and ($5.0m) respectively, which are offset in the derivative asset and liability balances on the balance sheet. Gross loans and advances also excludes individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
The Company 2023							
Income earning assets							
Deposits at call	240.3	–	–	–	–	240.3	3.79
Due from other financial institutions	1.1	–	–	–	–	1.1	4.07
Investment securities[1]	995.9	96.7	155.5	253.4	486.4	1,987.9	3.71
Gross loans and advances[1]	5,042.2	1,258.1	1,275.2	493.6	42.8	8,111.9	4.80
Total income earning assets	**6,279.5**	**1,354.8**	**1,430.7**	**747.0**	**529.2**	**10,341.2**	**4.57**
Interest bearing liabilities							
Due to other financial institutions	102.3	–	–	–	–	102.3	4.07
Deposits	6,073.7	1,384.0	217.5	74.4	–	7,749.6	2.91
Borrowings	1,676.3	148.2	–	20.0	–	1,844.5	4.20
Leases	–	–	0.4	0.5	10.7	11.6	6.00
Total interest bearing liabilities	**7,852.3**	**1,532.2**	**217.9**	**94.9**	**10.7**	**9,708.0**	**3.17**
Derivative financial instruments							
Interest rate swaps – notional principal	461.6	415.0	(840.0)	486.4	(523.0)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of ($86.3m) and ($5.0m) respectively, which are offset in the derivative asset and liability balances on the balance sheet. Gross loans and advances also excludes individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

	0–3 months $m	3–12 months $m	1–2 years $m	2–5 years $m	> 5 years $m	Carrying amount $m	Weighted average effective interest rate %
The Company 2022							
Income earning assets							
Deposits at call	181.4	–	–	–	–	181.4	0.74
Due from other financial institutions	1.4	–	–	–	–	1.4	0.81
Investment securities[1]	1,067.9	48.9	113.0	253.5	435.8	1,919.1	1.76
Gross loans and advances[1]	3,805.9	626.3	1,360.4	1,566.1	41.4	7,400.1	2.96
Total income earning assets	**5,056.6**	**675.2**	**1,473.4**	**1,819.6**	**477.2**	**9,502.0**	**2.68**
Interest bearing liabilities							
Due to other financial institutions	125.5	–	–	–	–	125.5	0.81
Deposits	6,034.5	881.7	237.6	266.6	–	7,420.4	0.64
Borrowings	1,070.7	9.9	273.3	20.0	–	1,373.9	1.22
Leases	–	0.5	–	1.5	2.2	4.2	3.54
Total interest bearing liabilities	**7,230.7**	**892.1**	**510.9**	**288.1**	**2.2**	**8,924.0**	**0.73**
Derivative financial instruments							
Interest rate swaps – notional principal	1,401.8	439.8	(635.0)	(736.1)	(470.5)	–	–

1 Investment securities and gross loans and advances exclude fair value hedge adjustments of ($86.3m) and ($5.0m) respectively, which are offset in the derivative asset and liability balances on the balance sheet. Gross loans and advances also excludes individually assessed and collectively assessed provisions, unearned revenue and deferred costs.

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

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

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

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

The table below presents the results of the above described calculations for the consolidated entity as at 30 June 2023.

Interest rate movement

	Consolidated Entity and the Company			
	+2% 2023 $m	+2% 2022 $m	**-2%[1] 2023 $m**	-2%[1] 2022 $m
Pre-tax earnings at risk	6.1	8.9	(15.7)	(15.9)

(e) Operational risk management

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

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

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

17. Derivative financial instruments and hedging

Accounting policy

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

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

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

Key judgements and estimates

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

Derivative financial instruments

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

	Hedging instrument	Interest rate risk	2023 Carrying Amount $m	2023 Notional Amount $m	2022 Carrying Amount $m	2022 Notional Amount $m
Consolidated Entity and the Company						
Derivative Assets						
Cash flow hedge	Interest rate swap	Interest rate risk	47.9	1,640.0	70.8	1,915.0
Fair value hedge	Interest rate swap	Interest rate risk	84.7	626.6	84.3	521.6
Other	Interest rate swap		11.9	460.8	18.5	678.9
Total Derivative assets			**144.5**	**2,727.4**	**173.6**	**3,115.5**
Derivative Liabilities						
Cash flow hedge	Interest rate swap	Interest rate risk	28.4	2,685.0	16.1	1,010.0
Fair value hedge	Interest rate swap	Interest rate risk	–	–	–	30.2
Other	Interest rate swap		11.9	460.8	19.9	729.7
Total Derivative liabilities			**40.3**	**3,145.8**	**36.0**	**1,769.9**
Total derivative financial instruments			**104.2**	**5,873.2**	**137.6**	**4,885.4**

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

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

		Notional amounts		
	Weighted average fixed interest rate %	Within 1 year $m	1 to 5 years $m	Over 5 years $m
Consolidated Entity and the Company 2023				
Cash flow hedges	2.64%	2,470.0	1,855.0	–
Fair value hedges	2.03%	20.0	83.6	523.0
Consolidated Entity and the Company 2022				
Cash flow hedges	0.94%	1,030.0	1,895.0	–
Fair value hedges	1.64%	30.2	51.1	470.5

Hedged items

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

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

	2023 Continuing hedges $m	2023 Discontinued hedges $m	2022 Continuing hedges $m	2022 Discontinued hedges $m
Consolidated Entity and the Company				
Cash Flow Hedges of:				
Floating rate loans and advances	(28.4)	(6.7)	(16.0)	(9.9)
Floating rate deposits	47.9	3.9	69.6	–
Floating rate wholesale debt	–	–	1.1	–
Total	**19.5**	**(2.8)**	**54.7**	**(9.9)**

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

		2023 Carrying amount of hedged item $m	2023 Fair value hedge adjustment $m	2022 Carrying amount of hedged item $m	2022 Fair value hedge adjustment $m
Consolidated Entity and the Company					
Hedged Items	**Balance Sheet Classification**				
Fixed rate loans and advances	Loans and advances	35.2	(2.9)	68.5	(2.8)
Fixed rate investments	Investments	508.3	(83.4)	487.8	(83.2)
Total		**543.5**	**(86.3)**	**556.3**	**(86.0)**

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Statement of Financial Position is $5.0m (2022: 5.8m)

Hedge ineffectiveness

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

	Change in value of hedged item $m	Change in value of instrument $m	Hedge ineffectiveness recognised in statement of profit or loss[1] $m	Reclassifications from the Cash flow hedge reserve to statement of profit or loss[2] $m
Consolidated Entity and the Company 2023				
Cash flow hedges	(35.2)	(35.2)	–	2.2
Fair value hedges	–	0.4	0.1	–
Total	**(35.2)**	**(34.8)**	**0.1**	**2.2**

	Change in value of hedged item $m	Change in value of instrument $m	Hedge ineffectiveness recognised in statement of profit or loss[1] $m	Reclassifications from the Cash flow hedge reserve to statement of profit or loss[2] $m
Consolidated Entity and the Company 2022				
Cash flow hedges	(54.2)	54.2	–	0.2
Fair value hedges	(76.6)	76.8	0.2	–
Total	**(130.8)**	**131.0**	**0.2**	**0.2**

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

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

18. Measurement categories of financial instruments

Accounting policy

Initial recognition of financial instruments

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

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

Classification and measurement of financial instruments

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

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

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

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

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

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

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

Derecognition of financial instruments

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

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

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

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

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of Financial Position $m	Fair Value $m	Amortised Cost $m
Consolidated Entity 2023							
Assets							
Cash and liquid assets	–	–	240.3	–	240.3	–	240.3
Due from other financial institutions	–	–	1.1	–	1.1	–	1.1
Investment securities	–	–	1,901.6	–	1,901.6	–	1,892.1
Current tax receivable	–	–	–	10.4	10.4	–	–
Other assets	–	–	42.8	–	42.8	–	42.8
Held for sale	–	–	–	1.1	1.1	–	–
Derivative assets[1]	96.6	47.9	–	–	144.5	144.5	–
Net loans and advances	–	–	8,108.6	–	8,108.6	–	7,979.7
Investment in associate	–	–	–	6.6	6.6	–	–
Other investments	–	36.1	–	–	36.1	36.1	–
Property, plant and equipment	–	–	–	28.4	28.4	–	–
Intangible assets	–	–	–	–	–	–	–
Total assets	**96.6**	**84.0**	**10,294.4**	**46.5**	**10,521.5**	**180.6**	**10,156.0**
Liabilities							
Due to other financial institutions	–	–	102.3	–	102.3	–	102.3
Deposits	–	–	7,749.6	–	7,749.6	–	7,729.7
Borrowings	–	–	1,844.5	–	1,844.5	–	1,838.7
Current tax payable	–	–	–	–	40.3	–	–
Derivative liabilities[1]	12.0	28.3	–	–	–	40.3	–
Net deferred tax liabilities	–	–	–	6.3	6.3	–	–
Other liabilities	–	–	11.7	53.7	65.4	–	11.7
Provisions	–	–	–	11.2	11.2	–	–
Total liabilities	**12.0**	**28.3**	**9,708.1**	**71.2**	**9,819.6**	**40.3**	**9,682.4**

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

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of Financial Position $m	Fair Value $m	Amortised Cost $m
Consolidated Entity 2022							
Assets							
Cash and liquid assets	–	–	181.4	–	181.4	–	181.4
Due from other financial institutions	–	–	1.4	–	1.4	–	1.4
Investment securities	–	–	1,832.5	–	1,832.5	–	1,822.7
Other assets	–	–	26.0	–	26.0	–	26.0
Derivative assets[1]	102.8	70.8	–	–	173.6	173.6	–
Net loans and advances	–	–	7,396.9	–	7,396.9	–	7,272.7
Investment in associate	–	–	–	6.4	6.4	–	–
Other investments	–	36.1	–	–	36.1	36.2	–
Property, plant and equipment	–	–	–	17.9	17.9	–	–
Intangible assets	–	–	–	0.2	0.2	–	–
Total assets	**102.8**	**106.9**	**9,438.2**	**24.5**	**9,672.4**	**209.8**	**9,304.2**
Liabilities							
Due to other financial institutions	–	–	125.5	–	125.5	–	125.5
Deposits	–	–	7,403.0	–	7,403.0	–	7,373.2
Borrowings	–	–	1,373.9	–	1,373.9	–	1,359.0
Current tax payable	–	–	–	8.5	8.5	–	–
Derivative liabilities[1]	19.9	16.1	–	–	36.0	36.0	–
Net deferred tax liabilities	–	–	–	15.3	15.3	–	–
Other liabilities	–	–	4.2	28.5	32.7	–	4.2
Provisions	–	–	–	10.1	10.1	–	–
Total liabilities	**19.9**	**16.1**	**8,906.6**	**62.4**	**9,005.0**	**36.0**	**8,861.9**

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

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of Financial Position $m	Fair Value $m	Amortised Cost $m
The Company 2023							
Assets							
Cash and liquid assets	–	–	240.3	–	240.3	–	240.3
Due from other financial institutions	–	–	1.1	–	1.1	–	1.1
Investment securities	–	–	1,901.6	–	1,901.6	–	1,892.1
Current tax receivable	–	–	–	10.4	10.4	–	–
Other assets	–	–	42.8	–	42.8	–	42.8
Held for sale	–	–	–	1.1	1.1	–	–
Derivative assets[1]	96.6	47.9	–	–	144.5	144.5	–
Net loans and advances	–	–	8,108.6	–	8,108.6	–	7,979.7
Investment in associate	–	–	–	6.6	6.6	–	–
Other investments	–	36.1	–	–	36.1	36.1	–
Property, plant and equipment	–	–	–	28.4	28.4	–	–
Intangible assets	–	–	–	–	–	–	–
Total assets	**96.6**	**84.0**	**10,294.4**	**46.5**	**10,521.5**	**180.6**	**10,156.0**
Liabilities							
Due to other financial institutions	–	–	102.3	–	102.3	–	102.3
Deposits	–	–	7,749.6	–	7,749.6	–	7,729.7
Borrowings	–	–	1,844.5	–	1,844.5	–	1,838.7
Current tax payable	–	–	–	–	–	–	–
Derivative liabilities[1]	12.0	28.3	–	–	40.3	40.3	–
Net deferred tax liabilities	–	–	–	6.3	6.3	–	–
Other liabilities	–	–	11.7	53.7	65.4	–	11.7
Provisions	–	–	–	11.2	11.2	–	–
Total liabilities	**12.0**	**28.3**	**9,708.1**	**71.2**	**9,819.6**	**40.3**	**9,682.4**

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

	Financial Instruments carried at					Fair value of financial instruments carried at	
	FVTPL $m	FVTOCI $m	Amortised Cost $m	Non-financial instruments $m	Statement of Financial Position $m	Fair Value $m	Amortised Cost $m
The Company 2022							
Assets							
Cash and liquid assets	–	–	181.4	–	181.4	–	181.4
Due from other financial institutions	–	–	1.4	–	1.4	–	1.4
Investment securities	–	–	1,832.5	–	1,832.5	–	1,822.7
Other assets	–	–	27.9	–	27.9	–	27.9
Derivative assets[1]	102.8	70.8	–	–	173.6	173.6	–
Net loans and advances	–	–	7,396.9	–	7,396.9	–	7,272.7
Investment in associate	–	–	–	6.4	6.4	–	6.4
Other investments	–	39.8	–	–	39.8	39.8	–
Property, plant and equipment	–	–	–	17.9	17.9	–	–
Intangible assets	–	–	–	0.2	0.2	–	–
Total assets	**102.8**	**110.6**	**9,440.1**	**24.5**	**9,678.0**	**213.4**	**9,312.5**
Liabilities							
Due to other financial institutions	–	–	125.5	–	125.5	–	125.5
Deposits	–	–	7,420.4	–	7,420.4	–	7,390.5
Borrowings	–	–	1,373.9	–	1,373.9	–	1,359.0
Current tax payable	–	–	–	8.5	8.5	–	–
Derivative liabilities[1]	19.9	16.1	–	–	36.0	36.0	–
Net deferred tax liabilities	–	–	–	15.3	15.3	–	–
Other liabilities	–	–	4.2	28.5	32.7	–	4.2
Provisions	–	–	–	10.1	10.1	–	–
Total liabilities	**19.9**	**16.1**	**8,924.0**	**62.4**	**9,022.4**	**36.0**	**8,879.2**

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

19. Fair value of financial instruments

Accounting policy

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

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

Instrument	Fair value measurement technique
Investment securities	Calculated based on quoted market prices where available. The fair value of other investment securities has been determined using a discounted cash flow model, where the future cash flows of the financial asset have been discounted using observable market interest rates appropriate for the type of instrument and the remaining term to maturity.
Loans and advances	The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. The fair value of variable rate loans is therefore approximate to their carrying value. The fair value of fixed rate loans has been determined using a discounted cash flow model using prevailing market rates for similar loans with a similar term to maturity.
Derivatives	The fair value of derivative financial instruments are from quoted closing market prices at the balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.
Other investments	Fair value of other investments is based on quoted prices in active markets for identical assets. If no quoted price is available and there is no observable market data to ascertain fair value, the price ascertained through valuation techniques in accordance with AASB 13 Fair Value Measurement has been used to determine the fair value of the investment. For investments disclosed as Level 3 financial assets, the unobservable input has been determined to be the share price. The company has one level 3 investment being shares with Cuscal, which is disclosed in Note 9.
Other assets	The carrying values of receivables, being financial assets within Other assets (see note 22), approximate their fair value because they are short term in nature or are receivable on demand.
Deposits	Deposits with no specified maturity are assumed to have a fair value that approximates their current carrying value. We do not adjust fair value for any value we expect to derive from retaining these deposits for a future period. Fixed maturity deposits are valued by discounting cash flows using a market interest rate for an equivalent instrument with a similar term to maturity.
Borrowings	Public debt issuances are valued based on quoted market prices. The fair value of other borrowings has been determined using a discounted cash flow model, where the future cash flows of the financial liability have been discounted using observable market interest rates appropriate for the type of instrument and the remaining term.
Other liabilities	The carrying values of payables, being financial liabilities within Other liabilities (see note 25), approximate their fair value because they are short term in nature or are payable on demand.

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

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

Key judgements and estimates

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ending 30 June 2023.

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

Fair value hierarchy

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

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

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

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

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

	Fair value			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Consolidated Entity 2023				
Financial assets				
Derivative assets	–	144.5	–	144.5
Other investments	–	–	36.1	36.1
Total financial assets	**–**	**144.5**	**36.1**	**180.6**
Financial liabilities				
Derivative liabilities	–	40.3	–	40.3
Total financial liabilities	**–**	**40.3**	**–**	**40.3**
Consolidated Entity 2022				
Financial assets				
Derivative assets	–	173.6	–	173.6
Other investments	–	–	36.1	36.1
Total financial assets	**–**	**173.6**	**36.1**	**209.7**
Financial liabilities				
Derivative liabilities	–	36.0	–	36.0
Total financial liabilities	**–**	**36.0**	**–**	**36.0**

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
The Company 2023				
Financial assets				
Derivative assets	–	144.5	–	144.5
Other investments	–	–	36.1	36.1
Total financial assets	**–**	**144.5**	**36.1**	**180.6**
Financial liabilities				
Derivative liabilities	–	40.3	–	40.3
Total financial liabilities	**–**	**40.3**	**–**	**40.3**
The Company 2022				
Financial assets				
Derivative assets	–	173.6	–	173.6
Other investments	–	–	39.8	39.8
Total financial assets	**–**	**173.6**	**39.8**	**213.4**
Financial liabilities				
Derivative liabilities	–	36.0	–	36.0
Total financial liabilities	**–**	**36.0**	**–**	**36.0**

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

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Consolidated Entity 2023				
Financial assets				
Investment securities	1,680.7	211.4	–	1,892.1
Net loans and advances	–	–	7,979.7	7,979.7
Total financial assets	**1,680.7**	**211.4**	**7,979.7**	**9,871.8**
Financial liabilities				
Deposits	–	–	7,729.7	7,729.7
Borrowings	451.3	1,387.4	–	1,838.7
Total financial liabilities	**451.3**	**1,387.4**	**7,729.7**	**9,568.4**

	Fair value			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Consolidated Entity 2022				
Financial assets				
Investment securities	1,670.2	152.5	–	1,822.7
Net loans and advances	–	–	7,272.7	7,272.7
Total financial assets	**1,670.2**	**152.5**	**7,272.7**	**9,095.4**
Financial liabilities				
Deposits	–	–	7,373.2	7,373.2
Borrowings	–	1,359.0	–	1,359.0
Total financial liabilities	–	**1,359.0**	**7,373.2**	**8,732.2**
The Company 2023				
Financial assets				
Investment securities	1,680.7	211.4	–	1,892.1
Net loans and advances	–	–	7,979.7	7,979.7
Total financial assets	**1,680.7**	**211.4**	**7,979.7**	**9,871.8**
Financial liabilities				
Deposits	–	–	7,729.7	7,729.7
Borrowings	451.3	1,387.4	–	1,838.7
Total financial liabilities	**451.3**	**1,387.4**	**7,729.7**	**9,568.4**
The Company 2022				
Financial assets				
Investment securities	1,670.2	152.5	–	1,822.7
Net loans and advances	–	–	7,272.7	7,272.7
Total financial assets	**1,670.2**	**152.5**	**7,272.7**	**9,095.4**
Financial liabilities				
Deposits	–	–	7,390.5	7,390.5
Borrowings	–	1,359.0	–	1,359.0
Total financial liabilities	–	**1,359.0**	**7,390.5**	**8,749.5**

20. Standby arrangements

The Company has arranged the following standby credit facilities:

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Cuscal overdraft facility	15.0	15.0
Residential Mortgage Backed Security (RMBS) warehouse facility	450.0	130.0
Amount drawn	380.7	67.7
Total facilities available	**84.3**	**77.3**

21. Capital management

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

Regulatory capital is classified into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital as set out by Australian Prudential Standards. Tier 2 capital generally includes general reserves for credit losses and subordinated debt.

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Tier 1 capital (net of deductions)	636.0	575.6	636.0	560.2
Tier 2 capital (net of deductions)	46.0	44.3	46.0	44.3
Total Capital	**682.0**	**619.9**	**682.0**	**604.5**
Risk weighted assets	3,852.1	4,014.2	3,852.1	4,016.4
Tier 1 capital ratio	16.5%	14.3%	16.5%	13.9%
Total capital ratio	**17.7%**	**15.4%**	**17.7%**	**15.1%**

APRA's new bank capital framework came into effect on 1 January 2023. The new framework is designed to deliver unquestionably strong levels of capital and align Australian standards with the internationally agreed Basel III requirements.

The framework provides:

1. Greater flexibility through the expanded use of capital buffers that can be used to support lending during periods of stress. As a result, a higher proportion of capital is held in the form of buffers, specifically the capital conversation buffer and the new countercyclical capital buffer.
2. Improved risk sensitivity to ensure banks hold an appropriate amount of capital for different types of lending. This has resulted in a reduction in capital requirements for lower risk residential mortgages, such as loans to owner-occupiers repaying principal and interest, and an increase in capital requirements for other higher risk mortgages; and
3. Improved proportionality through simplified capital requirements for smaller, less complex banks, known as non-significant financial institutions (SFIs), with less than $20 billion in assets and simple business models. For example, the capital requirements for operational risk are determined based on a flat rate add-on of 10 per cent of total credit and securitisation risk weighted assets.

The introduction of the new framework has resulted in an improvement in the Company's capital ratio.

Other disclosures

22. Other assets

Accounting policy

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

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Accrued income	26.7	8.8	26.7	9.4
Sundry debtors	11.8	13.1	11.8	14.4
Prepayments	4.3	4.1	4.3	4.1
Total other assets	**42.8**	**26.0**	**42.8**	**27.9**

23. Property, plant and equipment

Accounting policy

Land and buildings

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

Right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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

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

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

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

Leasehold improvements, plant and equipment

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

Key judgements and estimates

Determining fair value of land and buildings

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

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

Determining the terms of lease contracts

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

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

	Land and buildings $m	Property held for sale $m	Leasehold improvements $m	Right-of-use assets $m	Plant and equipment $m	Total $m
Consolidated Entity 2023						
At cost / fair value	10.4	–	9.2	13.3	9.9	42.8
Accumulated depreciation	(0.2)	–	(4.2)	(3.2)	(5.7)	(13.3)
Transfer[1]	(1.1)	1.1	–	–	–	–
Carrying amount	**9.1**	**1.1**	**5.0**	**10.1**	**4.2**	**29.5**
Consolidated Entity 2022						
At cost / fair value	10.9	–	4.3	8.1	8.9	32.2
Accumulated depreciation	–	–	(3.5)	(4.5)	(6.3)	(14.3)
Carrying amount	**10.9**	**–**	**0.8**	**3.6**	**2.6**	**17.9**
The Company 2023						
At cost / fair value	10.4	–	9.2	13.3	9.9	42.8
Accumulated depreciation	(0.2)	–	(4.2)	(3.2)	(5.7)	(13.3)
Transfer[1]	(1.1)	1.1	–	–	–	–
Carrying amount	**9.1**	**1.1**	**5.0**	**10.1**	**4.2**	**29.5**
The Company 2022						
At cost / fair value	10.9	–	4.3	8.1	8.9	32.2
Accumulated depreciation	–	–	(3.5)	(4.5)	(6.3)	(14.3)
Carrying amount	**10.9**	**–**	**0.8**	**3.6**	**2.6**	**17.9**

The Company holds short term leases for rented premises and ATM machines. The total expense incurred for these leases for the year ended 30 June 2023 was $0.7 million (2022: $0.3 million).

1 Assets held for sale relate to the land and building at Morwell. The land and building is expected to be sold during the next financial year.

24. Intangible assets

Accounting policy

Assets acquired in a business combination

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

Software

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

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

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

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

Key judgements and estimates

Impairment testing

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

Amortisation

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

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

	Core deposit intangibles $m	Software $m	Total $m
Consolidated Entity and the Company 2023			
At cost / fair value	1.8	2.8	4.6
Amortisation	(1.2)	(2.8)	(4.0)
Impairment	(0.6)	–	(0.6)
Carrying amount	–	–	–
Consolidated Entity and the Company 2022			
At cost / fair value	3.1	4.2	7.3
Amortisation	(2.0)	(4.0)	(6.0)
Impairment	(1.1)	–	(1.1)
Carrying amount	–	**0.2**	**0.2**

25. Other liabilities

Accounting policy

Trade and sundry creditors and accruals

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

Lease liabilities

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

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

Lease liabilities are measured in line with AASB 16. The carrying amounts are remeasured if there is a change in the future lease payments arising from a change in an index or a rate used, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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

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

Key judgements and estimates

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

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Trade creditors and accruals	48.7	19.4
Leases	11.7	4.2
Sundry creditors	3.8	8.6
Deferred income	1.2	0.5
Other liabilities	**65.4**	**32.7**
Provision for employee entitlements	8.8	7.8
Sundry provisions	2.4	2.3
Provisions	**11.2**	**10.1**

26. Reserves

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
General reserves[1]	672.4	619.9	672.4	608.1
Asset revaluation reserve	2.5	3.0	2.5	3.0
Cash flow hedge reserve	10.9	28.4	10.9	28.4
Fair value reserve	16.1	16.1	16.1	16.1
Total reserves	**701.9**	**667.4**	**701.9**	**655.6**

Nature and purpose of general reserves

General reserve

The general reserve relates to accumulated retained earnings, net assets acquired through acquisitions and the redeemed capital reserve, which represents the amount of redeemable preference shares redeemed since 1 July 1999.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property.

Cash flow hedge reserve

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

Fair value reserve

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

Dividends

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

1 For the year ended 30 June 2023, the redeemed capital reserve ($1.7 million) is disclosed within general reserves. In prior years, the redeemed capital reserve was disclosed separately

27. Related party disclosures

(a) Transactions with key Management personnel

Key Management personnel comprises eight Non-Executive Directors, a Managing Director and seven Executive managers during the year to 30 June 2023.

	Consolidated Entity and the Company 2023 $'000	Consolidated Entity and the Company 2022 $'000
Short-term employee benefits	5,005	4,121
Long-term employee benefits	203	128
Post-employment benefits	–	405
	5,208	**4,654**

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

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

(b) Loans to key management personnel

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

	Consolidated Entity and the Company 2023 $'000	Consolidated Entity and the Company 2022 $'000
Key management personnel	6,873	5,030
Related parties	6	3
Total	**6,879**	**5,033**
Loans made during the financial year by the Company to key management personnel and related parties:	3,706	3,903

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

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

	Consolidated Entity and the Company 2023 $'000	Consolidated Entity and the Company 2022 $'000
Repayments	2,068	1,154
Interest charged	208	58

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

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

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

(c) Other key management personnel transactions with the Company

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

(d) Amounts paid to associates

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

	Consolidated Entity and the Company 2023 $'000	Consolidated Entity and the Company 2022 $'000
Amounts paid to associates	11,185	11,095

Amounts owed to Data Action at the end of the year totalled $204k and was settled post year end in line with agreed payment terms.

28. Auditor's remuneration

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

	Consolidated Entity and the Company 2023 $'000	Consolidated Entity and the Company 2022 $'000
Audit services		
Audit and review of financial reports	264	200
Other regulatory audit services	130	194
	394	**394**
Other services		
Taxation services	38	22
Assurance services	119	95
	157	**117**

29. Commitments for expenditure

The Company has contracts with Data Action to provide core banking and loan origination systems, Cuscal for payment services, Macquarie Telecom for hosting and cloud enablement services, Microsoft for software solutions and Cloudcase for the development of the Company's new enterprise loan origination platform. The balance of fees payable under the contracts are payable over the following periods:

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Within one year	22.9	22.7
1–2 years	18.4	19.1
2–5 years	12.4	30.6
Greater than 5 years	–	–
Total material service contract commitments	**53.7**	**72.4**

30. Forward commitments and contingent liabilities

(a) Outstanding loan commitments

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Loans approved but not fully funded	326.9	298.6
Undrawn credit commitments	182.5	188.3
Loans available for redraw	835.9	810.2
Total outstanding loan commitments	**1,345.3**	**1,297.1**

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

(b) Bank guarantees

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

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Nominal value of Bank Guarantees	5.6	4.5

(c) Liquidity support scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary emergency liquidity support scheme that mutual banks, credit unions and building societies participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee is the lower of 3% of participant total assets or $100.0 million.

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

- May be required to advance funds of 3% or up to $100.0 million of total assets (whichever is less) as a non-permanent loan to another mutual ADI requiring financial support; and
- Agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

31. Employee benefits

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Salaries and wages accrued	1.8	1.2
Liability for long service leave	5.4	4.4
Liability for annual leave	3.3	3.3
Liability for purchased annual leave	–	–
Total employee benefits	**10.5**	**8.9**

(a) Superannuation

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

(b) Contributions paid and payable to superannuation plans

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Employer contributions	6.3	4.6

(c) Employees

	Consolidated Entity and the Company 2023	Consolidated Entity and the Company 2022
Full-time equivalent employees	542	487

32. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

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

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated Entity and the Company 2023 $m	Consolidated Entity and the Company 2022 $m
Cash on hand	5.5	5.4
Cash at bank	173.6	126.2
Deposit at call	61.2	49.8
Total cash and liquid assets	**240.3**	**181.4**

(b) Cash flows presented on a net basis

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

(c) Cash flows from operating activities

	Consolidated Entity 2023 $m	Consolidated Entity 2022 $m	**The Company 2023 $m**	The Company 2022 $m
Operating profit after income tax	**52.3**	**34.4**	**64.1**	**34.4**
Adjustments for:				
Dividends accrued	–	2.6	–	2.6
Depreciation	4.1	3.5	4.1	3.4
Amortisation	0.6	0.6	0.6	0.6
Impairment of property, plant and equipment	–	–	–	–
(Profit) / loss on disposal of non-current assets	–	(0.8)	–	(0.2)
(Profit) / loss on disposal of investment securities	–	(0.1)	–	(0.1)
Bad debts written off	0.1	0.2	0.1	0.2
Charge for loan impairment	(0.1)	0.9	(0.1)	0.9
Share of profit in associate	(0.1)	1.5	(0.1)	1.5
Cash flows from operating activities before changes in operating assets and liabilities	**56.9**	**42.8**	**68.7**	**43.3**
Increase / (decrease) in employee entitlements	1.0	1.0	1.0	1.0
Increase / (decrease) in deposits	346.6	806.4	329.2	820.1
Increase / (decrease) in loans and advances	(711.7)	(1,068.8)	(711.7)	(1,068.8)
Increase / (decrease) in sundry provisions	0.1	0.4	0.1	0.4
(Increase) / decrease in accrued income	(18.2)	(2.4)	(17.5)	(2.5)
(Increase) / decrease in prepayments	(0.2)	(1.1)	(0.2)	(1.1)
Increase / (decrease) in trade creditors and accruals	29.3	3.0	29.3	3.0
Increase / (decrease) in net deferred income	0.7	0.3	0.7	0.3
(Increase) / decrease in sundry debtors	1.3	(5.6)	2.6	(6.9)
(Increase) / decrease in deferred tax assets	–	–	–	–
Increase / (decrease) in deferred tax liabilities	1.4	(2.7)	1.5	(2.7)
Increase / (decrease) in provision for income tax	(18.9)	(0.1)	(18.9)	(0.1)
Increase / (decrease) in leases	0.5	(1.1)	0.5	(1.1)
Increase / (decrease) in sundry creditors	(4.8)	(4.8)	(4.8)	(4.8)
Net cash provided by operating activities	**(316.0)**	**(232.7)**	**(319.5)**	**(219.9)**

33. Controlled entities

Details of controlled entities consolidated into the Consolidated Entity Financial Statements are as follows:

Name	Country of incorporation	2023 % owned	Investment at cost 2023 $m	Contribution to operating profit after tax 2023 $m
Buloke Funding Trust No. 1	Australia	90.9	–	–

The Company has full accounting control over Buloke Funding Trust No 1. The Company holds the sole participation unit and holds 9 of 10 residual units on issue.

During the financial year, ECS Unit Trust was determined and Ed Credit Services Pty Ltd, the corporate trustee of ECS Unit Trust, was de-registered. The remaining assets of the entities were transferred to Bank Australia, being the sole unitholder and member of the entities.

34. Events after balance date

There have been no events subsequent to balance date that would have a material effect on either the Consolidated Entity's, or the Company's Financial Statements as at 30 June 2023.

Directors' declaration

Directors' declaration

for the year ended 30 June 2023

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

(a) the Financial Statements and notes set out on pages 31 to 125 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of their performance, for the financial year ended on that date

  (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Steve Ferguson, Director

Signed on 28th September 2023

Damien Walsh, Director

Signed on 28th September 2023

Independent Auditor’s Report

Independent Auditor's Report

to the members of Bank Australia Limited

Opinion

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

- The Group consolidated and Company statements of financial position as at 30 June 2023;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended 30 June 2023;
- Notes to the Financial Statements, including a summary of significant accounting policies; and
- The Director's declaration.

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

a) Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The Directors are responsible for the other information. The other information is the Directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent Auditor's Report

to the members of Bank Australia Limited

Building a better working world

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater, Partner
Melbourne
28th September 2023


Butter

Bank Australia

Certified B Corporation

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