

Annual Report 2024

Strength in unity.

Unity Bank Limited. ABN 11 087 650 315 AFSL/Australian Credit Licence 240399.



Unity Bank

Our Vision

The lifelong financial prosperity, security and dignity of our Members.

Our Mission

Unity Bank is Member Owned. We are committed to our Members . . . workers, their families and the communities we serve. Our values are built on the principles of cooperation, mutuality and unity of purpose, carrying forward the vision of our Founders. We always stand by our Members.

Contents

Supporting Our Community

We continually seek opportunities to provide assistance and contribute to the communities we are a part of.

We understand the importance of supporting local communities through sponsorship, and we are dedicated to making a positive impact. To achieve this, we leverage the power of our extensive national branch network, which allows us to reach communities across the nation. Through this network, we have established long-term relationships and commitment with the communities.

Chromefest


Coal Miners Cup


Collie Show


Festival of the Feet

HACSU

May Day

MEU AGM


MUA March Airlie Beach


MUA Quadrennial Conference

Trundle Bush Tucker Day

WIMDOI


MUA Working Waves

Chair's Report

It is my pleasure to present my report on our performance for 2023/24.

Persistent inflation and higher interest rates posed cost of living challenges throughout the year for our members. Despite these headwinds, we helped our membership navigate any difficulties where they arose without any marked increase in hardship cases. Pleasingly, we continued to build a strong balance sheet and consolidate our position in the market as the bank that truly works for workers.

Our bottom-line result was outstanding with a final net surplus after tax result of $14.45m. Strong loan book growth of 10% was a major highlight putting us in the top bracket across all banks in this regard, helping our lending portfolio to reach $1.36bm at the end of the financial year. Our total assets now stand at $1.73b.

Underpinning these results was the addition of some new well-priced products for members. On the deposit side, we introduced a high interest Money Max online savings facility that now has over $340m in the portfolio. It has proven extremely popular with savers and provided the bank with another valuable source of funds to lend out to our borrowing members.

For car buyers, we introduced a very competitively priced car loan that has seen our monthly car loan business double. Complementing this new facility, our association with National Car Search Australia has provided members with an excellent service that sources the new car by competitive tender and delivers the car to your front door, resulting in an average saving exceeding $4,000.

A result of which the board is very proud, is the successful implementation of our strategy of becoming the go-to place for first home buyers.

During the year, Unity Bank continued to be a participant in the Federal Government's Home Guarantee Scheme and was also pleased to be added to a limited panel of lenders able to offer the NSW Government's Shared Equity Home Buyer Helper Scheme to eligible borrowers. These assistance schemes along with our own Limited Parental Guarantee option allowed us to help first home buyers, single parents, and older singles in particular, overcome the challenge of saving a full deposit and get into a home and onto the property ladder much earlier than would otherwise have been the case. At the time of writing, we have funded over $83m in the NSW Shared Equity Home Buyer Helper Scheme alone, where eligible borrowers only require a minimum 2% deposit. While that particular NSW based scheme has now closed, we are proud of our success and are ready to take on any similar opportunities to assist first home buyers that arise in future.

We introduced some very popular customer service technology to support these schemes and complement our excellent branch and contact centre service. Borrowers can now check their scheme eligibility 24/7 on our website and make a booking online at the time of their choosing within business hours.

In addition to these new initiatives, the bank also focussed on enhancing the security of member funds and transactions. During the year, we took the step of introducing two factor authentication (2FA) for internet banking login and transactions as an extra safeguard against fraud. On the same theme, we have elevated scam awareness and consistently communicate to our members via our website, internet banking warnings and newsletters, the need to be vigilant against a growing number of scams.

While these achievements and enhancements are very pleasing and a great reflection on the work of our team, the announcement of our impending merger with G&C Mutual Bank has undoubtedly been the biggest development this year.

Since the announcement in September 2023, the respective Boards and Management teams have worked towards setting up the new entity to be ready to go from the official 7 March 2025 merger date. At the time of writing, formal approval has been received from the regulators, and we are preparing for the member vote at our 27 November Annual General Meeting.

As Chair, I would like to take some time here to talk about why the Board is so enthusiastic about this merger of equals and provide some assurance to you that is truly the right strategic move for Unity Bank to make.

The question as to *why* we are seeking to merge is the most important, followed by the decision of *who* we are merging with. As a financial institution proudly born of working-class roots in 1970, our heritage and reason for being is paramount to us and has always been one of the prime considerations when looking at our future. With the mergers between larger mutual banks accelerating, and the smaller mutuals quickly disappearing and not offering the scale needed to guarantee a long-term future, the window of opportunity was shrinking rapidly.

The costs of running a bank, and in particular investing in the technology required to provide members with first class banking facilities and protection of funds is growing exponentially. There can be no short cuts or compromises in this area, and our record is excellent, as it needs to be. Smaller financial institutions are finding they simply can't afford the investment needed to provide these services at the level required, as well as generate sufficient returns to operate and compete in the long term. Additionally, the cost of compliance has also increased markedly year on year creating another challenge for those without the scale to absorb the added expense.

The Board had been monitoring these challenges closely along with the spate of mergers between medium and larger mutual banks who had clearly reached the conclusion that scale had become even more critical. Put simply, to preserve our heritage and guarantee a long-term future we needed to select a merger partner that would provide the necessary jump in scale to achieve that. Having reached that conclusion, the question became, who would be the best partner?

In this regard, a merger of equals with G&C Mutual Bank always presented as a very good fit and the logical choice. Choosing a larger partner would have compromised our identity, while a smaller partner would not provide sufficient scale. The Board recognised that we have had a close and productive history of collaboration G&C Mutual Bank over many years and share a common passion for providing great financial services to workers. Our businesses are similar sizes, both strong performers, and have many commonalities in systems, policies and approach to business.

Importantly, both boards were very happy to sit down and work through the key items of negotiation and compromise for the greater good. The teams have been working cooperatively for a year on preparing for the merged entity which will feature an expanded product range, many lower fees, and a greater capability to invest where needed without question.

The new Board will feature equal representation from the two banks, and a blended senior management team with significant experience that will bring the best of both worlds to the new entity.

Both boards are very proud of the history of the respective organisations, but equally looking forward to a great future with our destiny now firmly in our own hands.

This year, the board wanted to tangibly demonstrate our commitment to the well being of our members and the industries they work in. It reflects our core values as an organisation to support those doing it tough, including workers and their families battling mental health, and to that end I am especially proud that our board approved a substantial contribution of $135k each to two organisations in this space. Mates in Mining (suicide prevention) and Hunterlink (mental health services, training resources, and in-person critical incident response) are two not for profit organisations devoted to worker's wellbeing in the mining and maritime industries respectively.

Additionally, the board approved a further $135k contribution to the Australian Mutuals Foundation, a not-for-profit organisation dedicated to assisting underprivileged children in Australia and to alleviating poverty in some of the poorest communities in Southeast Asia and the Pacific.

Overall, Unity Bank has contributed around $800k over the year in different forms to community and social causes including those above, a fact of which we are very proud.

I would like to thank the Maritime Union of Australia, the Mining and Energy Union, the ETU, the Victorian Trades Hall Council, and the Manufacturing Division of the CFMEU for your ongoing support and assistance. Additionally, I want to acknowledge our two key industry superannuation funds, Host Plus and Mine Super for your long-term support of Unity Bank.

The board would especially like to recognise the service and commitment of our wonderful team at Unity Bank, for setting such a high standard of service and dedication to our members.

Finally, I would like to thank my fellow directors for your commitment and expertise throughout the year, and especially for your selfless approach during the negotiation of our merger of equals with G&C Mutual Bank.

Mick Doleman
Chair

Our Values

Our Values are what we stand for. We need to be guided by them in everything we do.

Grow

We will invest in growing together for our future

Resilient

We are strong and adaptable in times of adversity and change

Authentic

We are real, genuine and can be relied upon

Trust

We build a culture of trust by being open, honest and fair

Accountable

We own our words, actions and behaviours to achieve mutual success

Our Executive Management Team

Danny Pavisic
Chief Executive Officer

Kellie Tait
Chief Risk Officer

Felicity King
General Manager, Products & Process Improvement

Shawn Griffiths
Executive Manager, Marketing

Steve Vassallo
General Manager, Business Banking and Sales & Service

Kyri Karagiannis
Chief Financial Officer

Faye Fleming
Head of People & Culture

Gerard Smith
Chief Information Officer

Graham Burt
Executive Manager, Operations

Darren Hooper
General Manager, Victoria

Anita Schut
Company Secretary

Snapshot

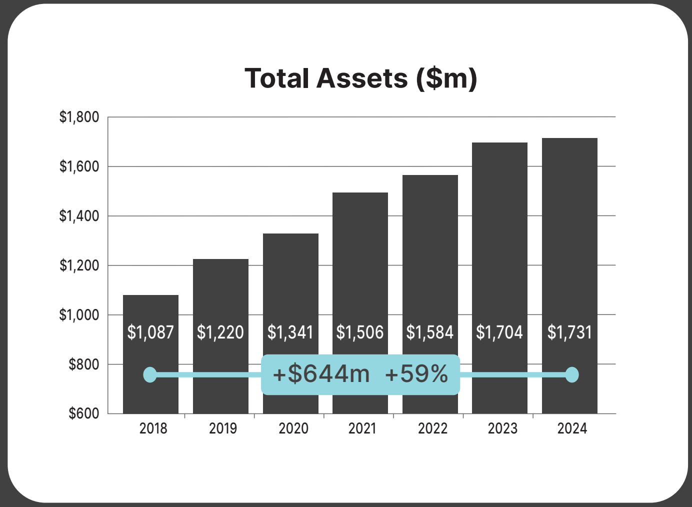
2023/2024 Financial Year

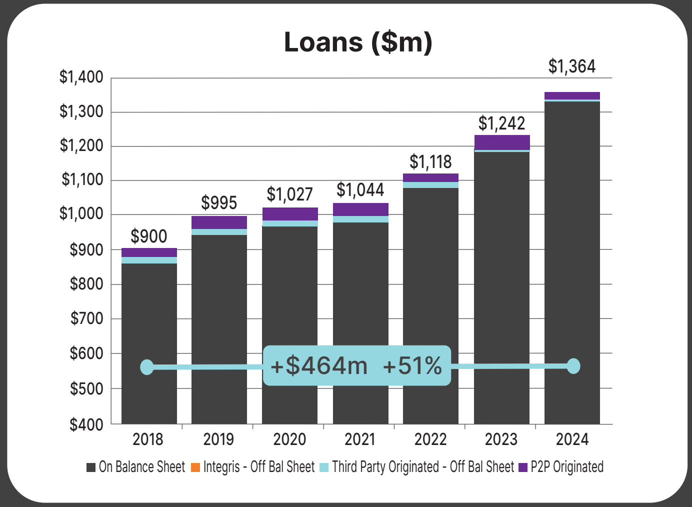
$1,338,723,851 in member loans

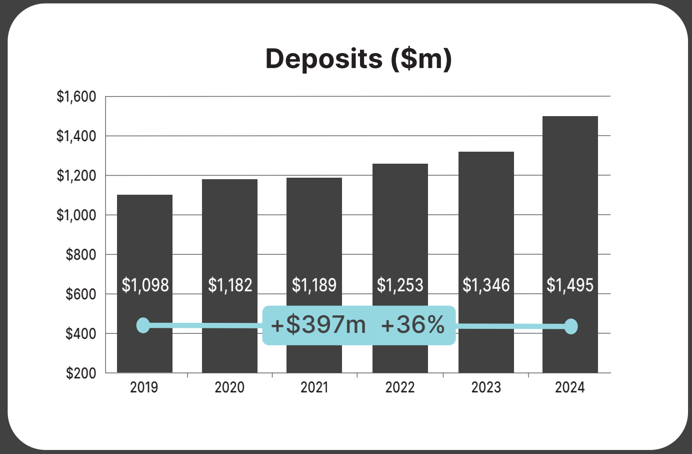
18.53% capital adequacy

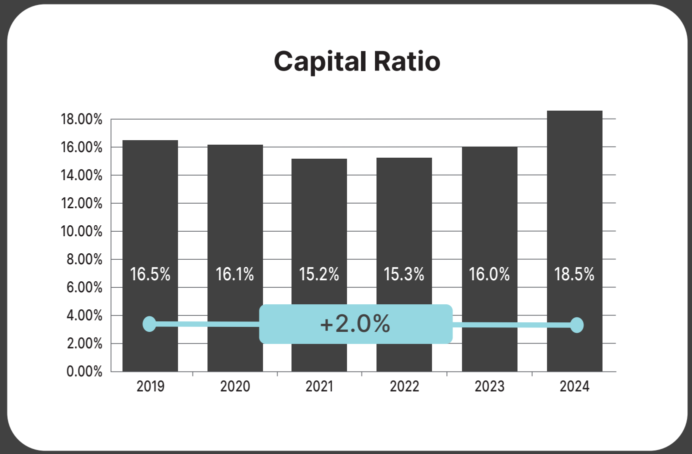
39,268 members

$810,586 sponsorship & donations









Directors’ Report

Your Directors present their report on Unity Bank Limited (the Company) and its controlled entities (the Group), together with the Financial Statements for the financial year ended 30 June 2024. The Bank is a company registered under the ***Corporations Act 2001.***

Information on Directors

The names of the Directors in office at any time during or since the end of the year are:

MICHAEL DOLEMAN | Chair

Experience:
Chair, Unity Bank since 2010
Director of Unity Bank since September 1999
Former Director, Australian Diver Accreditation Scheme
Former Director, Maritime Super
SUA Official 1984 - 1993
Former Director, Seacare Authority
Former Director, Transport & Logistics Industry Council
Former Deputy National Secretary of MUA
Former Chair, Melbourne Seafarers Centre

Committees:
Member, Audit Committee
Member, Risk Committee
Chair, Remuneration Committee
Chair, Director Nominations Committee
Chair, Corporate Governance Committee

MARK WATSON | Director

Experience:
Director of Unity Bank since September 2012
Director of Auscoal Superannuation Pty Ltd, as trustee for the Mine Superannuation Fund since July 2013
Director of Mine Super Services Pty Ltd (formerly Auscoal Services Pty Ltd) since July 2013
Former CFO, CFMEU Mining & Energy National Office 2005-2022

Qualifications:
Bachelor of Commerce
Member, Institute of CAANZ
Graduate, Australian Institute of Company Directors

Committees:
Chair, Audit Committee
Member, Risk Committee
Member, Remuneration Committee

Directors’ Report

DARREN GOSSLING | Director

Experience:
Director of Unity Bank since June 2017
Former Chair and Director of Motorcycling NSW since December 2021
Former Deputy Chair of Bankstown City Credit Union Ltd 2010 - 2017
Former Director of Bankstown City Credit Union Ltd 2001 - 2017
Former Chair, Risk Committee Bankstown City Credit Union
Managing Partner and Director Rohling International Pty Ltd.

Qualifications:
MBA - Marketing & Global Strategy
Bachelor of Engineering - Computer Systems and Telecommunications
Graduate, Australia Institute of Company Directors

Committees:
Chair, Risk Committee
Member, Audit Committee
Member, Remuneration Committee

MICH-ELLE MYERS | Director

Experience:
Director of Unity Bank since November 2013
Vice President, Australian Labor Party
Elected member of MUA National Council 2015
Rank and File Member of the MUA since 1999
Assistant National Secretary MUA since July 2023
National Campaigns Coordinator, Maritime Union of Australia
National Women’s Liaison Officer, Maritime Union of Australia

Committees:
Member, Director Nominations Committee
Member, Corporate Governance Committee

GRAHAME KELLY | Director

Experience:
Director of Unity Bank since January 2018
General Secretary with the Mining and Energy Union since 2017
Director of Auscoal Superannuation Pty Ltd, as trustee for the Mine Superannuation Fund since 2006 and Chair January 2015 to June 2022
Director of Mine Super Services Pty Ltd since October 2006
Director of the Coal Long Service Leave Funding Corporation since 2018

Committees:
Member, Director Nominations Committee
Member, Corporate Governance Committee

Directors' Report

GARRY KEANE | **Director**

Experience:
Director of Unity Bank since July 2011
Former Director of Maritime Super 2021 - 2023
Member of Maritime Union of Australia 1974 - present
Former Honorary Deputy Branch Secretary Southern NSW Branch MUA 1998 - 2007
Retired Branch Secretary SNSW MUA 2007 - 2020
Retired MUA Deputy National Presiding Officer 2015 - 2020

Committees:
Member, Risk Committee
Member, Corporate Governance Committee
Member, Director Nominations Committee

SHARON SEWELL | **Director**

Experience:
Director of Unity Bank since July 2020
President of United Services Union since 2023 (previously Vice President from 2019)
Regional Administrator - NSW Teachers Federation

Qualifications:
MBA
Bachelor of Social Science

Committees:
Member, Audit Committee
Member, Corporate Governance Committee
Member, Director Nominations Committee

JOANNE MASTERS | **Director**

Experience:
Director of Unity Bank since November 2021
Data Manager Ventia Engineering Services
Former Director Shell Employees Credit Union 1995 - 2016

Qualifications:
Master of Commerce (Marketing)
Bachelor of Commerce
Diploma of Management

Committees:
Member, Risk Committee
Member, Remuneration Committee

Directors' Report

Company Secretary

The name of the Company Secretary in office at the end of the year is:

Name Anita Schut
Qualifications Bachelor of Arts (Asian Studies), Graduate Diploma Personnel Management, Certified Compliance Professional, Member AICD
Experience 30+ years management experience in the Financial Services Industry

Directors' Meeting Attendances

Director	Board		Audit		Risk		Corporate Governance	
	H	A	H	A	H	A	H	A
Michael Doleman	9	6	6	4	6	5	2	1
Mark Watson	9	9	6	6	6	6		
Darren Gossling	9	9	6	6	6	6		
Mich-Elle Myers	9	7					2	2
Grahame Kelly	9	8					2	2
Garry Keane	9	9			6	6	2	2
Sharon Sewell	9	7	6	5			2	2
Joanne Masters	9	7			6	4		

H = Meeting held in the period of Appointment **A = Attended**

Directors' Benefits

No Director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Bank, controlled Bank, or a related body corporate with a Director, a firm of which a Director is a member or a Bank in which a Director has a substantial financial interest, other than that disclosed in Note 39 of the financial report.

Indemnifying Officer or Auditor

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

No insurance cover has been provided for the benefit of the auditors of Unity Bank Limited.

Financial Performance Disclosures

Principal Activities

The principal activities of the Bank during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating Results

The net profit of Unity Bank Limited for the year after providing for income tax was $14,451,055 [2023: $10,979,091].

Dividends

During the year the Bank paid fully franked dividends of $1,821,017 to the instrument holders of the Unity Bank Tier One Capital instrument issued in August 2023.

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

Review of operations

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

Significant changes in state of affairs

There were no significant changes in the state of the affairs of Unity Bank Limited during the year.

Events occurring after the end of the reporting date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of Unity Bank Limited in subsequent financial years.

Likely developments, business strategies and prospects

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

(i) The operations of Unity Bank Limited;

(ii) The results of those operations; or

(iii) The state of affairs of Unity Bank Limited

In the financial years subsequent to this financial year, other than as discussed under "Events occurring after the end of the reporting date".

Financial Performance Disclosures

Environmental legislation

The Bank is not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Auditors' Independence

The auditors have provided the declaration of independence to the board as prescribed by the *Corporations Act 2001* as set out on page 15 and forms part of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Regulatory Disclosures

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website at www.unitybank.com.au.

Rounding

The Bank is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

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

Mr M Doleman Chair	Mr M Watson Chair, Audit Committee

Signed and dated this 28th day of August 2024.

Directors’ Declaration

In the opinion of the Directors of Unity Bank Limited:

a. The financial statements and notes of Unity Bank Limited are in accordance with the *Corporations Act 2001*, including:

   i. Giving a true and fair view of its financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and

   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   iii. Unity Bank Limited does not have any controlled entities and is therefore not required by the Australian Accounting Standards to prepare consolidated financial statements. Therefore, Section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

b. There are reasonable grounds to believe that Unity Bank Limited will be able to pay its debts as and when they become due and payable.

c. The financial statements comply with International Financial Reporting Standards as stated in Note 1.

d. The Consolidated Entity Disclosure Statement is true and correct and complies with the requirements of Section 295 of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

Director ______________________

Mr M Doleman
Chair

Dated this 28th day of August 2024.

Consolidated Entity Disclosure Statement

Name of Entity	Type of Entity	Trustee, partner, or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction(s) of foreign resident
Unity Bank Limited	Company	n/a	n/a	Australia	Australian	n/a
Waterside Trust No.1	Trust	n/a	n/a	Australia	Australian	n/a

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Auditor's Independence Declaration

To the Directors of Unity Bank Limited

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

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 28 August 2024

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Grant Thornton

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Independent Auditor's Report

To the Members of Unity Bank Limited

Report on the audit of the financial report

Opinion

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

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

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

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

Basis for opinion

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

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

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

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

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Independent Auditor's Report

Grant Thornton

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

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

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

Responsibilities of the Directors' for the financial report

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

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

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and
for such internal control as the directors determine is necessary to enable the preparation of:

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

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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. A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 28 August 2024

Corporate Governance Statement

The Board of Unity Bank is responsible for the corporate governance of the Bank. This statement generally describes the practices and processes adopted by the Board to ensure sound management of the Bank within the legal framework under which we operate.

Composition of the Board

To enable the Board to undertake all of its functions, it is necessary to have a well-structured Board. Unity Bank's Constitution permits the Bank to determine the number of elected and appointed Directors. Unity Bank currently has five (5) elected Directors and three (3) appointed Directors.

Role of the Board

The Board's primary role is to enhance and protect long-term member value. To fulfill this role, the Board has extensive business acumen and a close association and deep understanding of the unique characteristics of the industries and communities in which it operates. This allows the Board to bring accountability and judgment to its deliberations thus ensuring optimal benefits are passed on to its members and employees. In particular the Board:

- Provides strategic direction
- Provides leadership in terms of corporate governance
- Reports to members and ensures all regulatory requirements are met
- Oversees the financial performance and monitors its business affairs on behalf of members
- Develops, reviews, monitors and ensures the effectiveness of the Risk Management Framework and Compliance systems in order to identify and manage significant business risk
- Appoints the Chief Executive Officer
- Monitors performance and approves the remuneration of the Chief Executive Officer
- Ensures that the Bank's business is conducted ethically and transparently.

Responsibility for the day-to-day activities of the Bank is delegated to the Chief Executive Officer.

Director Independence

As required by APRA's Governance Standard (CPS 510) and the Bank's own Governance Policy, the Board has conducted its annual review of the Board's composition and succession arrangements. As part of that review, the Board assessed each Director's independence by reference to the requirements and guidelines set out in CPS 510 and the 2019 Australian Stock Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations fourth edition.

Although the Board assessed Directors against each of the 6 ASX independence factors the Board paid particular regard to the threshold independence test set out in paragraph 23 in CPS 510. That is, the Board resolved that it would only determine Directors to be 'Independent' upon being absolutely satisfied that they were:
"… free from any business or other association…that could materially interfere with the exercise of their independent judgment".

All the current Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account, in addition to the matters set out below, the intent of each principle by reference to the broader context and arguments contained in the full ASX Council report.

Corporate Governance Statement

The Board took into account whether each Director:

- is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

The Bank does not consider that term of service on the Board is a factor affecting a Director's ability to act in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the Director to act.

A number of Directors are Officers, Directors or Alternate Directors of the superannuation funds Mine Super and Maritime Super and unions (MUA and MEU) which serve the maritime and mining industries. These associations are detailed under *Information on Directors*.

In assessing these relationships, the Board considered the nature of the customer and investor relationships between the relevant organisations and the Bank, the 'materiality' of any relationship and the nature of each Director's personal role and position in those organisations, both generally and with specific regard to matters relating to the customer relationships between those organisations and the Bank.

By adopting this dual perspective, the Board's broad aim was to determine whether or not any current Directors have, or could reasonably be perceived to have, a conflict of interest due to their relationships with certain customers of the Bank. More specifically, the Board sought to determine whether the concurrent existence of the applicable 'customer' and personal relationships were of a kind that could materially interfere with the relevant Directors exercising their independent judgment when fulfilling their roles on the Board.

The Board determined that it does not consider it would be appropriate for it to conclude (as a necessary consequence of those customer relationships) that these Directors should be regarded as non-independent.

Conflicts of Interest

In accordance with the *Corporations Act 2001* and the Board Charter, Directors must keep the Board informed of any interests which potentially conflict with the interests of the Bank. The Board has developed guidelines to assist Directors in disclosing potential conflicts of interest. Directors' disclosures are formally updated monthly. Transactions between Directors and the Bank are subject to the same terms and conditions that apply to members.

Corporate Governance Statement

Board Performance Assessment

The Board is committed to continual improvement and has established an evaluation process for each individual Director and the Board as a whole. The Board has assessed the skills of individual Directors against those it considers the Board as a whole should possess. It has identified a number of required and desired skill sets which it is addressing through a measured approach to Director training, renewal and the addition of Board Appointed Directors.

Risk Management

The recognition and management of financial and non-financial risk is a critical function within the Bank. During the course of the year, the Board has further developed and enhanced its comprehensive Risk Management Framework (RMF). The RMF consists of committee structures, policies, risk tolerances, processes, internal controls, external review and training to manage:

- Strategic Risk
- Market Risk
- Operational Risk
- Credit Risk
- Capital & Liquidity Risks
- Regulatory Risk
- Reputational Risk
- Emerging Risks

The RMF will be further enhanced and maintained on an ongoing basis.

Internal Audit

Internal Audit provides independent and objective risk-based assurance to the Board and senior management on the compliance with and effectiveness of the Bank's financial, risk management and governance systems and structures, including its policies, processes and people. Internal Audit assesses whether material risks have been properly identified by management and that key internal controls have been adequately designed and are operating effectively to mitigate those material risks.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of committees each with their own Terms of Reference which are reviewed annually. Details of the Committees in place are contained below.

Audit Committee

Key responsibilities include:

- Overseeing and examining the internal and external audit process and reports
- Approval and monitoring of the internal audit program
- Reviewing the draft annual financial report and audit and making recommendations to the Board for approval of the annual report
- Making recommendations on the appointment and monitoring the effectiveness and independence of the external auditor
- Oversight of APRA statutory reporting requirements.

Risk Committee

Key responsibilities include:

- Approving principles, policies, strategies, processes and control frameworks for the management of risk including the Risk Management Framework;
- Advising the Board on current and emerging risks;
- Setting and monitoring risk culture;
- Determining policies that ensure the strategy is adhered to and monitoring adherence to those policies; and
- Assisting the Board in formulating its risk appetite and reviewing and monitoring it for consistency with the risk appetite.

Director Nominations Committee

The purpose of the Director Nominations Committee is to assess all Directors, including existing Directors, prior to their appointment or election. This is in accordance with the Board's Fit and Proper Policy and APRA's Fit and Proper Prudential Standard and the regulator's Banking Financial Accountability Regime (FAR).

The Committee also assesses all senior managers against the Fit and Proper Policy of the Bank except for the CEO who is assessed by the Board.

Remuneration Committee

The Remuneration Committee sets the parameters for the remuneration of directors and the Chief Executive Officer whilst recognising the Unity Bank Constitution and its Governance policy. It proposes to the Board remuneration for directors and the Chief Executive Officer in line with the Bank's strategic plan, budget and succession plans.

Corporate Governance Committee

The primary objective of the Corporate Governance Committee is to assist the Board in promoting and developing governance practices.

The Committee's key responsibilities are to:

- Monitor corporate governance developments and bring to the Board's attention matters of importance and recommendations for improvement;
- Review and recommend amendments to the guidelines for Directors and monitor compliance;
- Review and recommend to the Board this Corporate Governance Statement for inclusion in the Annual Report;
- Recommend policies and guidelines for matters of governance generally, including the process of disclosure of information from the Board to members;
- Review and recommend preferred attributes for the nomination of potential Board appointed directors; and
- Develop and oversee a director educational program.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 June 2024

	Note	2024 $'000	2023 $'000
Interest income	6(a)	102,675	71,960
Interest expense	6(c)	48,326	24,052
Net interest income		**54,349**	**47,908**
Fees and commissions	6(b)	4,054	4,458
Other Income	6(b)	1,250	949
Total income		**59,653**	**53,315**
Non-interest expenses			
Fee and commission expenses		1,601	1,512
Impairment losses on loans receivable from members	6(d)	(229)	832
Impairment losses on loans to non members	6(d)	(257)	(26)
General administration			
- Employees compensation and benefits		22,112	19,189
- Depreciation and amortisation	6(e)	2,033	1,833
- Information technology		5,468	4,849
- Office occupancy		811	988
- Other administration		2,805	2,916
Other operating expenses		4,568	5,475
Total non interest expenses		**38,912**	**37,568**
Profit before income tax		**20,741**	**15,747**
Income tax expense	7	6,289	4,768
Profit after income tax		**14,452**	**10,979**
Other comprehensive income, net of income tax			
<u>Items that will not be reclassified subsequently to profit and loss</u>			
Movement in reserve for equity instruments at FVOCI			
Net change in fair value		(431)	(1,649)
Income tax relating to other comprehensive income		129	511
Total FVOCI OCI, net of income tax		(302)	(1,138)
Movement in reserve for land and buildings			
Net change in fair value		6,602	-
Income tax relating to other comprehensive income		(1,981)	-
Total Revaluation OCI, net of income tax		4,621	-
Total other comprehensive income, net of income tax		4,319	(1,138)
Total comprehensive income for the period		**18,771**	**9,841**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 June 2024

	Note	2024 $'000	2023 $'000
ASSETS			
Cash	8	32,964	39,661
Other financial assets	9	296,800	388,628
Receivables	10	8,291	10,088
Prepayments		1,274	1,629
Deferred Expenses		1,369	-
Loans	11 & 12	1,356,617	1,236,366
Equity investments	13	7,648	8,079
Property, plant and equipment	14	20,298	13,835
Deferred tax asset	15	2,249	2,170
Intangible assets	16	482	657
Right-of-use assets	17	2,577	2,973
Total Assets		**1,730,569**	**1,704,086**
LIABILITIES			
Deposits from other financial institutions	19	21,000	60,000
Deposits from members	20	1,474,228	1,286,272
Creditor accruals and settlement accounts	21	23,528	24,604
Taxation liabilities	22	860	594
Provisions	23	4,528	3,999
Lease liability	18	2,622	2,921
Deferred tax liabilities	24	3,059	1,222
Long term borrowings	25	18,020	187,010
Total Liabilities		**1,547,845**	**1,566,622**
NET ASSETS		**182,724**	**137,464**
MEMBERS' EQUITY			
Capital reserve account	26	781	758
Asset revaluation reserve	27	10,875	6,254
FVOCI reserve	29	458	760
General reserve		2,779	2,779
Issued capital	30	28,311	-
Retained earnings		139,520	126,913
Total Members' Equity		**182,724**	**137,464**

This statement should be read in conjunction with the notes to the financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN MEMBER EQUITY
FOR THE YEAR ENDED 30 June 2024

	Capital Reserve	Asset Revaluation Reserve	Reserve for Credit Losses	General Reserve	Issued Capital	Retained Earnings	FVOCI Reserve	Total Members' Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(26)	(27)	(28)				(29)	
Balance at 1 July 2022	**732**	**6,254**	**2,779**	**2,779**	**-**	**113,181**	**1,898**	**127,623**
Profit for the year	-	-	-	-	-	10,979	-	10,979
Other Comprehensive Income	-	-	-	-	-	-	(1,138)	(1,138)
Transfer to Retained Earnings	-	-	(2,779)	-	-	2,779	-	-
Transfer to capital account	26	-	-	-	-	(26)	-	-
Total at 30 June 2023	**758**	**6,254**	**-**	**2,779**	**-**	**126,913**	**760**	**137,464**
Balance as at 1 July 2023	758	6,254	-	2,779	-	126,913	760	137,464
Profit for the year	-	-	-	-	-	14,451	-	14,451
Dividends Paid and provided	-	-	-	-	-	(1,821)	-	(1,821)
Other Comprehensive Income	-	4,621	-	-	-	-	(302)	4,319
Tier One Capital Instrument	-	-	-	-	28,500	-	-	28,500
Costs associated with Issued Capital	-	-	-	-	(189)	-	-	(189)
Transfer to capital account	23	-	-	-	-	(23)	-	-
Total at 30 June 2024	**781**	**10,875**	**-**	**2,779**	**28,311**	**139,520**	**458**	**182,724**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2024

	Note	2024 $'000	2023 $'000
OPERATING ACTIVITIES			
Cash Inflows			
Interest received		102,582	70,583
Fees and commissions		9,206	2,409
Dividends		446	249
Other income		621	868
Cash Outflows			
Interest paid		(45,326)	(17,181)
Suppliers and employees		(42,071)	(33,350)
Income taxes paid		(6,102)	(4,768)
Net cash from revenue activities	44(b)	**19,356**	**18,810**
Inflows/(outflows) from other operating activities			
Member loans (net movement)		(133,560)	(109,363)
Member deposits and shares (net movement)		144,857	97,133
Receivables from other financial institutions (net movement)		91,828	33,433
Net cash from operating activities		**122,481**	**40,013**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale on investments in shares		13,795	-
Proceeds on sale of property, plant and equipment		754	45
Less: Outflows			
Loan Funding to SocietyOne & RateSetter		-	(17,922)
Purchase on investments in shares		-	(600)
Purchase of property, plant and equipment		(797)	(1,732)
Purchase of intangible assets		(243)	(464)
Net cash from investing activities		**13,509**	**(20,673)**
FINANCING ACTIVITIES			
Inflows/(Outflows)			
Lease payment		(467)	327
Increase in borrowings (net movement)		(168,990)	-
Capital Issue		28,500	-
Dividends paid on preference shares		(1,730)	-
Net cash from financing activities		**(142,687)**	**327**
Total net cash increase		**(6,697)**	**19,667**
Cash at beginning of year		39,661	19,994
Cash at end of year	8 & 44(a)	**32,964**	**39,661**

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information and statement of compliance

This financial report is prepared for Unity Bank Limited and controlled entities ('the Group'), for the year ended the 30th of June 2024. The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the *International Financial Reporting Standards* (IFRSs) as issued by the International Accounting Standards Board (IASB). Unity Bank Limited is a for-profit entity for the purpose of preparing the financial statements.

Unity Bank Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is:

L7, 215 - 217 Clarence Street
Sydney NSW 2000

The financial report is presented in Australian dollars.

2. Basis of consolidation

The Group's financial statements consolidate those of the Parent and the entities it controls as of 30 June 2024. All controlled entities have a reporting date of 30 June.

The Bank has initiated the creation of a trust which holds rights to a portfolio of mortgage secured loans to enable the Bank to secure funds from the Reserve Bank of Australia if required to meet emergency liquidity requirements.

The Bank continues to manage these loans and receives all residual benefits from the trust and bears all the losses should they arise. Accordingly:

a. The trust meets the definition of a controlled entity; and
b. As prescribed under the accounting standards, since the Bank has not transferred all risks and rewards to the trust, the assigned loans are retained on the books of the Bank and are not de-recognised.

The Bank has elected to present one set of financial statements to represent both the Bank as an individual entity and consolidated entity on the basis that the impact of consolidation is not material to the entity.

All transactions and balances between controlled entities are eliminated on consolidation, including unrealised gains and losses on transactions between controlled entities. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in the financial statements of controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3. Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The accounting policies are consistent with the prior year unless otherwise stated.

4. Changes in significant accounting policies

New standards applicable for the current year

There were no new accounting standards or amendments to existing accounting standards that were material in the current year.

5. Material accounting policies

a. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at cost adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification of financial assets

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

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

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented within other expenses.

Classifications are determined by both:
- the Bank's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial assets.

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade receivables, NCD's, Term Deposits and Bonds fall into this category of financial instruments.

Financial assets at Fair Value through Profit or Loss (FVPL)

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

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities held in Cuscal Limited, TransAction Solutions Ltd trading as Experteq, MoneyMe Ltd and Shared Service Partners Pty Ltd.

Loans to Members

Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost, which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

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

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances also include finance lease receivables in which the Bank is the lessor.

Interest earned

Term loans - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

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

Credit cards – the interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the 10th day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

Loan origination fees and discounts

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

Transaction costs

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

Fees on loans

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

Net gains and losses

Net gains and losses on loans to members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. There were no changes to any of the Bank's business models during the current year (prior year: Nil).

b. Loan Impairment

AASB 9's impairment requirements uses forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of these requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Bank considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans), ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date. Loans in default are defined as loans in arrears more than 90 days and/or under hardship.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Measurement of ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;

- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The critical assumptions used in the calculation are as set out in Note 12. Note 31 details the credit risk management approach for loans.

Restructured financial assets

If a financial asset is renegotiated, modified, or where an existing financial asset is replaced with a new one due to financial difficulties of the borrower, an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision; and
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:*

The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

c. Property, plant and equipment

Land and buildings are initially measured at cost less accumulated depreciation and are consequently measured at fair value. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve. In March 2024 the fair value of land and buildings was determined from market-based evidence by appraisal undertaken by a professionally qualified valuer resulting in a revaluation increase of $6.6m which was included within the accounts.

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to the Bank. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

- Buildings - 40 years.
- Leasehold improvements - 5 to 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than $1,000 are not capitalised.

d. Leases

The Bank has leases for office, retail premises and IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The Bank classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.
Certain leases are subject to extension options and termination options which are exercisable by the Bank.

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Bank as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the Bank at the end of the lease term or the Bank is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment.

In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Bank as lessor

As a lessor the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate);
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within the control of the lessee.

e. Provision for employee benefits

Provision is made for the Bank's liability for employee benefits arising from services rendered by employees to balance date.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual Leave is discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of the reporting period. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Annual leave liability is presented as a current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals at Note 21.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is reported at Note 23 and is reported on a pro-rata basis from commencement of employment with the Bank based on the present value of its estimated future cash flows.

Contributions are made by the Bank to an employee's superannuation fund and are charged to profit or loss as incurred.

f. Income tax

The income tax expense shown in profit or loss is based on the profit before income tax adjusted for any non-tax deductible, or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Bank will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

The Bank undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Bank estimates the amount expected to be paid to / (recovered from) taxation authorities based on the Bank's understanding and interpretation of law, including case law.

Where the Bank considers it probable that the tax treatment applied in the current or historic periods is not probable to be accepted by the taxation authority, it is included within current or deferred taxes, as appropriate.

Unity Bank and its wholly owned Australian controlled entities has implemented a tax-consolidated group in accordance with the tax consolidation legislation. As a consequence, the Bank is taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

g. Intangible assets

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Employee (excluding Director) directly attributable costs include software incurred costs for development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 5 (h).

The following useful lives are applied:

- software: 3-5 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 5 (h).

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

Software-as-a-Service (SaaS)

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

h. Impairment of non-financial assets

At each reporting date the Bank assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

i. Goods and services tax

As a financial institution the Bank is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

j. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Waterside Trust accounts, which are restricted accounts, are currently not reported as Cash and cash equivalents.

k. Business combinations

The Group applies the acquisition method in accounting for business combinations. Under the Financial Sector (Transfers of Business) Act 1999, all the assets and liabilities of the transferring body, wherever those assets and liabilities are located, become (respectively) assets and liabilities of the receiving body without any transfer, conveyance, or assignment.

The Bank recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill (if applicable) is stated after separate recognition of any identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

Where the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognised directly in equity for a mutual organisation [as prescribed by AASB 3 Guidance B47].

Acquisition costs are expensed as incurred.

l. Accounting estimates and judgements

Management have made judgements when applying the Bank's accounting policies with respect to:

i. De-recognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer Note 11d and 42.

Management have made critical accounting estimates when applying the Bank's accounting policies with respect to the measurement of expected credit loss (ECL) allowance – refer Note 12. Key areas of judgement to be considered under the standard include:

- Recognition of credit losses based on "Stage 1" 12 month expected losses and "Stage 2" and "Stage 3" lifetime expected credit losses.
- Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- Choosing appropriate models and assumptions tor the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

6. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Analysis of interest revenue

Interest revenue on assets carried at amortised cost

	2024 $'000	2023 $'000
Cash - deposits at call	2,120	1,259
Receivables from financial institutions	18,750	11,296
Loans to members	79,627	57,667
Loans to non-members via MoneyMe	16	95
Loans to non-members via Shift	1,894	1,133
Loans to non-members via Plenti	268	510
Total income from receivables	**100,555**	**70,701**
Total interest income	**102,675**	**71,960**

(b) Fee, commission and other income

	2024	2023
Fee and commission revenue		
Fee income on loans - other than loan origination fees	1,627	2,084
Fee income from member deposits	437	411
Other fee income	1,477	1,508
Insurance commissions	251	245
Other commissions	262	210
Total Fee and Commission Revenue	**4,054**	**4,458**
Other income		
Dividends received	446	249
Bad debts recovered	100	100
Income from property (rental income)	383	258
Gain on disposal of assets		
- Property, plant and equipment	183	199
Miscellaneous revenue	138	143
Total Other income	**1,250**	**949**
Total Fee Commission and Other Income	**5,304**	**5,407**

(c) Interest expense

Interest expense on liabilities carried at amortised cost

	2024	2023
Deposits from financial institutions	7	15
Deposits from members	46,400	22,722
Other	1,919	1,315
Total Interest Expense	**48,326**	**24,052**

(d) Impairment losses

	2024 $'000	2023 $'000
Loans at amortised cost		
(Decrease)/Increase in provision for impairment	(536)	625
Bad debts written off directly against profit	307	207
Total Impairment (Recouped)/Losses	**(229)**	**832**
Loans to non-members via SocietyOne & Plenti		
(Decrease) in provision for impairment	(262)	(38)
Bad debts written off directly against profit	5	12
Total Impairment (Gains)/Losses	**(257)**	**(26)**

(e) Other prescribed disclosures

	2024	2023
General administration - employees costs include:		
- net movement in provisions for employee annual leave	459	295
- net movement in provisions for employee long service leave	434	467
	893	**762**
General administration - depreciation expense include:		
- buildings	556	429
- plant and equipment	392	316
- leasehold improvements	143	111
- computer hardware	122	152
- amortisation of software	418	434
- ROU Assets	402	391
	2,033	**1,833**
Other operating expenses include:		
Auditors remuneration (excluding GST)		
- Audit fees	200	173
- Other services - taxation	51	42
- Other services - compliance	7	19
- Other services - other	33	36
	291	**270**
Defined contribution superannuation expenses	**2,157**	**1,885**

7. INCOME TAX EXPENSE

	Note	2024 $'000	2023 $'000
(a) The income tax expense comprises amounts set aside as:			
Current Income Tax Payable		6,382	5,123
Prior year over provision of tax and other adjustments		(21)	(1,046)
Add / (less) current year movement in deferred tax asset		(72)	689
Current tax expense - current year profits	(7b)	6,289	4,768
(b) The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows			
Profit		20,741	15,747
Prima facie tax payable on profit before income tax at 30% (2023: 30%)		6,222	4,724
Add tax effect on expenses not deductible		34	438
Change in Tax Rates		0	(339)
Less			
- Franking rebate		54	(55)
- Adjustment to deferred tax assets		(21)	0
- Investment allowance deductions		-	-
Income tax expense attributable to current year profit		**6,289**	**4,768**

For the year ended 30 June 2024, the Bank was assessed for tax purposes with a tax rate of 30%.

8. CASH

	2024	2023
Cash on Hand	1,411	1,520
Deposits at Call	31,553	38,141
	32,964	**39,661**

9. OTHER FINANCIAL ASSETS

(a) Breakdown of other financial assets

	2024	2023
Amortised cost		
Negotiable certificates of deposit	104,584	109,843
Receivables	134,171	188,247
Term deposits	47,897	19,279
Bonds	10,148	71,259
	296,800	**388,628**

(b) Dissection of other financial assets

	2024	2023
Deposits with industry bodies	19,690	19,690
Deposits with other societies	25,929	19,922
Deposits with banks	241,033	300,217
Deposits with government bodies	10,148	48,799
	296,800	**388,628**

Amounts expected to be repaid within 12 months are described in Note 33.

10. RECEIVABLES

	Note	2024 $'000	2023 $'000
Interest receivable on deposits with other financial institutions		2,162	2,069
Sundry debtors and settlement accounts		6,129	8,019
		8,291	**10,088**

11. LOANS

	Note	2024	2023
(a) (i) Loans to Members			
Amount due comprises:			
Overdrafts and revolving credit		30,507	21,063
Term loans		1,308,217	1,184,408
Subtotal		**1,338,724**	**1,205,471**
Provision for impaired loans	12	(2,709)	(3,245)
		1,336,015	**1,202,226**
(a) (ii) Loans to Non-Members			
Amount due comprises:			
Personal Loans unsecured		3,677	7,646
Personal & Commercial Loans secured		17,092	26,923
Subtotal		**20,769**	**34,569**
Less:			
Provision for impaired loans	12	(167)	(429)
		20,602	**34,140**
Total Loans		**1,356,617**	**1,236,366**

Loans to Non-Members

The Bank has entered into agreements to commit funds supporting the online marketplace lending platforms of MoneyMe Ltd, Shift Financial Pty Ltd, and Plenti Pty Ltd. Loans are made via MoneyMe, Shift Financial Pty Ltd, and Plenti to non-members.

The Bank has applied the same ECL methodology used for Loans to members for both MoneyMe, Shift, and Plenti loans.

(b) Credit quality – Security held against loans:

	2024	2023
Secured by mortgage over business assets	79,547	70,160
Secured by mortgage over real estate	1,115,851	1,040,560
Partly secured by goods mortgage	55,135	83,276
Wholly unsecured	108,960	46,044
	1,359,493	**1,240,040**

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

Security held as mortgage against real estate is on the basis of:	2024 $'000	2023 $'000
- loan to valuation ratio of less than 80%	916,174	856,638
- loan to valuation ratio of more than 80% but mortgage insured	99,620	101,472
- loan to valuation ratio of more than 80% and no mortgage insurance	100,057	82,450
Total	**1,115,851**	**1,040,560**

The Board decided not to require disclosure of the fair value of collateral held, but to require disclosure of only a description of collateral held as security and other credit enhancements. The Board noted that such disclosure does not require an entity to establish fair value for all its collateral (in particular when the entity has determined that the fair value of some collateral exceeds the carrying amount of the loan) and, thus would be less onerous for entities to provide than fair values.

(c) Concentration of Loans

The values discussed below include on statement of financial position values and off balance sheet undrawn facilities as described in Note 31 C.

(i) Loans to individual or related groups of members which exceed 10% of reserves in aggregate	85,848	63,769
	85,848	63,769
(ii) Loans to members are concentrated to individuals employed in the following industries		
- Maritime industry	256,449	249,404
- Mining and energy industry	145,186	149,133
- Other	957,858	841,503
	1,359,493	**1,240,040**

The Bank holds three large exposures in the construction and building industries representing 19.77%, 17.14% and 12.22% of Tier 1 Capital respectively. Together, these total $85.85m and 49.18% of Tier 1 Capital.

The Bank also has a large exposure to a pool of personal loans funded through Plenti RE Ltd and Shift Financial Pty Ltd. The exposures total $4.34m and $20.90m (2.49% and 11.97% of Tier 1 capital) respectively.

(iii) Geographical Concentrations

2024 ($'000)	Housing	Personal	Business	Total
NSW	718,744	27,655	169,980	916,379
Victoria	115,574	8,824	17,478	141,876
Queensland	150,726	12,944	9,132	172,802
South Australia	29,507	2,456	44	32,007
Western Australia	65,542	5,504	1,557	72,603
Tasmania	11,927	397	1,856	14,180
Northern Territory	4,725	232	-	4,957
ACT	3,697	439	553	4,689
Total per statement of financial position	**1,100,442**	**58,451**	**200,600**	**1,359,493**

2023 ($'000)	Housing	Personal	Business	Total
NSW	656,660	32,320	153,888	842,868
Victoria	102,715	10,206	5,685	118,606
Queensland	136,878	14,816	3,184	154,878
South Australia	25,800	3,435	48	29,283
Western Australia	62,575	6,672	1,617	70,864
Tasmania	10,671	406	800	11,877
Northern Territory	5,572	208	-	5,780
ACT	4,635	612	637	5,884
Total per statement of financial position	**1,005,506**	**68,675**	**165,859**	**1,240,040**

(iv) Concentration by Purpose

	2024 $'000	2023 $'000
Residential loans and facilities	1,085,747	989,447
Personal loans and facilities	36,179	31,598
Business loans and facilities	39,132	52,222
	1,161,058	**1,073,267**
Loans to Corporations	**177,666**	**132,204**
Loans to Non-Members	**20,769**	**34,569**
Total	**1,359,493**	**1,240,040**

(d) Securitised Loans

The Bank has assigned the rights and benefits of a parcel of mortgage secured loans to a securitisation entity. The purpose of the transfer was to secure, if required, additional liquid funds from the Reserve Bank (REPO) program.

The value of the securitised loans under management comprising both those assigned and those funded as agents is set out in Note 42.

12. PROVISION ON IMPAIRED LOANS

(a) Amounts arising from ECL (Expected Credit Losses)

The ECL loss allowance as of the year end by class of exposure/asset is summarised in the table below.

	2024			2023		
	$'000			$'000		
	Gross Carrying Value	ECL Allowance	Carrying Value	Gross Carrying Value	ECL Allowance	Carrying Value
Loans to Members						
Mortgages	1,085,746	1,017	1,084,729	989,447	1,478	987,969
Personal	67,355	706	66,649	75,748	908	74,840
Credit Cards	5,297	-	5,297	5,331	-	5,331
Overdrafts	2,660	-	2,660	2,741	-	2,741
Total to natural persons	**1,161,058**	**1,723**	**1,159,335**	**1,073,267**	**2,386**	**1,070,881**
Corporate Borrowers	177,666	986	176,680	132,204	859	131,345
Sub Total	**1,338,724**	**2,709**	**1,336,015**	**1,205,471**	**3,245**	**1,202,226**
Loans to Non-Members						
Personal / Corporate Borrowers	20,769	167	20,602	34,569	429	34,140
Sub Total	**20,769**	**167**	**20,602**	**34,569**	429	**34,140**
Total	**1,359,493**	**2,876**	**1,356,617**	**1,240,040**	**3,674**	**1,236,366**

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

	2024				2023			
	$'000				$'000			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to Members								
Mortgages	824	150	43	1,017	1,146	216	116	1,478
Personal	634	31	42	707	791	24	93	908
Credit Cards	-	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	-	-
Total to natural persons	**1,458**	**181**	**85**	**1,724**	**1,937**	**240**	**209**	**2,386**
Corporate Borrowers	984	1	-	985	850	9	-	859
Loss allowance	-	-	-	-	-	-	-	-
Sub Total	**2,442**	**182**	**85**	**2,709**	**2,787**	**249**	**209**	**3,245**
Loans to Non-Members								
Personal / Corporate Borrowers	161	1	5	167	194	203	32	429
Sub Total	**161**	**1**	**5**	**167**	**194**	**203**	**32**	**429**
Total Carrying amount	**2,603**	**183**	**90**	**2,876**	**2,981**	**452**	**241**	**3,674**

Key assumptions in determining the ECL (Expected Credit Loss)

Assumption Modelling

The base case scenario was re-modelled based on the facts and circumstances existing as at 30 June 2024 and forecasts of future economic conditions and supportable information that was available at that date and includes significant management judgement.

Based on the information available as at 30 June 2024, the base case scenario was modelled primarily across the Australian region but also considered the impact of global economic factors.

Forward-looking economic assumptions in the model include a fall in GDP, an increase in unemployment rate to 4%, and the impact of the fixed rate loan book as they come off into higher interest rates referred to as the "mortgage cliff". Credit deterioration in the lending portfolio was modelled assuming an increase in the internal customer risk rating, higher probability of default (PD) estimates and an increase in Loss Given Default (LGD) values.

Measurement of ECL

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

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

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

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

- Mortgages by LMI and LVR – APRA scale of residential property in Australia used as a guide for LGD and PD rates

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.

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

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

Grouping of similar assets

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

- instrument type
- collateral type
- LVR ratio for retail mortgages
- date of initial recognition (vintage)
- remaining term to maturity
- industry; and
- geographic location of the borrower.

The Bank has elected to use the following segments when assessing credit risk under the impairment model:

- Residential mortgages
- Commercial loans
- Personal loans
- Other – representing credit cards, overdrafts

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Significant increase in credit risk

The Group is not required to develop an extensive list of factors in defining a 'significant increase in credit risk'. In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in the Group's current model;

- Loans more than 30 days past due
- Loans with approved hardship or modified terms

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert judgement, relevant external factors and including forward-looking information.

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

The approach to determining the ECL includes forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Given the lack of loss experience by the Group and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information.

Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Group has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors.

This is reviewed and monitored for appropriateness on a quarterly basis. The Group considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. Periodically the Group carries out stress testing of extreme shocks to calibrate its determination of other potential scenarios.

(b) Loans with repayments past due but not regarded as impaired

The following table show loans with repayments past due but not regarded as impaired.

There are loans to the value of $13.7m with past due with LVR less than 80% that are not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the reporting date due to the variety of assets and conditions. For loans that are past due but not secured by residential property, the Bank is comfortable that these are not impaired due to the nature and the credit process involved with these loans.

Loans with repayments past due but not impaired are in arrears as follows:

Loans to Members					
2024 $'000	**1 - 3 Mths**	**3 - 6 Mths**	**6 -12 Mths**	**> 1 Year**	**Total**
Mortgage secured loans	14,666	1,080	847	35	16,628
Personal loans	670	287	79	15	1,051
Credit cards	124	32	41	11	208
Overdrafts	1,902	10	11	8	1,931
Total	**17,362**	**1,409**	**978**	**69**	**19,818**

2023 $'000	**1 - 3 Mths**	**3 - 6 Mths**	**6 -12 Mths**	**> 1 Year**	**Total**
Mortgage secured loans	9,792	2,691	996	736	14,215
Personal loans	256	153	31	-	440
Credit cards	56	23	10	-	89
Overdrafts	71	10	4	15	100
Total	**10,175**	**2,877**	**1,041**	**751**	**14,844**

13. EQUITY INVESTMENTS

	Note	**2024 $'000**	**2023 $'000**
Shares in unlisted companies - at FVOCI			
- CUSCAL	13(a)	6,096	6,461
- Transaction Solutions Ltd trading as Experteq	13(b)	1,278	1,278
- MoneyMe Ltd	13(c)	210	276
- Shared Service Partners Pty Ltd	13(d)	64	64
Total value of share investments		**7,648**	**8,079**

Disclosures on Shares held at FVOCI valued with unobservable inputs

(a) CUSCAL Limited (CUSCAL)

This company supplies services to the member organisations which are all Credit Unions, Mutual Banks and Banks.

The Bank holds shares in Cuscal to enable the Bank to receive essential banking services – refer to Notes 37 and 40. The shares are able to be traded but within a market limited to other mutual ADI's.

The volume of shares traded is low with few transactions in the past 3 years.

The Bank has determined Cuscal shares to be level 3 unobservable inputs whereby fair value techniques have been based on the weighted average of Cuscal's last year audited financial statements and recent share buyback, dividend yields on similar investments, and recent share transactions are used to value the shares.

The Bank is not intending to dispose further of these shares.

(b) TransAction Solutions Limited trading as Experteq

Experteq provide a data processing support service to the Bank and manages the Bank's core banking system and network operations on its system – refer to Note 40.

The shares are able to be traded but within a market limited to other mutual ADI's. The volume of shares traded is low.

The Bank has determined Experteq shares to be level 3 unobservable inputs whereby fair value techniques are based on Experteq's last year audited financial statements, dividend yields on similar investments, and recent share transactions are used to value the shares.

The Bank is not intending to dispose of these shares.

(c) MoneyMe Limited

MoneyMe Limited is a digital consumer credit business that delivers a risk-based loan and virtual credit card offering via a proprietary technology platform. The Bank has invested with MoneyMe as part of diversification of funds. This investment is intended to be held long term.

MoneyMe Limited shares are actively traded securities on the ASX and as such management has used the last share price as at 30 June 2024. The ASX close of business share price for MoneyMe Limited was $0.06.

(d) Shared Service Partners Pty Ltd (SSP)

Shared Service Partners is an aggregator of services to the mutual sector. The shares are able to be traded but within a market limited to other mutual ADI's.

Management have used the unobservable inputs to assess the fair value of the shares as a market value is not able to be determined readily.

The Bank has determined SSP shares to be level 3 unobservable inputs whereby fair value techniques are based on SSP's last year audited financial statements, dividend yields on similar investments, and recent share transactions, if any, are used to value the shares.

The Bank is not intending to dispose of these shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2024 $'000	2023 $'000
(a) Fixed Assets			
Land - at fair value	14(b)	6,945	5,062
Buildings - at fair value	14(b)	12,656	7,785
Less: accumulated depreciation	14(b)	1,402	903
		11,254	6,882
Total Land and Buildings		**18,199**	**11,944**
Plant and Equipment - at cost		6,463	6,196
Less: accumulated depreciation		4,809	4,894
		1,654	**1,302**
Capitalised leasehold improvements - at cost		3,365	3,365
Less: accumulated depreciation		2,920	2,776
		445	**589**
Total Property, Plant and Equipment		**20,298**	**13,835**

(b) Movements in the asset balances during the year were:

2024

	Property $'000	Plant & Equipment $'000	Leasehold Improvements $'000	Total $'000
Opening Balance	11,944	1,302	589	13,835
Purchases	448	773	-	1,221
Transfer from Property	-	238	-	238
Revaluation Increase	6,602	-	-	6,602
Less:				-
Assets Disposed	-	146	-	146
Transferred to Plant & Equipment	238	-	-	238
Depreciation charges	557	513	143	1,214
Balance at the end of year	**18,199**	**1,654**	**446**	**20,298**

2023

	Property $'000	Plant & Equipment $'000	Leasehold Improvements $'000	Total $'000
Opening Balance	12,230	835	91	13,156
Purchases	143	979	610	1,732
Less:				
Assets Disposed	-	44	1	45
Depreciation charges	429	468	111	1,008
Balance at the end of year	**11,944**	**1,302**	**589**	**13,835**

Land and Buildings – at Fair Value

Under AASB 116 revaluations are required every three years. Management has performed an independent revaluation in the financial year 2024. The fair value of land and buildings was determined from market-based evidence by appraisal that was undertaken by a professionally qualified independent valuer. A revaluation increase of $6.6m was included within the accounts for land and buildings in the 2024 financial year.

15. TAXATION ASSETS

	2024 $'000	2023 $'000
Opening balance	2,170	1,480
Add movements in the current year	79	390
Adjustment for changes in opening balances	-	300
Deferred Tax Assets	**2,249**	**2,170**
Deferred Tax Assets Comprise:		
Accrued Expenses not deductible until incurred	206	25
Provisions for impairment on loans	863	1,102
Provisions for employee benefits	2,034	1,766
Accrued Income not assessable	(17)	-
Deferred income	(34)	423
Depreciation on fixed assets	(962)	(1,257)
Blackhole expenses	(25)	-
Deferred expenses for tax purposes	52	111
Other Provisions	119	-
ROU Assets	13	-
	2,249	**2,170**

16. INTANGIBLE ASSETS

Computer software	5,383	5,140
less accumulated amortisation	4,901	4,483
	482	**657**
Movements in the asset balances during the year were:		
Opening balance	657	628
Purchases	243	463
Less:		
Assets disposed	-	-
Amortisation charge	418	434
Impairment loss	-	-
Balance at the end of year	**482**	**657**

17. RIGHT-OF-USE ASSETS

	2024 $'000	2023 $'000
Right of Use Assets	3,194	3,188
less accumulated depreciation	617	215
	2,577	**2,973**

Movements in the asset balances during the year were:

	Property $'000	IT Equipment $'000	Total $'000
Opening balance	2,955	18	2,973
Net Additions	-	-	-
Revaluations	-	-	-
Less:			
Modifcation	(6)	-	(6)
Depreciation	397	5	402
Balance at the end of year	**2,564**	**13**	**2,577**

The Bank has leases for offices, retail branch premises, and some IT equipment.
Leases are reflected on the balance sheet as a right-of-use asset and a lease liability.

Right of use asset class	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments	No. of leases with termination options
Property	6 - 102 Months	36	1	-	5	5
IT Equipment	26 Months	26	1	-	-	1

18. LEASE LIABILITIES

	2024 $'000	2023 $'000
Lease Liability - Current	451	464
Lease Liability - Non current	2,171	2,457
Total Lease Liability	**2,622**	**2,921**

Movements in the liability balances during the year were:

	Total $'000	Total $'000
Opening balance	2,921	530
Net Additions	-	2,853
Interest Expense	174	20
Less:		
Payments for Leases	479	412
Modifications	(6)	70
Balance at the end of year	**2,622**	**2,921**

19. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	2024 $'000	2023 $'000
Term Deposits	21,000	60,000
	21,000	**60,000**

20. DEPOSITS FROM MEMBERS

	2024 $'000	2023 $'000
Member Deposits		
- At Call	898,156	704,523
- Term	575,679	581,364
Member withdrawable shares	393	385
	1,474,228	**1,286,272**

There were no defaults on interest and capital payments on these liabilities in the current or prior year

Concentration of member deposits

(i) Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	-	-

(ii) Member deposits at balance date were received from individuals employed principally in the Maritim Mining and Energy industries.

(iii) Geographic concentrations

	2024	2023
NSW	1,040,481	958,669
Victoria	187,411	163,972
Queensland	101,398	67,637
South Australia	28,352	14,634
Western Australia	102,098	69,165
Tasmania	8,929	8,396
Northern Territory	2,934	2,249
ACT	2,232	1,165
Total deposits	**1,473,835**	**1,285,887**

Amounts expected to be repaid within 12 months are as described in Note 33.

21. CREDITORS ACCRUALS AND SETTLEMENT ACCOUNTS

	2024 $'000	2023 $'000
Annual Leave	2,595	2,136
Creditors and accruals	7,411	9,928
Settlement accounts	548	4,439
Interest payable on deposits	10,911	8,084
Accrual for GST payable	11	17
Deferred / Unearned Income	1,740	-
Accrual for other tax liabilities	312	-
	23,528	**24,604**
Annual Leave Provision balance comprises:		
Current	877	779
Non-current	1,718	1,357
Total Annual Leave	**2,595**	**2,136**

22. TAXATION LIABILITIES

	2024	2023
Current income tax liability	**860**	**594**
Current income tax liability comprises:		
Balance - previous year	594	292
Instalments recoverable from prior year	193	257
Over/under statement in prior year	-	-
Liability for income tax in current year	6,382	5,123
Less instalments paid in current year	5,522	4,529
Less tax paid	401	35
Balance - current year	**860**	**594**

23. PROVISIONS

	2024	2023
Long Service Leave	4,186	3,752
Lease make good of premises	64	60
Provisions other	278	187
	4,528	**3,999**

Provision movements comprises:

	2024	2023
Lease make good		
Balance - previous year	60	153
Less paid	-	(1)
Liability increase/(decrease) in current year	4	(92)
Balance - current year	**64**	**60**

The Bank has entered into an agreement to lease premises at 215-217 Clarence Street, which contains a lease make good provision.

24. DEFERRED TAX LIABILITIES

	2024 $'000	2023 $'000
Deferred tax liabilities	**3,059**	**1,222**

Deferred income tax liability relates to the sale of the shares in Combined Financial Processing to Transaction Solutions shares in 2010 script-for-script swap which created a deferred capital gain on the value of the Transaction solutions shares received.

The account also includes the estimated tax liability due to any gains recorded against the FVOCI and Asset Revaluation reserves.

Deferred tax liabilities comprise of:		
Revaluation of shares through OCI	135	264
Revaluation of land and buildings through OCI	2,924	958
Total deferred tax liabilities	**3,059**	**1,222**

25. LONG TERM BORROWINGS

RBA Term Funding Facility		
Balance at the beginning of the year	187,010	187,010
Repayment	(168,990)	-
Balance at the end of the year	**18,020**	**187,010**

The Term Funding Facility (TFF) was offered by the Reserve Bank as a part of the RBA's response to the economic fallout from COVID-19.

The TFF is a three-year facility with a fixed interest rate of 0.10%. The funding is collateralised by residential mortgage-backed securities issued by the Bank. The TFF will be repaid in full with the final repayment of $18.1m due on 1 July 2024.

26. CAPITAL RESERVE ACCOUNT

Balance at the beginning of the year	758	732
Transfer from retained earnings on share redemptions	23	26
Balance at the end of the year	**781**	**758**

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

27. ASSET REVALUATION RESERVE

	2024 $'000	2023 $'000
Asset revaluation reserve - Land and Buildings	**10,875**	**6,254**
Movements in Reserves - Land and Buildings		
The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value		
Balance at beginning of the year	6,254	6,254
Increase on revaluation	6,602	-
Less: Deferred tax liability	(1,981)	-
Balance at the end of year	**10,875**	**6,254**

28. GENERAL RESERVE FOR CREDIT LOSSES

General Reserve for Credit Losses	**-**	**-**

General Reserve for Credit Losses

Prior to 1 January 2022, the GRCL represented a reserve created against the possibility of future credit losses (currently unidentified) prudently estimated but not certain to arise over the full life of all the individual facilities making up the business of the Bank.
APRA revised APS220 Credit Risk Management (APS220) with effect from 1 January 2022 and removed the requirement for a GRCL

Balance at beginning of the year	-	2,779
Transfer to Retained Earnings	-	(2,779)
Balance at the end of year	**-**	**-**

29. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) RESERVE

Balance at beginning of the year	760	1,898
Add: increase(decrease) in fair value during the year	(302)	(1,138)
Balance at the end of the year	**458**	**760**

30. ISSUED CAPITAL

	2024 $'000	2023 $'000
Tier One Capital Raise	28,500	-
Costs associate with Tier 1 Capital issue	(189)	-
	28,311	

On the 11th of August 2023 and the 16th of August 2023, the Group issued $28.5 million of Unity Bank Capital Notes (UBL Capital Notes). The securities are perpetual, non-cumulative, subordinated and unsecured notes. The Capital Notes were recognised at fair value on acquisition less issuance costs, net of deferred tax.

The face value of the Capital Notes on issue was $28.5 million at a price of $10,000 per note. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

The principal terms of the Capital Notes are described below:

- The Capital Notes were $28.5 million subordinated perpetual floating rate notes, issued 11 August and 16 August 2023 with an optional call date on 11 August 2030.
- Unless a tax event or regulatory event occurs, the Unity Bank Capital Notes are only redeemable at the option of the Bank on or after the seventh anniversary of the date of issue, subject to regulatory approval.
- The Bank may only redeem the Capital Notes if it has received APRA's prior written approval (which may or may not be given).
- Capital Notes pay quarterly floating rate non-cumulative distributions, at the discretion of the Bank. The distribution rate is based on the floating 3-month Bank Bill Swap Rate.
- Capital Notes are convertible to Mutual Capital Instruments (MCIs) on a non-viability event, or may be written-off on a non-viability trigger event, as determined by APRA and the Bank.
- In a winding up of the Bank, if the Capital Notes have not been converted to MCIs or written-off on account of a non-viability trigger event, they will rank for payment:
  - Ahead of common equity;
  - Equally without any preference amongst themselves for each series and with the holders of equal ranking instruments; and
  - Behind the claims of senior creditors of the Bank.

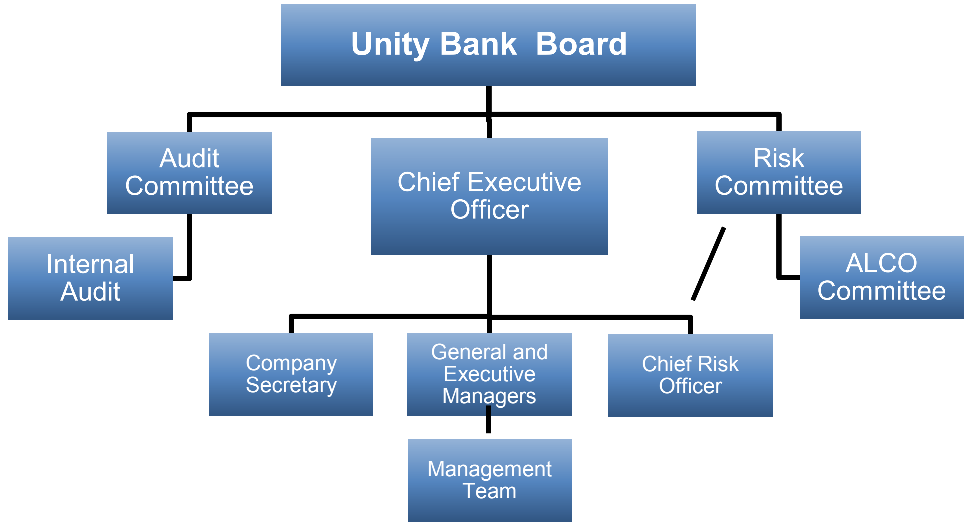
31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Bank.

The Bank's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Audit and Risk committees which are integral to the management of risk.

The following diagram gives an overview of the structure.



The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Bank is exposed to and the framework for reporting and mitigating those risks.

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

The Risk Committee also forms a view of the risk culture within the Bank, and the extent to which that culture supports the ability of the Bank to operate consistently within its risk appetite, identify any desirable changes to the risk culture and ensures the institution takes steps to address those changes.

Regular monitoring is carried out by the Risk Committee through review of operational reports and control assignments to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

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

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

Asset & Liability Committee (ALCO): This committee meets monthly and has responsibility for managing interest rate risk exposures and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate gap analysis.

Chief Risk Officer: This person has responsibility for both liaising with the operational function to ensure timely production of information for the Risk committee and ensuring that instructions passed down from the Board via the Risk Committee are implemented.

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

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management including data risk management.

The Bank has undertaken the following strategies to minimise the risks arising from financial instruments.

A. MARKET RISK AND HEDGING POLICY

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Bank's financial condition or results. The Bank is not exposed to currency risk, and other significant price risk. The Bank does not trade in the financial instruments it holds on its books. The Bank is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO Committee, which reports directly to the Risk Committee.

(i) INTEREST RATE RISK

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within their Treasury operations. This Bank does not trade in financial instruments.

Interest rate risk in the banking book

The Bank is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured monthly.

In the banking book the most common risk the Bank faces arises from fixed rate assets and liabilities. This exposes the Bank to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 34. The table set out at Note 33 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

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

Interest Rate Sensitivity

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

The policy of the Bank to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured monthly to identify large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Bank is not to undertake derivatives to match the interest rate risks. The Bank's exposure to interest rate risk is set out in Note 34 which details the contractual interest change profile.

Based on the calculations as at 30 June 2024 the net profit impact for a 1% increase in interest rates would be $5,964,656 [2023: $5,861,858].

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

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Bank for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over the loan products and term deposits
- the rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- savings deposits would not reprice in the event of a rate change
- fixed rate loans would all reprice to the new interest rate at the contracted date
- mortgage loans would all reprice to the new interest rate after a 1-month delay
- personal loans would reprice after a 1-month delay
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms)
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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

B. LIQUIDITY RISK

Liquidity risk is the risk that the Bank may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board of Directors that the Bank maintain adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Bank manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows
- Monitoring the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Bank has a longstanding arrangement with the industry liquidity support credit union, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Bank should it be necessary at short notice.

The Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Bank policy is to apply 11.0% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available. Note 36 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities based on the contractual repayment terms are set out in the specific Note 33. The ratio of liquid funds over the past year is set out below:

	2024	2023
	$'000	$'000
Liquid Funds	247,816	349,536
Total Adjusted Liabilities	1,710,049	1,664,847
	%	%
Liquid Ratio (%)	14.49%	21.00%
Prescribed Liquidity % (per policy)	9.00%	9.00%
Average for the year	21.51%	21.52%
Minimum during the year	13.32%	19.98%

C. CREDIT RISK

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Bank which may result in financial losses. Credit risk arises principally from the Bank's loan book, investment assets and derivative contracts (where applicable).

(i) CREDIT RISK – LOANS

The analysis of the Bank's loans by class, is as follows:

	2024			2023		
	$'000			$'000		
	Carrying Value	Off Balance Sheet	Max Exposure	Carrying Value	Off Balance Sheet	Max Exposure
Loans to Members						
Mortgage	1,085,746	56,639	1,142,385	989,447	69,755	1,059,202
Personal	67,355	8,964	76,319	75,748	9,041	84,789
Credit Cards	5,297	7,996	13,293	5,331	7,993	13,324
Overdrafts	2,660	-	2,660	2,741	-	2,741
Total to Natural Persons	**1,161,058**	**73,599**	**1,234,657**	**1,073,267**	**86,789**	**1,160,056**
Corporate Borrowers	177,666	86,871	264,537	132,204	44,672	176,876
Loans to Non-Members	20,769	4,833	25,602	34,569	1,510	36,079
Total	**1,359,493**	**165,303**	**1,524,796**	**1,240,040**	**132,971**	**1,373,011**

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, redraw facilities, line of credit facilities, overdraft facilities, credit cards limits). The details are shown in Note 35 and a summary is in Note 11.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 11.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved, and by close monitoring of defaults in the repayment of loans thereafter on a daily basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members or non-members that are creditworthy (capable of meeting loan repayments).

The Bank has established policies over the:
- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Bank that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that the counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

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

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

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

The provisions for impaired and past due exposures relate to the loans to members. Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more.

Details are as set out in Note 12.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case-by-case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 12.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Bank is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 11(b) describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

Concentration risk is a measurement of the Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank's regulatory capital (10 per cent) a large exposure is considered to exist. No additional capital is required to be held against these, but the APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans is set out in Note 11. The Bank holds three large exposures in the construction and building industries representing 19.77%, 17.14% and 12.22% of Tier 1 Capital respectively. Together, these total $85.85m and 49.18% of Tier 1 Capital.

The Bank also has a large exposure to a pool of personal loans funded through Plenti RE Ltd and Shift Financial Pty Ltd. The exposures total $4.34m and $20.90m (2.49% and 11.97% of Tier 1 capital) respectively.

Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base. The Bank's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) below 80 per cent and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry

The Bank has a concentration in the retail lending for members who comprise employees and family in the maritime, mining and power industries. This concentration is considered acceptable on the basis that the Bank was formed to service these members, and the employment concentration is not exclusive. The details of the geographical and industry concentrations are set out in Note 11.

(ii) CREDIT RISK – OTHER FINANCIAL ASSETS

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL and other financial institutions. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 25% of Tier 1 Capital can be invested with any one financial institution at a time with the exception of Cuscal at 100%.

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

Under the liquidity support scheme at least 3.0% of the total assets must be invested in an approved CUFSS Financial Institution, to allow the scheme to have adequate resources to meet its obligations if needed.

The Bank invests in Australian Incorporated ADI's and Government Bonds and Notes that have been approved by the APRA.

External Credit Assessment for Institution Investments

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

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

	2024			2023		
	$'000			$'000		
Investments With	**Carrying Value**	**Past Due Value**	**Provision**	**Carrying Value**	**Past Due Value**	**Provision**
CUSCAL - Rated A	40,270	-	-	34,444	-	-
Government Bodies	10,148	-	-	53,893	-	-
Banks - Rated AA and Above	67,661	-	-	224,270	-	-
Banks - Rated below AA	191,274	-	-	108,162	-	-
Credit Unions - Rated below AA	-	-	-	-	-	-
Unrated Institutions - Credit Unions	19,000	-	-	6,000	-	-
	328,353	**-**	**-**	**426,769**	**-**	**-**

D. OPERATIONAL RISK

Operational risk is the risk of loss to the Bank resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Bank relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Bank promptly

- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card pins, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Bank has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Bank. Fraud losses can arise from card skimming, internet password theft, false loan applications and other external factors.

IT systems

The worst-case scenario would be the failure of the Bank's core banking and IT network suppliers, to meet customer obligations and service requirements. The Bank has outsourced its IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of Banks and Credit Unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Bank by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay etc.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

E. CAPITAL MANAGEMENT

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

- Credit risk
- Market risk (trading book)
- Operations risk.

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

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:
- Retained profits
- Realised reserves
- Asset Revaluation & FVOCI Reserves.

Additional Tier 1 Capital

This classification of Capital includes

- Preference share capital approved by the APRA that qualifies as Tier 1 capital.

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by the APRA.

Capital in the Bank is made up as follows:

	2024 $'000	2023 $'000
Tier 1 Common Equity		
Asset revaluation reserves on property	10,875	6,254
FVOCI Reserve	458	760
Capital Reserve	781	759
General Reserve	2,981	2,981
Retained Earnings	139,520	126,913
	154,615	**137,667**
Less Prescribed Deductions	(8,154)	(9,858)
Net Tier 1 Common Equity	**146,461**	**127,809**
Tier 1 Additional Equity		
Less Prescribed Deductions / adjustments	28,109	(202)
Net Tier 1 Additional Equity	**28,109**	**(202)**
Total Tier 1 Capital	**174,570**	**127,607**
Tier 2 Capital		
Reserve for Credit Losses	-	-
	-	**-**
Less Prescribed Deductions	-	-
Net Tier 2 Capital	**-**	**-**
Total Capital	**174,570**	**127,607**

The Bank's policy is to maintain a capital level of 15.5% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by the APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2024	2023	2022	2021	2020
Basel III	**Basel III**	**Basel III**	**Basel III**	**Basel III**
18.53%	**15.96%**	**15.31%**	**15.19%**	**16.13%**

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Bank's capital, the Bank reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 14.0%. Further, a 5-year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1st of January 2012 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Bank uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. On the 1st of January 2023 a new capital framework came into effect with Operational Risk Capital requirement now calculated at a flat rate of 10% based on total Credit Risk.

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

- Operational risk capital $8,563,338 [2023 - $6,745,996]

It is considered that the Standardised approach accurately reflects the Bank's operational risk other than for the specific items set out below.

Internal Capital Adequacy Management

The Bank manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Bank's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Bank is reassessed.

In relation to the operational risks, the major measurement for additional capital is recognised by the monitoring and stress testing for:

1. Asset impairment – the impact of economic and employment factors on the loan losses, and/or recovery of investments.
2. Property Value Decline – the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets.
3. Interest rate risk – measures the impact on capital from changes in interest rates impacting the net interest margin and net surplus.
4. Events impacting on additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

32. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes.

	Note	2024 $'000	2023 $'000
Financial Assets			
Cash	8	32,964	39,661
Other financial assets	9	296,800	388,628
Receivables	10	8,291	10,088
Loans	11	1,359,493	1,240,040
Total carried at amortised cost		**1,697,548**	**1,678,417**
Equity investments - carried at FVOCI	13	7,648	8,079
Total carried at FVOCI		**7,648**	**8,079**
TOTAL FINANCIAL ASSETS		**1,705,196**	**1,686,496**
Financial Liabilities			
Creditors	21	19,193	22,468
Deposits from other institutions	19	21,000	60,000
Deposits from members	20	1,474,228	1,286,272
Long term borrowings	25	18,020	187,010
Total carried at amortised cost		**1,532,441**	**1,555,750**
TOTAL FINANCIAL LIABILITIES		**1,532,441**	**1,555,750**

33. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the statement of financial position.

2024	Balance Sheet	Up to 3 Months	3 - 12 Months	1 - 5 Years	After 5 Years	No Maturity	Total Cash Flows
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	32,964	31,554	-	-	-	1,410	32,964
Receivables	8,291	8,291	-	-	-	-	8,291
Other financial assets	296,800	172,645	63,335	62,982	-	-	298,962
Loans to members	1,336,015	31,882	92,233	464,700	946,833	-	1,535,648
Loans to non-members	20,602	733	267	19,750	19	-	20,769
Equity investments - FVOCI	7,648	-	-	-	-	7,648	7,648
On Balance Sheet	**1,702,320**	**245,105**	**155,835**	**547,432**	**946,852**	**9,058**	**1,904,282**
Total Financial Assets	**1,702,320**	**245,105**	**155,835**	**547,432**	**946,852**	**9,058**	**1,904,282**
LIABILITIES							
Creditors	19,193	19,193	-	-	-	-	19,193
Deposits from financial institutions	21,000	12,000	9,000	-	-	-	21,000
Member withdrawable shares	393	-	-	-	-	393	393
Deposits from members - at call	898,156	898,156	-	-	-	-	898,156
Deposits from members - term	575,679	291,308	276,371	8,000	-	-	575,679
Long term borrowings	18,020	18,020	-	-	-	-	18,020
On Balance Sheet	**1,532,441**	**1,238,677**	**285,371**	**8,000**	**-**	**393**	**1,532,441**
Undrawn loan commitments	-	165,304	-	-	-	-	165,304
Total Financial Liabilities	**1,532,441**	**1,403,981**	**285,371**	**8,000**	**-**	**393**	**1,697,745**

2023	Balance Sheet	Up to 3 Months	3 - 12 Months	1 - 5 Years	After 5 Years	No Maturity	Total Cash Flows
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	39,661	38,141	-	-	-	1,520	39,661
Receivables	10,088	10,088	-	-	-	-	10,088
Other financial assets	388,628	210,040	108,160	72,496	-	-	390,696
Loans to members	1,202,226	27,551	79,586	397,026	603,635	-	1,107,798
Loans to non-members	34,140	1,004	603	32,848	114	-	34,569
Equity investments - FVOCI	8,079	-	-	-	-	8,079	8,079
On Balance Sheet	**1,682,822**	**286,824**	**188,349**	**502,370**	**603,749**	**9,599**	**1,590,891**
Total Financial Assets	**1,682,822**	**286,824**	**188,349**	**502,370**	**603,749**	**9,599**	**1,590,891**
LIABILITIES							
Creditors	22,468	22,468	-	-	-	-	22,468
Deposits from financial institutions	60,000	41,000	19,000	-	-	-	60,000
Member withdrawable shares	385	-	-	-	-	385	385
Deposits from members - at call	704,523	704,523	-	-	-	-	704,523
Deposits from members - term	581,364	297,928	247,243	36,193	-	-	581,364
Long term borrowings	187,010	-	187,571	-	-	-	187,571
On Balance Sheet	**1,555,750**	**1,065,919**	**453,814**	**36,193**	**-**	**385**	**1,556,311**
Undrawn loan commitments	-	132,971	-	-	-	-	132,971
Total Financial Liabilities	**1,555,750**	**1,198,890**	**453,814**	**36,193**	**-**	**385**	**1,689,282**

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The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits within 12 months. While the liquid investments and member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the members and are not able to be reliably estimated.

The table below represents the assets and liabilities due to be received and paid within 12 months based on the contractual repayment terms on each instrument. These amounts are excluding of the future interest receivable and payable as it represented in the previous table.

	2024			2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Cash	32,964	-	32,964	39,661	-	39,661
Receivables	8,291	-	8,291	10,088	-	10,088
Other financial assets	265,834	30,966	296,800	356,248	32,380	388,628
Loans to members	124,115	1,211,900	1,336,015	107,137	1,095,089	1,202,226
Loans to non-members	327	20,275	20,602	753	33,387	34,140
Equity investments - FVOCI	-	7,648	7,648	-	8,079	8,079
On Balance Sheet	**431,531**	**1,270,789**	**1,702,320**	**513,887**	**1,168,935**	**1,682,822**
Total Financial Assets	**431,531**	**1,270,789**	**1,702,320**	**513,887**	**1,168,935**	**1,682,822**
LIABILITIES						
Creditors	19,193	-	19,193	22,468	-	22,468
Deposits from financial institutions	21,000	-	21,000	60,000	-	60,000
Member withdrawable shares	-	393	393	-	385	385
Deposits from members - at call	898,156	-	898,156	704,523	-	704,523
Deposits from members - term	567,679	8,000	575,679	545,171	36,193	581,364
Long term borrowings	18,020		18,020	187,010	-	187,010
Total Financial Liabilities	**1,524,048**	**8,393**	**1,532,441**	**1,519,172**	**36,578**	**1,555,750**

34. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2024	0 - 3 Months $'000	3 - 12 Months $'000	1 - 5 Years $'000	After 5 Years $'000	Non Interest Bearing $'000	Total $'000
ASSETS						
Cash	23,784	-	-	-	9,180	32,964
Receivables	-	-	-	-	8,291	8,291
Other financial assets	171,437	62,843	62,520	-	-	296,800
Loans to members	1,200,546	68,260	69,195	722	-	1,338,723
Loans to non-members	1,384	-	19,385	-	-	20,769
Equity Investments - FVOCI	-	-	-	-	7,648	7,648
On Balance Sheet	**1,397,151**	**131,103**	**151,100**	**722**	**25,119**	**1,705,195**
Total Financial Assets	**1,397,151**	**131,103**	**151,100**	**722**	**25,119**	**1,705,195**
LIABILITIES						
Creditors	-	-	-	-	19,193	19,193
Deposits from financial institutions	12,000	9,000	-	-	-	21,000
Deposits from members	1,261,776	-	191,059	-	393	1,453,228
Long term borrowings	-	18,020	-	-	-	18,020
On Balance Sheet	**1,273,776**	**27,020**	**191,059**	**-**	**19,586**	**1,511,441**
Undrawn loan commitments	165,304	-	-	-	-	165,304
Total Financial Liabilities	**1,439,080**	**27,020**	**191,059**	**-**	**19,586**	**1,676,745**

2023	0 - 3 Months $'000	3 - 12 Months $'000	1 - 5 Years $'000	After 5 Years $'000	Non Interest Bearing $'000	Total $'000
ASSETS						
Cash	25,007	-	-	-	14,654	39,661
Receivables	-	-	-	-	10,088	10,088
Other financial assets	210,373	107,734	72,040	-	-	390,147
Loans to members	948,045	137,452	119,859	114	-	1,205,470
Loans to non-members	3,103	-	31,467	-	-	34,570
Equity Investments - FVOCI	-	-	-	-	8,079	8,079
On Balance Sheet	**1,186,528**	**245,186**	**223,366**	**114**	**32,821**	**1,688,015**
Total Financial Assets	**1,186,528**	**245,186**	**223,366**	**114**	**32,821**	**1,688,015**
LIABILITIES						
Creditors	-	-	-	-	22,468	22,468
Deposits from financial institutions	41,000	19,000	-	-	-	60,000
Deposits from members	617,625	355,779	252,483	-	385	1,226,272
Long term borrowings	-	187,010	-	-	-	187,010
On Balance Sheet	**658,625**	**561,789**	**252,483**	**-**	**22,853**	**1,495,750**
Undrawn loan commitments	132,971	-	-	-	-	132,971
Total Financial Liabilities	**791,596**	**561,789**	**252,483**	**-**	**22,853**	**1,628,721**

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of **expected future cash flows** under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to original term.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held, that are regularly traded by the Bank, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for any changes in the credit ratings of these assets.

	2024 Fair Value $'000	2024 Carrying Value $'000	2024 Variance $'000	2023 Fair Value $'000	2023 Carrying Value $'000	2023 Variance $'000
FINANCIAL ASSETS						
Cash	32,964	32,964	-	39,661	39,661	-
Receivables	8,291	8,291	-	10,088	10,088	-
Other financial assets	297,754	296,800	954	388,010	388,628	(618)
Loans to members	1,164,677	1,338,723	(174,046)	1,194,815	1,205,471	(10,656)
Loans to non-members	20,769	20,769	-	34,569	34,569	-
Equity investments - FVOCI	7,648	7,648	-	8,079	8,079	-
Total Financial Assets	**1,532,103**	**1,705,195**	**(173,092)**	**1,675,222**	**1,686,496**	**(11,274)**
FINANCIAL LIABILITIES						
Creditors	19,193	19,193	-	22,468	22,468	-
Deposits from financial institutions	21,389	21,000	389	61,003	60,000	1,003
Member withdrawable shares	393	393	-	385	385	-
Deposits from members - at call	898,156	898,156	-	704,523	704,523	-
Deposits from members - term	576,814	575,679	1,135	641,074	581,364	59,710
Long term borrowings	18,020	18,020	-	187,010	187,010	-
Total Financial Liabilities	**1,533,965**	**1,532,441**	**1,524**	**1,616,463**	**1,555,750**	**60,713**

Assets where the fair value is lower than the book value have not been written down in the accounts of the Bank on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions

The Bank has investments classified as Level 1 investments due to these being based upon quoted market prices. The Bank has no Level 2 investments.

The Bank has Level 3 investments in Cuscal, Experteq, and SSP due to these being based upon unobservable market inputs and forecasts.

Loans and advances

The carrying value of loans and advances is net of ECL provisions.

For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The rates applied to give effect to the discount of the cash flows were between 6.54% and 7.99% (2023–6.14% and 7.64%). The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

The rate applied to give effect to the discount of the cash flows was between 2.90% and 4.80% [2023–2.90% and 5.05%]

Short term borrowings

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

36. FINANCIAL COMMITMENTS

	2024 $'000	2023 $'000
(a) Outstanding loan commitments		
The loans approved but not funded	86,714	52,661
(b) Loan Redraw Facilities		
The loan redraw facilities available	45,583	45,114
(c) Undrawn Loan Facilities		
Loan facilities available to members for overdrafts are as follows:		
Total value of facilities approved	69,438	50,783
Less: Amount advanced	(25,040)	(15,587)
Net Undrawn Value	**44,398**	**35,196**
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn		
Total Financial Commitment	**176,695**	**132,971**

Expenditure commitments	**2024 $'000**	**2023 $'000**
(d) Computer capital commitments		
The costs committed under contract with Ultradata are as follows:		
Not later than one year	1,725	1,573
Later than 1 year but not 2 years	1,725	1,573
Later than 2 years but not 5 years	2,104	3,491
Later than 5 years	-	-
	5,554	**6,637**
(e) Other expense commitments		
Not later than one year	2,097	1,738
Later than 1 year but not 2 years	284	-
Later than 2 years but not 5 years	-	-
Later than 5 years	-	-
	2,381	**1,738**
(f) Future capital commitments		
The Bank has entered into contracts for the purchase of assets for which the amounts are to be paid over the following periods:		
Not later than one year	451	1,487
Later than 1 year but not 2 years	-	-
Later than 2 years but not 5 years	-	-
Later than 5 years	-	-
	451	**1,487**

37. STANDBY BORROWING FACILITIES

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

2024	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan Facility	-	-	-
Overdraft Facility	10,000	-	10,000
Total Standby Borrowing Facilities	**10,000**	**-**	**10,000**

2023	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan Facility	-	-	-
Overdraft Facility	10,000	-	10,000
Total Standby Borrowing Facilities	**10,000**	**-**	**10,000**

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

38. CONTINGENT LIABILITIES

Liquidity support scheme

The Bank is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Banks in the event of a liquidity or capital problem. As a member, the Bank is committed to maintaining 3.0% of the total assets as deposits with an approved CUFSS financial institution.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Bank would be 3.0% of the Bank's total assets. This amount represents the participating Bank's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

Reserve Bank Repurchase Obligations (REPO) Trust

To support the liquidity management the Bank has entered into an agreement to maintain a portion of the mortgage backed loans as security against any future borrowings from the Reserve Bank as a part of the Bank's liquidity support arrangements.

39. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

(a) Remuneration of key management persons [KMP]

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any Director (whether executive or otherwise) of that Bank. *Control* is the power to govern the financial and operating policies of a Bank so as to obtain benefits from its activities.

Key management persons (KMP) have been taken to comprise the Directors and the 11 [2023: 11] members of the executive management responsible for the day to day financial and operational management of the Bank.

The aggregate Compensation of **key management persons** during the year comprising amounts paid or payable or provided for was as follows:

	2024 $'000	2023 $'000
(i) Short term employee benefits	3,447	2,920
(ii) post-employment benefits - super contributions	335	262
(iii) other long term benefits - net increase in LSL provision	99	77
(iv) termination benefits	-	-
(v) share based payments	-	-
Total	**3,881**	**3,259**

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at a previous Annual General Meeting of the Bank.

(b) Loans to Directors and other Key Management Persons

	2024 $'000			2023 $'000		
	Mortgage Secured	Other term loans	Credit cards	Mortgage Secured	Other term loans	Credit cards
(i) Funds available to be drawn	-	-	219	4	-	628
(ii) Balance	2,527	-	-	2,428	17	246
(iii) Value of Loans Disbursed During the Year	2,377	-	90	12	-	-
(iv) Value of Revolving Credit Facilities Granted	-	-	-	-	-	-
(v) Interest & Other Revenue earned on	-	-	-	-	-	-
Loans & Revolving Credit	164	-	3	94	2	12

(c) Total Value of Term and Savings Deposits from KMP

	2024 $'000	2023 $'000
Total value term and savings deposits from KMP	933	663
Total interest paid on deposits to KMP	25	7

The Bank's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.

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

There are no benefits or concessional terms and conditions applicable to the close family of members of the key management persons (KMP). There are no loans which are impaired in relation to the loans of close family members of Directors and other KMP's.

(d) Transactions with Other Related Parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors and other KMP.

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

There are no benefits paid or payable to the close family members of the key management persons. There are no service contracts to which key management persons or their close family members are an interested party.

The Chief Executive Officer of the Bank is currently a director on the Board of Experteq and Shared Service Partners Pty Ltd. The Bank currently leases Bank premises from the Shared Service Partners Pty Ltd. All transactions and dealings are at arms-length.

40. OUTSOURCING ARRANGEMENTS

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

(a) CUSCAL Limited

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. The Bank has equity in the company. This organisation:

(i) provides the license rights to Visa Card in Australia and settlements for other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa card for use by members;

(ii) operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM providers to Bank's EDP Systems.

(iii) provides treasury and money market facilities to the Bank. The Bank invests a significant part of its liquid assets with the CUSCAL to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

The valuation of the Cuscal shares has been based on based on the weighted average of Cuscal's last year audited financial statements and recent share buyback, dividend yields on similar investments, and recent share transactions as a reasonable approximation of fair value. Refer Note 13 for details on the fair value assessment.

(b) Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Bank.

(c) TransAction Solutions Limited trading as Experteq

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

41. SUPERANNUATION LIABILITIES

The Bank contributes to various superannuation providers for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The providers are administered by independent corporate trustees.

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

42. TRANSFER OF FINANCIAL ASSETS

The Bank has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements include

i. The Waterside Trust No.1 - Repurchase obligation (REPO) trust for securing the ability to obtain liquid funds from the Reserve Bank – these loans are not de-recognised as the Bank retains the benefits of the trust until such time as a drawing is required.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred in the above situation.

(a) Securitised loans retained on the balance sheet

The values of securitised loans which are not qualifying for de-recognition as the conditions do not meet the criteria in the accounting standards are set out below. In each case the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans. The associated liabilities are equivalent to the book value of the loans reported.

Waterside Trust No.1 - Repurchase Obligations REPO Trust

The Waterside Trust No.1 is a trust established by the Bank to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee. In the case of the REPO Trust the Bank receives a Note certificate to sell to the Reserve Bank should the liquidity needs not be satisfied by normal operational liquidity. The Note is secured over residential mortgage-backed securities (RMBS).

The Bank has financed the loans and received the net gains or losses from the trust after trustee expenses. The Bank has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Notes received. The Bank retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

(a) Securitised Loans on the Balance Sheet	2024 $'000	2023 $'000
Balance sheet values - Loans and receivables		
Waterside Trust No.1	329,405	303,145
Carrying amount of loans at time of transfer		
Waterside Trust No.1	131,088	148,938

43. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of Unity Bank Limited in subsequent financial years.

44. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of cash	2024 $'000	2023 $'000
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
Cash on Hand	1,410	1,520
Deposits at call	31,554	38,141
Bank Overdraft	-	-
	32,964	**39,661**

(b) Reconciliation of cash from operations to accounting profit

The net cash increase/(decrease) from operating activities is reconciled to the profit after tax.

	2024 $'000	2023 $'000
Profit after income tax & Dividend paid	12,631	10,979
Add (Deduct):		
Bad debts written off and provided for	(486)	806
Depreciation expense	2,032	1,833
Loss on sale of assets	-	42
Gain on sale of assets	(183)	168
Gain on sale of investments	-	-
Overprovision of prior year tax	-	-
Decrease in movement in share value	431	-
Increase in provision for staff leave	893	761
Increase in provision for income tax	(266)	-
(Decrease) in other provisions and accruals	3,107	7,049
(Decrease) in interest payable	2,827	6,871
Change in tax rates	-	-
(Increase)/Decrease in prepayments	(873)	(691)
(Increase)/Decrease in deferred tax assets	(79)	(690)
Decrease in interest receivable	(93)	(1,377)
(Decrease) in other receivables	(585)	(7,651)
Net cash from operating activities	**19,356**	**18,100**

45. CORPORATE INFORMATION

The Bank is a company limited by shares and is registered under the Corporations Act 2001.

The address of the registered office is: Level 7, 215-217 Clarence Street, Sydney NSW 2000
The address for the principal place of business is: Level 7, 215-217 Clarence Street, Sydney NSW 2000

The natures of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the Bank.

Strength in unity

Unity Bank Limited

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