# ANNUAL REPORT

# 2024

Helping all Australians own their own home

Great Southern Bank

ABOUT OUR FRONT COVER

## Helping more Australians achieve home ownership

We helped almost 4,500 Australians to buy their first home this year. Those home buyers include younger Australians like Rachel Synott, 27, who bought her first property with a construction loan provided by Great Southern Bank and help from the Queensland Government's first home owner grant. Rachel has now embarked on the journey as a solo homebuyer, with construction on her four-bedroom freestanding house due for completion this year.

"The sale itself was very quick," says Rachel.

"I knew what I wanted – I thought I'll take the chance now and not let it get snapped up by someone else."

# Contents

An unwavering commitment to helping more Australians own their own home, is the driver of everything we do as a business.

# Overview

## About Great Southern Bank

As one of Australia's leading customer-owned banks, we have been supporting the banking and financial needs of customers for almost 80 years.

Our team members are committed to providing a positive customer experience, whether customers are engaging with us via our digital channels, our Australia based call centre or our network of in-house banking and home lending experts in our branches and Hub offices.

We are focused on delivering on our purpose of helping all Australians own their own home. We are also B Corp certified – a milestone achieved this year – and are committed to strengthening our credentials for doing business responsibly for the benefit of customers, communities and the environment.

### Acknowledgement of Country

We acknowledge the Traditional Custodians of the lands on which we operate and pay our respects to Elders past and present, and to emerging community leaders. We also acknowledge the important role Aboriginal and Torres Strait Islander peoples continue to play within the communities in which Great Southern Bank operates and where our team members reside. Our head office is located in Meanjin, Brisbane, on the lands of the Turrbal and Jagera peoples.

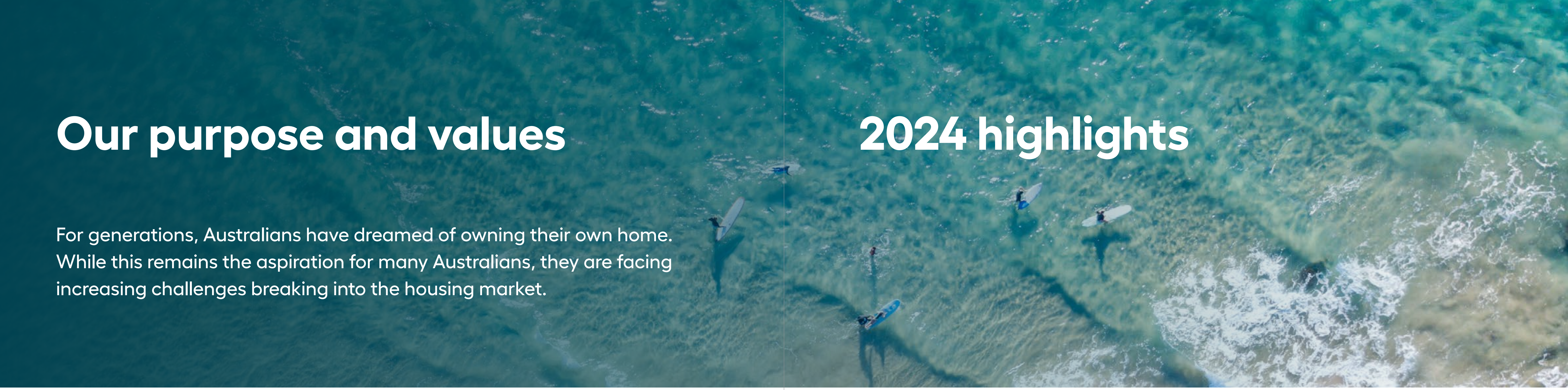
## About this report

Our 2024 Annual Report provides an overview of our financial and non-financial performance for the period 1 July 2023 to 30 June 2024.

This is the second year of transitioning our Annual Report towards the International Integrated Reporting (IIRC) Framework, enabling us to highlight the positive impact and value we create for all our stakeholders.

This **Report** provides an overview of **Our Impact**, our **Climate-Related Financial Disclosure statement**, as well as details of our financed emissions. We have expanded our reporting this year to publish additional non-financial metrics which align to the areas which matter most to our customers and other stakeholders, and which demonstrate how we are delivering on our purpose and our environmental, social and governance (ESG) commitments.

Readers will see our report continue to evolve in the coming years as we continue working towards increased transparency and disclosure in a way that demonstrates the value we are creating for customers, team members, the community, our partners and the environment.



# Our purpose and values

For generations, Australians have dreamed of owning their own home. While this remains the aspiration for many Australians, they are facing increasing challenges breaking into the housing market.

We've been a purpose-driven organisation for almost 80 years - our story began in 1946 as Australia's first credit union. Through several decades of mergers, which saw over 170 smaller credit unions ultimately come together, purpose has remained core to who we are and what we do.

To strengthen our position as a challenger to the biggest banks, while ensuring we remain relevant and attract younger customers, we changed our name to Great Southern Bank in 2021. We committed to a clearer and more focused purpose – *helping all Australians own their own home.*

One thing that has not changed is that we are proudly customer-owned and we will continue striving to provide a better, fairer way to bank, where customers remain at the heart of everything we do.

### Our purpose

## Helping all Australians own their own home

### Our values

**Customer obsessed**
Keeping the customer in mind in everything we do

**Impact**
Being accountable for delivering impactful solutions for our customers

**Growth**
Challenging ourselves to innovate, adapt and grow

**Genuine**
Being genuine and inclusive

# 2024 highlights

| Customers | FY24 | FY23 | FY22 |
|---|---|---|---|
| Number of active customers | 414,581 | 401,524 | 382,409 |
| New lending to first home buyers | $1.32b | $1.36b | $1.31b |
| Total new or additional lending to home buyers ($) | $4.23b | $4.49b | $5.32b |
| Average amount saved by our home loan customers per year (compared to the big four banks)[1] | $2,113 | $1,256 | $1,182 |
| **Workplace** | | | |
| Gallup employee engagement score | 4.52 | 4.47 | 4.39 |
| Senior leadership roles held by women | 42% | 47% | 52% |
| Team members involved in mentoring | 18% | 20% | 6% |
| **Financial performance** | | | |
| Group Net Profit After Tax (NPAT) | $37.3m | $44.5m | $70.5m[2] |
| Total lending | $16.9b | $16.0b | $15.0b |
| Retail deposits | $13.6b | $13.0b | $11.9b |

1. SOURCE: Canstar (Great Southern Bank - Home loan cost comparison to major banks, August 2024)
2. Includes the sale of CUA Health

# A message from our CEO and Chairman

We are here to help all Australians own their own home – it's our purpose, and it guides and invigorates our bank as we support over 414,000 Australians to achieve financial security and realise their home ownership aspirations. This purpose builds on the very principles of fairness on which our bank was founded nearly 80 years ago.



### The journey to home ownership

Despite cost-of-living pressures and higher house prices, Australians remain focused on the dream of owning their own home. We continue to see this through demand for home loans from customers at every stage of the home ownership journey.

Championing the needs of home buyers, particularly first homeowners, is a key focus for the bank and has been a successful strategy – for both the bank and our customers. In the year to 30 June 2024, we provided $4.23 billion in new home lending and grew our home loan portfolio by 1.2 times system. Around $1.32 billion of that was lending to first time buyers. In fact, we supported over 2.1% of all Australian first-time buyers – close to three times our overall market share.

We know the journey towards home ownership often rests on a culture of saving. That's why we've created a savings journey specifically for those building a deposit. This includes our Home Saver account which, in the three years since it was launched, has grown to a balance of $250 million in customers' savings.

We remain staunch supporters of state and federal government initiatives, which are helping many Australians to save on upfront costs and get into a home sooner, and with a smaller deposit.

### Supporting customers and staying true to our founding principles

Customer growth remained strong in the past year, driven in part by our existing customers, who remain some of our biggest advocates.

To truly compete with the big banks and remain sustainable, we need to grow. And we are, with our customer base increasing by 3.4% in FY24. We expect to see further growth in our small business customers thanks to the launch of our new digital business banking offering for small businesses (including sole traders and micro-businesses). Helping this frequently underserved group to succeed – to grow their businesses, secure their financial futures, and ultimately to support their home ownership aspirations – goes straight to the heart of who we are as a bank.

While expanding our customer base, we continue to focus heavily on ensuring our existing customers receive the support they need. Our home lending arrears rates – a key indicator of whether customers are in financial difficulty – remains low at less than half the industry average. For those customers who are experiencing difficulties, or are at risk of falling behind, we provided a range of support, including pauses on loan repayments and other financial assistance payment plans.

**To truly compete with the big banks and remain sustainable, we need to grow. And we are, with our customer base increasing by 3.4% in FY24.**

> **“**
> **In the three years since we rebranded as Great Southern Bank, we’ve rebuilt our bank’s infrastructure to be more competitive and efficient for customers and our business.**

### Financial results

This focus on customer support and risk management has contributed to our financial strength. We achieved a solid Net Profit After Tax of $37.3 million for the year – this provides much-needed capital for our bank to continue to lend to more homebuyers in the year ahead.

Our operating income remained steady on the previous year, despite the economic headwinds of higher inflation and cost of living pressure, compressed margins and strong competition across the banking sector. We continued to diversify our revenue streams, with growth particularly in personal loans, credit cards and investor home lending. Retail deposits grew 4.7% to over $13.6 billion as we continued to offer very competitive savings and term deposit rates.

Operating costs increased to 3.3% despite prudent cost management, as wages and external costs increased significantly across the finance sector.

### Better serving Australians through three years of Great Southern Bank

We have continued to invest in our systems and technology to improve customer outcomes. In the three years since we rebranded as Great Southern Bank, we’ve rebuilt our bank’s IT to be more competitive and efficient for customers and our business. The investment in cloud technology, data infrastructure and security has resulted in more scalable, secure and agile systems.

We are continuing to build out the capabilities of our new customer relationship management and lending systems, with decisions on home loans now made faster than ever before.

A focused transformation program in our Customer Contact Centre means customers are spending less time on hold and more inquiries are resolved on the spot. And the money lost by customers to scams fell by 26% during the year, off the back of the bank’s proactive scam education and sector-wide initiatives.



# A special thank you

The 2024 financial year was my last year as Chairman. I’m honoured to have helped guide our bank over these last seven years, and proud of how we’ve supported our customers on their journeys.

During my time, we’ve remained true to our founding principles and to being a purpose-driven organisation, deepening our roots in the community and helping more Australians to own their own home.

Among many other things, we’ve adopted a new, modern and simple constitution, and moved our bank through a rapidly changing risk environment. We’ve unlocked new opportunities for growth, increasing our Group assets by almost 40% to over $20 billion, while expanding support for all of our customers, including those in financial difficulty.

And thanks to our rebrand and renewed purpose we’re attracting new generations to customer-owned banking.

I would like to thank the entire Great Southern Bank team, who have been on this journey with me, but especially you, our customers and owners, for your loyalty and support. I leave knowing that, with Deborah O’Toole as incoming Chair, you are in good hands.

**Nigel Ampherlaw**
Chairman

### Communities and sustainability

In addition to our customer focus, we have made great progress in our efforts to become a more sustainable business and a better corporate citizen. More of our properties are now powered by renewable energy, while our green personal loans had strong take-up in their first year, particularly from customers purchasing electric and hybrid vehicles.

We’ve become a Certified B Corporation (B Corp), ensuring we meet high global standards of verified performance, accountability, and transparency in ways that balance profit with purpose. This is testament to our dedication to ethical business practices and social and environmental responsibility.

In the first phase of our flagship community partnership with Mission Australia, energy and water efficiency upgrades were completed at a housing complex in Forster NSW. The partnership is on track to help vulnerable Australians save hundreds of dollars annually on their utility bills, while reducing their carbon emissions.

### A stronger, better bank

By every measure, we are a stronger, better bank than we were three years ago – more focused on meeting the needs of our customers, and more capable of working together to overcome today's financial challenges. These results reflect a continued and deliberate focus on embedding our purpose in everything we do as a bank, and our strategy for continued growth. This focus will ensure we can remain a compelling banking alternative.

**Paul Lewis**
Managing Director and Chief Executive Officer

**Nigel Ampherlaw**
Chairman

# Our impact

# Our customers

As a customer-owned bank, we're committed to helping our customers achieve their financial goals. Our purpose guides our efforts as we work to support new and existing buyers on their home ownership journey, supported by our lending, our range of award-winning products, and our exceptional customer service.

### Helping homebuyers

- We issued $4.23 billion in new lending in FY24, including owner-occupiers and investors, refinancers and loan top-ups.
- We maintained a strong focus on support for first homebuyers, in line with our purpose. We helped 4,487 first home buyers to purchase a home in FY24 and secured a market share of 2.06% for this segment, around three times our overall market share. Our total home lending grew by 1.2 times system.
- We launched our annual *No Place Like Home* research series, helping us to better understand the opportunities and challenges facing Australian homeowners and non-homeowners so we can deliver the products and services they need.

### Delivering improved customer service

- Our customer Net Promoter Score (NPS) – a measure of how likely customers are to recommend our bank – was strong and significantly ahead of the big four banks.
- We reduced average call wait times at our contact call centre to 37 seconds and as a result, calls abandoned by customers fell significantly to 1.7%.
- We made home lending decisions faster than ever before, with over one-third of all applications decided within two days.
- We were recognised by industry group PEXA as the industry leader for on-day settlement of home loans during every month of FY24.

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Net Promoter Score (NPS)[4] | 51 | N/A | N/A |
| New active customers | 42,723 | 46,818 | 36,051 |
| Customers supported via Home Guarantee Scheme | 3,863 | 3,899 | 2,200 |
| New lending to first homebuyers | $1.32b | $1.36b | $1.31b |
| Average time to yes | 4.4 days | 4.9 days | 7.2 days |
| Approved financial assistance agreements | 2,494 | 2,309 | 1,609 |
| Individual payment plans approved (includes hardship & collections)[5] | 35,179 | 25,131 | 19,970 |
| Referrals accepted for CareRing assistance | 113 | 128 | 197 |
| Internal Dispute Resolution complaints resolved within 21 days | 94.8% | 94.6% | 95.4% |

3. Statement validated by Canstar
4. Net Promoter Score data collection and measurement was brought-in house in FY24 to increase robustness and diagnostic capability. As such, prior year comparisons are unavailable.
5. Individual payment plans approved for FY24 comprises 32,233 collections and recoveries plans, and 2,946 hardship payment plans.



### Providing outstanding value

- Our savings products received over a dozen awards during the year, while we were also awarded *Canstar's 2023 Customer Owned Bank of the Year for Savings* and Bank of the Year for Savers by *Money Magazine Australia*.
- Our home loan customers saved an average of $2,113 during the year to June 2024, compared to if their home loan was with one of the big four banks. This average annual saving is $857 more than for the previous 12-month period.[3]

### Protecting customers and supporting those experiencing vulnerability

- We strengthened our fraud detection services to help with the identification and prevention of suspicious payments.
- We implemented targeted scams education, improved our SMS messaging to customers regarding suspicious payments, and collaborated on industry-wide scam prevention and management initiatives.
- Scam volumes impacting customers reduced by 26% and the value of scams prevented and recovered by the bank increased by 43%.
- We supported customers experiencing vulnerability with more than 4,300 hardship applications actioned across the year.
- We extended support to customers impacted by weather events like flooding in southeast Queensland and Tropical Cyclone Jasper.

CASE STUDY

## Making homeownership accessible to all

Brisbane parents Kai and Joyce Rondilla were amongst the first permanent residents to take advantage of the expanded Australian Government Home Guarantee Scheme eligibility criteria. The couple, who moved from the Philippines to raise a family in Australia, purchased a three-bedroom townhouse in Brisbane's northern suburbs through Great Southern Bank.

Access to the First Home Guarantee and Regional First Home Buyer Guarantee available under the Scheme was extended to family, friends and permanent residents to make joint applications from July 2023. The expanded criteria aligned with the bank's purpose, unlocking a pathway for even more Australians to own a home sooner.

"I discovered the First Home Guarantee through social media. It was an enormous help as it enabled us to purchase our first home without the need to save at least 20 per cent for a deposit," Kai said.

The journey to homeownership has not been without challenges, including a stint where COVID-19 saw the Rondilla family separated across international borders for almost two years.

"When it came to choosing a bank, I did a lot of desktop research. From the day I stepped inside Great Southern Bank's branch, they were on our side. They went above and beyond for me and my family," says Kai.

# Our team members

Being a great place to work – one that promotes an engaged, empowered and inclusive workforce – is essential to supporting our customers. That's why we are so focused on supporting our team members, channelling their passion for our purpose and their drive for learning to create a workplace where our people can thrive.

### Creating an exceptional workplace

- We were named a global Gallup Exceptional Workplace Award winner, in recognition of our outstanding workplace culture, engagement and positive outcomes delivered for our customers and business.
- 85% of team members agree or strongly agree that our purpose makes them feel their job is important.
- We received the organisational development and change strategy award from the Australian Human Resources Institute for our cultural transformation, our rebrand from CUA to Great Southern Bank and our connection to purpose.

### Celebrating diversity and inclusion

- We introduced a 'Public Holiday Swap', allowing team members to swap a formal public holiday for another cultural or religious day of significance.
- The bank continues to be recognised by the Diversity Council of Australia as an Inclusive Employer.
- Our teams celebrated Diwali Festival, Harmony Week, Pride Month, National Reconciliation Week and NAIDOC Week.

### Supporting team members with talent and training

- Almost 700 team members participated in 23 events during our annual Learning Week.
- 18% of our team are currently involved in our Mentoring Program as a mentor or mentee.
- 89% of our Customer Service Specialists (96 team members) participated in a pathway program to develop greater capability and career opportunities. The program has been highly successful, resulting in a 20% reduction of turnover within the first 12 months, and an overall retention rate of 87% of participants beyond 12 months.
- 47% of participants in our Emerging Leaders Program received a promotion or expansion of their role after completing the program.




## A commitment to team success

Senior Manager of Financial Crime, Emily Pierce, is not just a manager - she is a leader who cares deeply about her team's success. Her commitment to her team's collective achievements earned her recognition in 2024 as one of just 10 finalists globally for the Gallup Manager of the Year Award.

Emily and her team help protect the bank, and customers, from financial crime – a key element in providing safe, secure banking to Australians.

"The work we do is protecting our community from financial crime and safeguarding the bank from behaviour which is not in line with our banks' values. Our customers expect us to take our ethical and legal obligations seriously - it is part of being a good corporate citizen," Emily says.

As a leader, Emily focuses on ensuring her team understand their goals, while she also takes pride in supporting them to advance within the Financial Crimes team. Recently, she received recognition from industry regulators for a program targeting money laundering. But she says the most rewarding aspect of her role is not the accolades, but seeing her team succeed.

"I love the opportunity my leadership role gives me to contribute to the success of brilliant, hard-working, and dedicated people. My priority is to ensure my team members have a clear understanding of their goals and what is expected of them to achieve success. Their success is as much collective as it is their own."

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Employees who completed cybersecurity training[6] | 92.4% | N/A | N/A |
| Employee engagement[7] | 4.52 | 4.47 | 4.39 |
| Senior leadership roles held by women[8] | 42% | 47% | 52% |
| Median gender pay gap (total remuneration) | 21.2% | 23.3% | 21.9% |
| Board roles held by women | 25% | 43% | 29% |
| Total Board remuneration | $1.57m | $1.40m | $1.25m |

6. Cybersecurity training was relaunched in FY24, no prior year comparison available.
7. Employee engagement measured by global provider Gallup, on a scale of 0-5.
8. Senior leadership roles include Level 4 and 5 roles, excluding the CEO.

# Our community

As a customer-owned bank, partnering with our community to create a positive impact remains core to our values and our purpose. During the past year, we've taken further steps to advance our commitments to reconciliation, financial inclusion and reducing utility costs and emissions for community housing tenants.

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Employees who have completed cultural awareness training[9] | 46.5% | 39% | N/A |
| People supported through Mission Australia partnership[10] | 122 | N/A | N/A |

9. Based on total number of the workforce, as at 30 June, who have completed cultural awareness training since the module launched in FY23. The module was offered to all employees from December 2022.
10. Mission Australia partnership commenced FY24 and the first upgrades were completed during the year.



## Building financial inclusion

- We completed energy and water efficiency upgrades to a 41-unit community housing complex in Forster, on the NSW Mid North Coast. This is the first of multiple sites to be upgraded as part of our 3-year partnership with Mission Australia, which will see the bank invest a total of $1 million into upgrades that reduce utility costs for tenants, as well as lowering carbon emissions.
- We provided $4.57 million in new home lending to customers through the BuyAssist shared equity program, allowing lower to moderate-income customers in Victoria to buy their own home, without needing to save a deposit. These loans were supported by long-term financing our bank has provided to community housing provider National Affordable Housing (NAH).
- Team members supported our annual Festive Giving Appeal, assembling 150 Christmas hampers for Mission Australia to distribute to people experiencing vulnerability or homelessness. Great Southern Bank also matched this with a donation of $15,000.
- We continued to partner with Uniting to provide access to CareRing for our customers experiencing vulnerability. 113 customers accepted referrals in FY24 for holistic wraparound support including financial counselling, taking the total to 438 referrals that have been accepted over the past three years.

## Continuing our reconciliation journey

- We launched our 'Innovate' level Reconciliation Action Plan (RAP) in December 2023, representing a continued step forward in our reconciliation journey. The plan focuses on embedding reconciliation in our activities and everyday actions as a bank.
- We continued to actively support Carlton Football Club's community work as part of our partnership. This included co-founding the Loorende-gat Business and Entrepreneur Program, which is delivering content and education to support First Nations small business operators.
- We developed our First Nations Procurement Strategy in August 2023, aiming to build relationships with Aboriginal and Torres Strait Islanders businesses and increase our future vendor engagement and investment with them.
- 46.5% of our team members have now completed cultural awareness training offered by First Nations supplier, Evolve Communities. All new employees are required to complete the training within their first 12 months.
- We provided funding to support the Business Council of Cooperatives and Mutuals (BCCM) to publish a Reflect Reconciliation Action Plan (RAP) for BCCM and the wider co-op and mutual sector.

CASE STUDY

### Upgrades cutting bills and emissions for community housing tenants

Community housing tenants in Forster, on the NSW Mid North Coast, are already benefiting from the first energy efficiency upgrades completed through our partnership with Mission Australia.

The partnership aims to reduce utility bills and emissions for hundreds of Australians living in community housing.

The first energy and water efficiency upgrades funded by the bank were completed in Forster in March 2024. These upgrades included heat pump hot water systems, LED lighting, water-efficient taps and water tanks.

Mission Australia expects that these upgrades will cut energy consumption by 30 per cent, potentially saving each household up to $500 annually on utility bills.

Andre, a hospitality worker who has lived in Forster for more than 10 years, was among the first tenants to benefit from the upgrades.

"These energy-savings upgrades are a win-win for myself and the environment. The new heat pump hot water system means no more waiting for the water to heat up before taking a shower. It's a significant difference. Makes me feel alive, feel complete, actually," he said.

Over the coming year, Great Southern Bank will work with Mission Australia to fund additional upgrades to community housing properties, including installing solar panels in housing units in Western Sydney.

# Our partners

Collaborating with values-aligned partners is helping us access the expertise we need to deliver on our purpose. FY24 included a number of milestones with our partners – from technology to customer experience and sponsorships.

### Delivering new and improved customer experiences

- We launched our digital-first banking proposition for small businesses in March 2024, leveraging the proprietary platform and operational software provided by fintech and equity partner, Constantinople. The digital offering – specifically tailored to the needs of nano (sole traders) and micro small businesses (employing fewer than four people) - initially includes transaction and savings accounts, overdraft facilities and unsecured loans.
- We partnered with Optus and Nice CXOne to complete a 12-month transformation of our Customer Contact Centre, rebuilding our Interactive Voice Response (IVR) platform to streamline self-service options for customers. The results include a reduction in average call wait times from four minutes to around 30 seconds.
- We partnered with Databricks for a multi-year project to replace legacy data platforms and migrate to a more efficient, centralised cloud-based platform. The transition will include state-of-the-art data security protocols to keep customers' data safe.
- We entered a new five-year partnership with Helia to offer Lenders Mortgage Insurance to our customers, ensuring Australians have a range of alternative pathways to help them own their own home sooner and with a smaller deposit.

### Strengthening our ties with brokers

- The value of our broker portfolio grew 12 per cent and we connected with more brokers through our Broker Boost program, uplifting their knowledge about our bank.
- We made our bank's products and services available on Quickli, an all-in-one servicing calculator for residential home loans. This is making it easier for brokers to source information for customers and compare lenders quickly and easily.
- Our strong offering in the broker channel saw us awarded both Mutual Bank of the Year for a second consecutive year in the *Mortgage Business Awards*, and Market Leader for Non-Major Banks in the Agile Market Intelligence Third-Party lending survey.

### Supporting First Nations businesses

- We continued to simplify our procurement and contracting processes to make it easier for First Nations suppliers to do business with us. The first vendor to go through this simplified process was Indigenous Solutions Group, which provides expert guidance to the bank around engaging with First Nations customers.
- We advocated for broader customer-owned banking sector consideration of First Nations suppliers through our procurement partner, Mutual Marketplace.
- We continued our membership with Supply Nation and spent around $500,000 with First Nations businesses on goods and services, including office consumables, catering and cultural awareness training and events.



### Investing in brand awareness

- We extended our Co-Major Partnership with Carlton Football Club for four more seasons to the end of 2027, helping to raise awareness in the key growth market of Victoria. As part of the extension, we are actively supporting the club's community work, including co-founding the Loorende-gat program to mentor and support aspiring First Nations small business owners. Our sponsorship was recognised in October 2023 with the Australian Marketing Institute's award for sponsorship effectiveness.
- We concluded our eight-year partnership with Queensland Cricket and the Brisbane Heat in June 2024, off the back of a highly successful BBL13 season where the men's team won the title and the women's team were runners up. The partnership delivered award winning game day experiences like the House Party, and successfully elevated awareness of our brand, particularly in Queensland and among Brisbane Heat and BBL fans.
- We contributed more than $75,000 towards the financial and home ownership goals of two lucky Australians through the Bench Your Rent promotion (Carlton Football Club season) and $50k Bill Bash promotions (Brisbane Heat season).

CASE STUDY

## Getting down to business

Self-employed people make up a quarter of the home loan market and yet, small business owners' banking needs and home ownership aspirations have not traditionally been served well by the big banks.

Our groundbreaking new business banking app and suite of products targeting sole traders and micro businesses, enabled by a strategic partnership with banking platform software provider Constantinople, aims to change that. Co-founded by global banking executives, Macgregor Duncan and Dianne Challenor, Constantinople is pairing its complete banking and operational platform with Great Southern Bank's banking expertise.

Great Southern Bank's Group Executive, Small Business Banking, Steve Chugg says: "Our heritage is built upon helping the underserved and that's why we decided to partner with Constantinople - to build a big banking solution targeted specifically towards the needs of smaller small businesses."

Co-CEO of Constantinople, Di Challenor, says: "Working with the teams at Great Southern Bank has been a fantastic experience, as we bring together our respective strengths. The result is an all-in-one app that lets Great Southern Bank offer services covering the breadth of the SME customer experience."

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Proportion of small business invoices paid by Great Southern Bank within 30 days.[11] | **H1-24:** 91.7% | **H1-23:** 88.6% | **H1-22:** 77.4% |
| | **H2-24:** 89.0% | **H2-23:** 96.0% | **H2-22:** 61.1% |

11. Figures are reported 6-monthly to the Payment Times Reporting Regulator.

# The environment

Transitioning housing towards a sustainable, net zero future is essential for future generations. We're adapting our business to the changing climate, as part of our commitment to doing business responsibly. Supporting our customers into home ownership also means helping our customers to address and reduce their own emissions by providing innovative products.

## Progressing our Climate Action Plan

- Our near-term science-based targets were validated by the Science Based Targets Initiative (SBTi), a corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis. Our targets relate to emissions from our own operations as well as those from our lending and investment activities and support reaching our target of becoming Net-Zero by 2040.[12]
- We retained our Climate Active[13] certification for 2023 for our business operations.
- We launched our first green personal loan products supporting customers to purchase eligible electric/hybrid vehicles, solar panels, battery storage, and solar/heat pump hot water systems. Expanding our green product offerings for customers supports our efforts to achieve our near-term science-based targets.
- We enhanced our climate risk governance, documenting and testing our climate risk controls across the organisation.
- We transitioned nine of our branches, as well as our Sydney and Melbourne Hubs, to renewable energy, supporting our commitment to source 100% renewable energy for our offices and branches by 2030. We also transitioned our Brisbane Hub to Greenpower (LGC).[14]
- Our new Responsible Investment Policy will be published on our website prior to the publication of this 2024 Annual Report.
- Key team members participated in the 2024 United Nations Global Compact Climate Ambition Accelerator program.
- Our eStatement transition project has successfully achieved 80% of digitally active customers opting out of paper statements.

## Partnering for impact

- We partnered with Tasman Environmental Markets (TEM) to help offset operational emissions and maintain our carbon neutral status through two key initiatives – Aboriginal traditional fire management in Northern Australia and renewable energy projects supporting rural communities in India.
- We continued to partner with Anthesis (formerly Ndevr Environmental) to support the delivery of our climate related commitments and disclosures.
- We engaged with mutual peers and other Customer Owned Banking Association (COBA) members through COBA's Sustainability Community of Practice and other platforms.



CASE STUDY

## Supporting customers to make an eco-conscious purchase

Maddison Samuels, 21, is among a generation of Australians now making the switch to cleaner energy. The Queenslander recently purchased a hybrid vehicle with a green personal loan from Great Southern Bank.

The loans, launched to customers in August 2023, are helping the bank to deliver on our Climate Action Plan to reach net zero emissions by 2040, while empowering customers like Maddison to reduce energy costs, lower emissions, and transition to eco-friendly vehicles. Great Southern Bank now has around $3.34m in green personal loan balances, with more than 100 Great Southern Bank customers taking out a green personal loan in the first year, to purchase vehicles, solar panels, home battery packs, solar hot water systems or heat pumps.

"I decided to opt for a green car loan because the rate was a lot more competitive than the regular personal loan," Ms Samuels, a retail worker said.

> **The application process was really simple, and I've found the repayments are manageable for me.**

"The money saved on fuel costs will go straight onto the loan so I can pay it off sooner."

Maddison hopes to start saving for a block of land or a house once she has paid off her car loan.

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Total operational Scope 1 and 2 greenhouse gas emissions[15] | 580 tonnes of $CO^2$-e | 870 tonnes of $CO^2$-e | 1,087 tonnes of $CO^2$-e |
| Carbon offsets retired | 6,607 tonnes of $CO^2$-e | 6,631 tonnes of $CO^2$-e | 7, 066 tonnes of $CO^2$-e |
| Emissions reduction achieved | 24 tonnes of $CO^2$-e | 435 tonnes of $CO^2$-e | 60 tonnes of $CO^2$-e |
| Total value of green personal loan portfolio[16] | $3.34m | N/A | N/A |

12. Great Southern Bank's definition of Net-Zero emissions will be aligned to the definition set by the SBTi FI Net-Zero Standard (Net-zero for financial institutions - Science Based Targets Initiative) once released and subject to Great Southern Bank's review.
13. Climate Active is an Australian Government program that supports national climate policy by driving voluntary climate action. More information can be found on the Climate Active website.
14. Greenpower is a government managed program which supports the growth of renewable energy in Australia. Under this scheme, large-scale generation certificates (LGC) are purchased by Great Southern Bank's energy provider and surrendered on behalf of Great Southern Bank. One LGC is equivalent to one megawatt-hour of electricity generation from a renewable source.
15. Total emissions for FY24 include market-based Scope 2 emissions. All previous emissions include location-based Scope 2 emissions.
16. Green personal loans were launched in FY24.

# Governance

Robust governance is the cornerstone of our operations, sustainability and success. Strong governance practices ensure we maintain the highest standards of integrity, accountability and transparency in all our dealings. This is crucial not only for regulatory compliance, but also for building and maintaining trust with our customers, team members and other stakeholders.

### New Purpose and Impact Committee

In line with our commitment to our purpose and creating a positive impact for stakeholders, we have enhanced our governance framework by establishing a new Board subcommittee - the **Purpose and Impact Committee** during FY24.

- This ensures that our decision-making and actions are closely aligned with our purpose.
- The subcommittee oversees our sustainability strategy, which focuses on creating a more inclusive and sustainable future by addressing key customer and community concerns, such as housing access and affordability, climate change, and the disparities faced by First Nations peoples.

### Financial Accountability Regime

Our bank transitioned from the Banking Executive Accountability (BEAR) regime to the Financial Accountability Regime (FAR), enhancing our enterprise governance in line with the market.

The FAR is designed to strengthen responsibility and accountability frameworks in banking, and to improve the risk and governance culture of Australia's financial institutions.

| Key metrics | FY24 | FY23 | FY22 |
|---|---|---|---|
| Investment to support our sustainability objectives | $1.67m | $1.47m | $1.28m |
| B Corp accreditation score[17] | 80.4 | N/A | N/A |

17. B Corp accreditation score is re-calculated every three years. 2024 was the first year we attained B Corp Certification.

CASE STUDY

## B Corp Certification

Great Southern Bank attained B Corp Certification this year, marking a significant milestone in our journey to becoming one of Australia's leading purpose-led businesses.

Joining an elite global community of over 7,800 businesses dedicated to positive impact beyond profits, this prestigious certification shows we meet exacting standards of social and environmental performance, accountability and transparency.

"Our aim is to be recognised as one of Australia's top purpose-led businesses, and B Corp Certification is a huge step towards achieving that goal," said Paul Lewis, CEO of Great Southern Bank.

"It also provides external validation that our rebrand, redefined purpose and sustainability focus have put us on the right pathway forward," he said.

- We sought B Corp Certification to demonstrate our commitment to being a responsible bank.
- The rigorous certification process spanned more than 12 months and assessed more than 260 questions scrutinising every aspect of our operations.

Effective governance played a crucial role in achieving B Corp Certification. Having a robust governance framework ensures that our decision-making processes align with our purpose and values, fostering accountability and transparency at every level.

Certified B Corporation

# Responding to what matters most to our stakeholders

Being customer-owned means understanding and responding to what matters most to our customers and other key stakeholders.

Through regular Materiality Assessments, we engage with internal and external stakeholders to identify and prioritise the environmental, social and governance (ESG) risks and opportunities of most significance to our business. Conducting formal assessments of this kind help us make more informed decisions that aim to meet the increasing ESG expectations of our stakeholders. The results inform our strategy, decision-making, work programs, targets and external reporting.

Our most recent Materiality Assessment, carried out in 2022, highlighted the Top 5 issues as data privacy and security, customer welfare, climate risk, responsible lending practices and financial inclusion.

Over FY24, we intensified our efforts to address these concerns and are preparing for our next assessment in the first half of FY25.

## 1 Data Privacy and Security

**Protecting customers by managing risks related to the collection, retention, and use of sensitive and confidential customer data.**

- We continue to invest in cybersecurity, enhancing our defences against evolving online threats and refining our response capabilities through regular cyber simulation exercises.
- We boosted customer education on scam prevention through an updated Scam Hub on our website and targeted awareness campaigns. We have seen a 26% drop in the volume of scams reported.
- We collaborated closely with the Customer Owned Banking Association (COBA) and Australian Banking Association (ABA) on sector-wide initiatives, such as the Government's new Scams Accord, aimed at preventing and detecting scams.
- We strengthened our data management practices improving how information is stored, handled and protected, and continue to invest in our data environment and governance.

## 2 Customer Welfare

**Ensuring customers can access products and services that genuinely meet their needs and align with their expectations.**

- We have increased support for customers facing financial difficulties with enhanced frontline training and improved Power of Attorney processes.
- We are continuously refining our products and services to meet diverse customer needs. This year, we conducted new research to understand the financial requirements of First Nations customers and help us develop tailored solutions.
- We connect customers experiencing financial vulnerability to free, year-round support, including financial counselling through our **CareRing referral program**. In FY24, 113 customers accepted referrals, bringing the total to 438 referrals accepted over the past three years.

## 3 Climate Risk

**Adapting to and proactively addressing the physical and transitional risks and opportunities of climate change for our customers and business.**

- Key achievements within our **Climate Action Plan (CAP)** this year include transitioning two of our Hub offices, and a further nine branches to renewable electricity, in line with our commitment to source 100% renewable energy for our offices and branches by 2030. We also launched our first green personal loan products.
- We maintained **Climate Active carbon neutral certification** for our business operations and had our near-term science-based emissions targets validated by the Science Based Targets Initiative (SBTi). *See science-based emission targets on pages 50-51.*
- We engaged specialist environmental consultants to develop a climate opportunity register aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework and APRA guidance. We also undertook an **Opportunities Assessment** to identify and assess climate-related opportunities.

## 4 Responsible Lending Practices

**Taking a responsible approach to lending that balances the needs of customers with manageable repayments to avoid difficulty.**

- We continue to refine our credit policy to ensure loans are granted based on a customer's true ability to repay, with rigorous affordability assessments and strict verification processes.
- In FY24, we helped over 35,000 customers needing added flexibility with their loan repayments, and maintained 90-day arrears rates at less than half the industry average.
- We proactively engage our broker network to ensure compliance with the latest regulatory standards and prioritise the best interests of borrowers.

## 5 Financial Inclusion

**Improving the financial capability of unbanked, underbanked, or underserved customers and providing them with access to affordable and appropriate banking products and services.**

- We launched our **'Innovate' level Reconciliation Action Plan (RAP)** and have 22 of the 45 actions within our **'Build' level Financial Inclusion Action Plan (FIAP)** either completed or are ongoing, making significant strides in our reconciliation and financial inclusion efforts.
- We introduced a **new digital-first banking proposition**, targeting the underserved smaller small business market.
- We co-founded the **Loorende-Gat Business and Entrepreneur Program** with Carlton Football Club, supporting the economic participation of First Nations peoples by assisting current and aspiring First Nations small business owners.
- We supported more Australians into home ownership who may otherwise not have been able to attain it. We supported initiatives that allowed them to purchase a property with a smaller deposit, including assisting 3,863 customers who bought a home using the Australian Government's Home Guarantee Scheme, and provided $4.57 million in new home lending to customers through the BuyAssist shared equity program for lower to moderate income earners.

# Our external operating environment

External risk

## Inflationary pressure and interest rate environment

Persistently high inflation continues to drive cost of living pressure for all Australians, while the impact of 10 cash rate changes in FY23 and a further increase in FY24 are continuing to flow through to customers' budgets.

Adjusting to the prolonged cost of living pressure is driving changes in customer behaviour and as a customer-centric organisation, we must remain focused on supporting those customers who are experiencing increased financial stress.

Meanwhile, the economic environment presents new challenges in delivering on our purpose of helping all Australians to own a home and helping more Australians achieve financial security. Elevated rents mean it is harder to save a deposit to purchase a home. Coupled with high house prices, some are reassessing their ability to buy a home in the current climate.

### Actions to date

- We provided $4.23 billion in home lending last year and, in line with our purpose, supported 4,487 first time buyers into a home.
- Our home loan arrears remain significantly below the industry average despite a small increase. This reflects the rigorous assessment of customers' ability to service, or repay, a loan and our prudent approach to managing risk in our home loan portfolio. We are also continuing to diversify our customer base, improving our bank's resilience to market fluctuations.
- We also encourage customers to reach out for support at the first sign of financial stress. As a result, we created over 35,000 individual payment plans to help customers who needed support. The majority of these customers were able to resume their scheduled payments after two months.
- Through commitment to these payment plan arrangements, we assisted our customers to cure over $1.1 billion of loans to be brought up to date across this financial year.

### Future areas of focus

We will continue to help our customers impacted by inflationary pressures and the cost of living through delivery of commitments in our Financial Action Inclusion Plan (FIAP), which includes:

- Providing affordable and accessible products.
- Offering products and services that help customers save money and/or reduce expenses.
- Offering solutions to home buyers who need additional help, such as our support for the Australian Government's Home Guarantee Scheme.
- Offering tailored financial assistance solutions to existing customers who are unable to meet their current financial commitments.
- Providing additional support to our customers for their wellbeing across our external relationships through our CareRing program.



External risk

## A competitive landscape and changing demographics

Intense competition in banking has continued over the past year and shows no signs of easing. Competition for deposits continues to increase, delivering benefits for savings customers. Rate discounting, cashbacks and other incentives to win over customers, combined with a further cash rate increase, have reduced margins across the sector.

As our population continues to age, the next two decades will bring the most significant intergenerational wealth transfer in Australia's history, again fuelling competition to meet these changing financial needs.

In the meantime, consolidation in the banking sector could fundamentally shift the competitive landscape in which we operate.

### Actions to date

- We have remained firmly focused on our purpose to help Australians own their own home. We continue to champion younger generations of buyers - particularly first home buyers – with a focus on supporting various pathways to home ownership, including through our support for Government-backed homeownership schemes. In the past year, we supported 2.1% of all Australian first home buyers with lending.
- To continue to deliver on our purpose, we must also remain a relevant and appealing option for savings customers. We provide a range of competitive and award-winning savings products, tailored to the different stages of Australians' savings journeys, that are frequently among the most competitive on offer.
- We are also diversifying to strengthen our banking offers for other segments, including property investors and small businesses, helping us to continue to add scale through organic growth.

### Future areas of focus

- We will continue to drive organic growth through the expansion of our new nano and micro small business banking offering.
- We are exploring opportunities to design new product offerings that tap into the emerging trends and preferences of young Australians when it comes to savings, wealth creation and home ownership.
- We continue to seek out opportunities to partner with like-minded organisations, where it makes sense for our customers and our bank, to help drive further scale and unlock additional growth opportunities.

# Our external operating environment

External risk

## Climate change

Climate change is impacting our customers and communities, while regulatory changes are requiring us to become more transparent in how we disclose our climate risks, our carbon emissions and our progress against climate targets.

We are committed to facing into the challenges of climate change and becoming a more responsible bank. We will do this through transitioning to more sustainable operations, and through the type of products we offer to customers and via meaningful community partnerships.

### Actions to date

- We launched our first 'green' personal loans in August 2023 to help customers reduce their energy costs at home, cut emissions and ease the transition to electric and hybrid vehicles.
- A total of 11 of the sites from which the bank operates – both Hub offices and branches – are now powered by renewable energy, in line with our commitment to source 100% renewable energy for our offices and branches by 2030. We also transitioned our Brisbane Hub to Greenpower (LGC).
- In its first year, our community partnership with Mission Australia is already helping cut utility bills and reduce emissions for Australians living in community housing, by funding water and efficiency upgrades. The first upgrades were delivered to a housing complex in Forster, on the NSW Mid North Coast, during FY24.
- We have undertaken significant work to understand and manage climate risk. In parallel, we are continuing to uplift our voluntary climate reporting and disclosures, ahead of mandatory disclosure in the coming two years.

### Future areas of focus

- We will continue to help customers impacted by extreme weather events, including storms, bushfires and flooding, through offering financial assistance where it is needed and connecting them with our specialist customer assistance team.
- Through our partner Allianz's online energy efficiency tool, we will continue to promote energy efficiency options to Australians looking to make their homes more sustainable.
- We will support customers to transition to a more energy efficient future, with a green home offering to be developed and launched in FY25.
- We will work towards transitioning more of our properties to renewable energy, and encouraging our team members to reduce waste and be more environmentally conscious.
- In the second year of our community partnership with Mission Australia, we will fund efficiency upgrades to additional community housing properties. The next site will be in western Sydney, while additional sites in NSW and QLD are also under consideration.



External risk

## Cyber and financial crime risks

Regulatory and customer expectations around managing cyber and financial crime risks continue to evolve.

Recent data breaches within major Australian organisations and the ever-changing external threat environment have heightened the government and regulatory focus on cybersecurity.

Scam losses and the need for a more coordinated national approach to prevention and intervention is also on the radar for the Australian Government, with key sectors including telecommunications and banks being actively engaged in the solution.

In light of the increased public scrutiny on these issues, customers are also taking a more active interest in the data security and cybersecurity practices of organisations with whom they do business.

### Actions to date

- We continue to make significant investments in cybersecurity to protect our customers from new and emerging threats.
- Our partnerships with external providers enable 24 x 7 IT security monitoring and enable customers to report suspicious transactions.
- Additional customer verification controls have been implemented to further safeguard against data breaches.
- The volume of scams impacting our customers are down 26% from the prior year, after a focus on refining our controls and increasing customer education. This internal work has been further assisted by a collaborative, industry wide focus on scams prevention and management.
- The value of scams prevented or funds recovered from scammers is up 56% to $6.6 million, and we are now preventing or recovering around 60% of our customer losses from scams.

### Future areas of focus

- We will continue to actively participate in industry forums to share knowledge on cybersecurity and financial crime, including talking to government around opportunities for clearer or stronger legislation and improved regulation of data security across all sectors.
- We continue to increase communications to customers to highlight the increased risks posed by cyber attacks and scams, and we regularly post educational content and warnings on social media about new or emerging scams.
- We are making further investments in anti-money laundering (AML) and financial crime initiatives, to uplift our capabilities and ability to detect illegal activity.
- We're delivering a cyber uplift program to strengthen security capabilities and prepare ourselves for evolving cyber threats.
- We are also implementing a risk-based response to AUSTRAC's guidance across AML Policy, Standards, Processes and various technology systems.

# Our external operating environment

External risk

## Regulatory change and public scrutiny

The pace and scope of regulatory change continues to present a significant financial and resourcing challenge for financial services providers, with banks in the customer-owned sector being disproportionately impacted.

In FY24, the Australian Banking Association identified over 130 new initiatives[18] under consideration by the four key Australian regulators. Each of these initiatives will require the Bank's attention and associated resourcing.

18. Source: Committee Hansard, 31 August 2023, pages 10-11.

### Actions to date

- We continue to embed a strong and mature risk culture across our bank, enabling teams to readily identify, understand and act on the risks we choose to take, and the risks we encounter along the way.

  **This includes:**

  - An enhanced and strengthened risk management framework, including the people, systems and processes that support it.
  - Refined and clarified expectations around issue and incident management, control identification and assessment, breach management and strengthened regulatory change management processes.
  - Strengthened our practices to support compliance with APRA's prudential standard on information security, CPS234.

### Future areas of focus

- The Australian Government has committed to the establishment of a 'regulatory grid' to ensure better coordination across government and regulators when proposing and implementing regulatory change. This commitment follows extensive lobbying by customer owned banks over a number of years and will help banks better anticipate future resourcing requirements to respond to proposed new or amended regulation and legislation, and ensure compliance.
- The Bank will also continue to invest in uplifting our risk management capabilities and resourcing to prepare for key incoming regulatory changes including:
  - The new Operational Risk Management Standard CPS230.
  - Mandatory climate disclosures.
  - Amendments to the Privacy Act.
  - Anti-money laundering and counter terrorism financing (AML-CTF) legislative reform.
- As the Bank's total assets grow towards the Significant Financial Institution threshold set by APRA, we have established a program to ensure we meet the additional prudential requirements that will apply under this regime.



External risk

## Disruptive and emerging technologies

The pace of technological change continues to accelerate and while this is a source of both opportunity and risk, this will require significant continued investment. Blockchain and central bank digital currencies, generative artificial intelligence (AI), cloud-based services and the need for modular and flexible technology will all impact how we do business in the future.

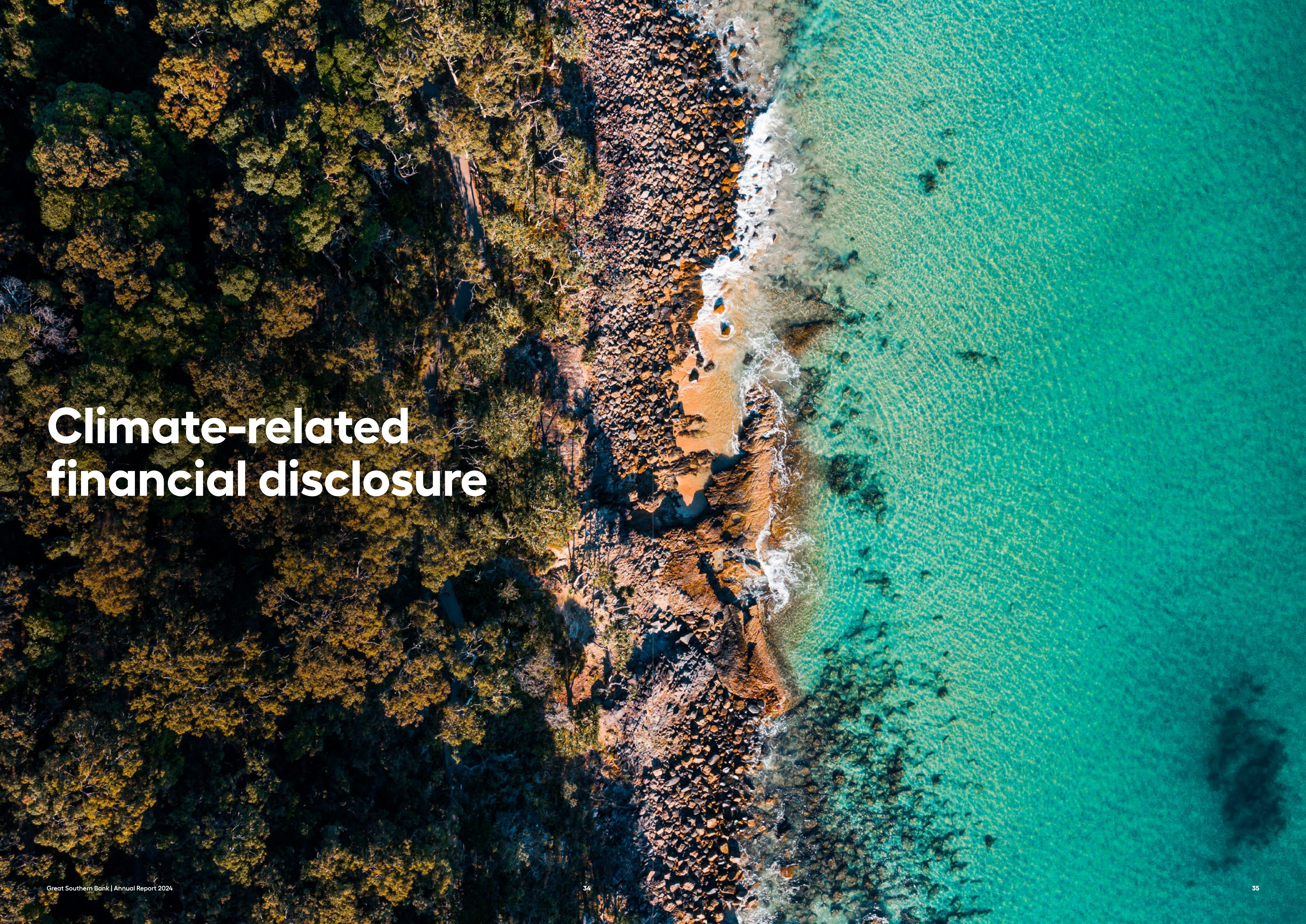
Ongoing investment into our technology platforms and programs is critical for the future of our bank and our ability to deliver on our purpose, as it underpins our entire customer offering.

### Actions to date

- We continue to invest heavily in our IT systems, including our cybersecurity, data management, customer relationship management and cloud-based applications.
- We have partnered with Databricks for a multi-year project to replace legacy data platforms and migrate to a more efficient, centralised cloud-based platform. The transition will include state-of-the-art data security protocols to keep customers' data safe.
- Modular and flexible technology will be increasingly important as we continue to grow scale and seek to become more agile and flexible in delivering technological change.
- We will continue to automate internal processes to simplify and scale repeatable activities, improving efficiency and strengthening accuracy.

### Future areas of focus

- Technology investment sets us up to respond to new and emerging strategic opportunities, while driving towards a long-term lower cost operating environment.
- Our multi-year data platform transition will reduce data risk, and enable better data-led decision making within our business and the safe and quality use of machine learning and AI.
- We will continue to evaluate the opportunities presented by new and disruptive technologies, including generative AI-based technology, and exploring ways to integrate these into our ways of working.



# Climate-related financial disclosure

# Our approach to climate change

At Great Southern Bank, we're more than just a bank – we're a part of your community. We know that climate change is affecting all of us, from our homes to our jobs and our way of life. That's why we're taking action to help create a sustainable future for everyone.

We've made climate action a priority with our 2022-24 Climate Action Plan, including a pledge to achieve net zero emissions by 2040, ten years earlier than the timeframe set by the Paris Agreement. We are also developing a Climate Transition Plan, based on the Transition Plan Taskforce's recommendations, to replace this Climate Action Plan in FY25.

Over the past few years, we've been working hard to understand and address the impacts of climate change – within our business, the lives of our customers and the communities we serve. We're committed to being open and honest about our progress and the steps we're taking to make a real difference.

This report is our way of sharing what we've done so far and what we plan to do next. It builds on our climate-related financial disclosures released voluntarily in 2022 and 2023 and includes key activities undertaken between July 1, 2023, and June 30, 2024, as well as updated metrics and targets.

We are committed to annual updates of our disclosures. Additionally, we are closely following the development of mandatory climate-related disclosures in Australia under the upcoming *Australian Sustainability Reporting Standards 1* and *2*. Upon finalisation of these standards and legislation, we anticipate as a Group 1 entity[1], being required to release our first fully compliant climate-related financial disclosure for the FY26 reporting year.

## FY24 Highlights

- Near-term emissions reduction targets validated by the Science Based Targets initiative (SBTi)
- Maintained carbon neutral certification under the Climate Active Carbon Neutral Standard
- Continued measurement and reporting of total, operational, and financed emissions
- Completed first climate-related opportunities assessment
- Conducted gap analysis against upcoming Australian Sustainability Reporting Standards (ASRS)
- Developed roadmap for aligning future climate-related financial disclosures with ASRS
- Completed initial scoping assessment against Taskforce on Nature-related Financial Disclosures (TNFD) framework

1. At the time of releasing this Disclosure, the Australian Government is in the process of legislating mandatory climate-related disclosures. Draft legislation proposes that disclosure requirements will be phased-in and separates entities covered into three groups based on characteristics including revenue, assets and employees. Based on this draft categorisation, Great Southern Bank will be a Group 1 entity.

# Governance

## Board

**The Board oversees Great Southern Bank's climate-related risks and opportunities through the Purpose & Impact Committee (PIC), the Board Risk Committee (BRC) and the Board Audit Committee (BAC). The monthly Chief Risk Officer Report, presented to the Board and BRC, addresses climate risk where appropriate.**

The PIC meets quarterly to provide recommendations on ESG and climate-related matters to the Board. Matters considered by the PIC include progress against the Bank's Climate Action Plan, briefings on emerging ESG-related issues and regulations such as mandatory climate disclosures and greenwashing, as well as tracking the performance of climate-related metrics and the progress of other ESG initiatives.

The BRC receives regular updates on key strategic and financial risks, including actions taken or proposed, in relation to climate-related risks and opportunities.

The BAC receives an Independent Limited Assurance Report from the Bank's Assurance providers in relation to the Bank's financed emissions and approves the Bank's climate-related financial disclosures as part of the Financial Year Annual Reporting.


**Figure 1:** Great Southern Bank's organisational structure in relation to climate-related risks and opportunities



## Management

Senior leadership and accountability for our climate change activities is principally provided by four key teams: our Executive Committee, our Product and Pricing Committee, our Enterprise Risk Committee and our Assets and Liability Committee.

Our Executive Committee includes the Chief Executive Officer and all our senior Executives and is accountable for all our climate-related activities. The committee manages our overall climate risks and opportunities, and how these are integrated into risk management, business strategy, planning, budgeting and reporting processes. Their responsibilities include reviewing and implementing the TCFD recommendations and fulfilling the commitments of our 2022-2024 Climate Action Plan.

The Executive Committee recently oversaw the development and validation of near-term emissions reduction targets by the SBTi and the approval of the disclosed non-financial metrics. Where appropriate, they engage external climate change experts to help deliver our climate-related commitments

In FY24, the Executive Committee oversaw the creation of our flagship community partnership with Mission Australia to install water and energy efficiency upgrades across several of their community housing complexes. This initiative aims to reduce emissions and lower utility bills for community housing tenants. You can read more about this program on **page 19**.

The Product and Pricing Committee includes six Executive Committee members and is responsible for endorsing pricing and new products that promote renewable energy, improve energy efficiency or build resiliency in homes. This includes the recent launch of our green personal loans and green car loans.

The Enterprise Risk Committee, which includes all Executive Committee members, assists the CEO and Executive Management team in fulfilling their collective accountability to manage the Risk Management Framework, including the monitoring of emerging climate-related risks. Additionally, the Committee serves as an advisor to the Board Risk Committee.

The Assets and Liability Committee oversees financial stress testing and had oversight in FY23 for assessing the impacts of physical climate risks on our mortgage portfolio. This included considering financial impacts on our mortgage portfolio from various climate hazards and determining next steps. We will continue to conduct similar activities, which will be monitored by this committee.

Currently, there are no climate-related performance metrics in Board or Executive team members remuneration at Great Southern Bank.

Our organisational structure in relation to climate-related risks and opportunities is shown in **Figure 1**.

# Strategy

Great Southern Bank assesses climate-related risks and opportunities to inform our strategic decisions for the benefit of the Bank, our customers, and the community. Recognising the urgency of climate action, we have prioritised responding to climate change within our sustainability strategy and broader business.

Our outlines our commitment to achieving net zero emissions by 2040. This plan includes clear and meaningful emissions reduction strategies and emphasises transparency in reporting our progress to stakeholders. In FY24, we began developing our Climate Transition Plan, which will replace this Climate Action Plan in FY25.

**Table 1** details the key focus areas of our 2022-2024 Climate Action Plan and the progress made in each area during FY24.

**Table 1** Progress against 2022-2024 Climate Action Plan

→ Actions in progress ↻ Ongoing actions — Not yet commenced

| COMMITMENT | | STATUS | FY24 ACTION(S) | |
|---|---|---|---|---|
| **Commit to climate action** | Align our GHG emission reduction targets with the Paris Agreement. | → | • Near-term science-based targets for our operational Scope 1 and 2 emissions and Scope 3, Category 15 emissions were validated by SBTi in February 2024 (**Metrics and Targets**, p.50).<br>• Committed to achieving net zero emissions by 2040, with near-term science-based targets being validated by the SBTi, and setting net zero emissions targets following the release of SBTi's FI Net-Zero Standard.[2] | • As part of our commitment to SBTi, we are currently in the process of developing a Responsible Investment Policy. This includes our ongoing commitment to not directly lend to or invest in the fossil fuel sector.[3] |
| | Source 100% renewable energy for our offices and branches by 2030. | → | • Transitioned two of our main facilities as well as a further 9 branches to 100% renewable electricity.<br>• Engagement with landlords and energy providers at our largest, third and final main facility in Brisbane led to a transition to 100% renewable electricity, by purchasing GreenPower[4], which is fully metered to track usage. | • Committed to increasing the sourcing of renewable energy throughout the FY25 reporting period.<br>• Analysed the effects of renewable energy procurement on our emissions which are disclosed as market-based emissions in our operational emissions and targets (**Operational metrics and targets**, p.53)[5] |
| | Be net zero by 2040. | → | • Integrated ESG criteria into our procurement processes.<br>• Developed products to incentivise customers to adopt renewable energy and improve energy efficiency. | • Our eStatement transition project has successfully achieved 80% of digitally active customers opting out of paper statements. |
| | Maintain carbon neutral certification under the Climate Active Carbon Neutral Standard for Organisations. | ↻ | • Maintained our Climate Active certification as climate neutral for our business operations in FY24 (**Metrics and Targets**, p.50). | |
| | Enable our team members to become agents of change. | ↻ | • Key team members developed technical knowledge and skills through setting science-based targets and contributing to the climate risk assessment and physical impact financial stress testing.<br>• Key team members participated in the 2023 United Nations Global Compact Climate Ambition Accelerator program.<br>• Key team members participated in sustainability-related conferences. | • Encouraged team members to support Earth Hour and World Environment Day with behaviour change relating to switching monitors off and lowering blinds within corporate hubs.<br>• Held internal workshops with key stakeholders, facilitated by Anthesis, to discuss upcoming climate-related reporting and climate opportunities. Risks were allocated across the business, and controls were tested as part of an ongoing upskilling process. |

2. Great Southern Bank's definition of net zero emissions will be aligned to the definition set forth by the SBTi FI Net-Zero Standard once released and subject to Great Southern Bank's review. The SBTi FI Net-Zero Standard is developed for the purpose of providing requirements, principals and guidelines for Financial Institutions to set science-based emissions reduction targets in line with the Paris Agreement (https://sciencebasedtargets.org/net-zero-for-financial-institutions).
3. Direct lending and investment mean no balance sheet activity in any sector that relates to the coal or oil and gas value chain. Great Southern Bank invests into other entities in the financial services sector and indirect exposure to the coal and oil and gas value chain through these investments cannot be determined. Great Southern Bank commits to redefining the definition of the fossil fuel sector as part of the development of a Responsible Investment Policy and will align closely to the definition set by the SBTi in the Financial Institutions Near-Term criteria version 2.0 (https://sciencebasedtargets.org/sectors/financial-institutions)
4. Green Power - A government managed program which supports the growth of renewable energy in Australia. Under this scheme, large-scale generation certificates (LGC) are purchased by Great Southern Bank's energy provider and surrendered on behalf of Great Southern Bank. One LGC is equivalent to one megawatt-hour of electricity generation from a renewable source.
5. From Climate Active Electricity Accounting guideline: "The market-based method shows a business's electricity emissions in the context of its electricity purchases. It reports emissions according to a business's investments in different electricity products and markets, including from voluntary purchases of renewable electricity and mandatory schemes like the Renewable Energy Target." (https://www.climateactive.org.au/sites/default/files/2023-03/Electricity%20Accounting%20%28March%202023%29.pdf)

# Strategy

Actions in progress | Ongoing actions | Not yet commenced

| COMMITMENT | | STATUS | FY24 ACTION(S) |
|---|---|---|---|
| **Build recovery and support resilience** | Support our customers' access to housing upgrades that increase their physical resilience to extreme weather events. | Actions in progress | • Engaged with insurance partner Allianz Australia to leverage marketing efforts that promote Allianz's online energy efficiency improvement tool "Green Spec" which will assist customers in choosing options to make homes more sustainable.[6]<br>• Met with the Resilience Building Council to investigate ways customers at heightened risk of physical perils could improve their property's resilience. |
| | Promote affordable energy efficiency and the adoption of renewables. | Actions in progress | • Launched two new personal loan products to incentivise customers to adopt renewables and invest in energy efficiency measures, including the purchase of eligible electric and hybrid vehicles, solar panel systems, home battery packs, solar hot water systems and heat pumps.[7]<br>• Developed options for a green home offering, with the aim to release this in FY25. |
| | Advocate for our customers to maintain appropriate levels of home and contents insurance. | Actions in progress | • Collated a variety of communication on core messages regarding building resilience and maintaining adequate insurance.<br>• Investigated the ability to embed aspects of insurance costs and their impact on the sustainability of home ownership into our credit risk assessment and processes, allowing for greater transparency for customers as they purchase their home. |
| | Identify opportunities for the bank and our team members to support disaster responses. | Actions in progress | • Refreshed our Community Leave Procedures and included Community leave in our Disaster Donation Framework.<br>• Nominated Vinnies as our preferred partner to support natural disaster relief efforts. |
| **Manage climate risk** | Embed climate risk governance across our business. | Actions in progress | • Developed an enterprise-wide risk taxonomy that includes climate risk. Engaged key teams to incorporate climate risks and controls into their risk profiles ahead of implementation.<br>• Assessed relevant policies where climate risk can be integrated.<br>• Established internal governance to support our 2022-2024 Climate Action Plan.<br>• Analysed how Great Southern Bank can respond to sustainability-related regulation, including greenwashing and prepare for upcoming legislation on climate-related financial reporting.<br>• Drafted a Responsible Investment Policy to publish internally and externally in FY25. |
| | Understand and manage climate risks and risk scenarios to ensure we are a sustainable bank for our customers today and in the future. | Actions in progress | • Included climate-related risks rated inherently medium or high in our risk management system as part of our integration of climate-related risks into our overall risk management processes.<br>• Investigated and scoped home loan decisioning processes for future implementation to consider the impacts of physical and transitional risks on customer homes. |
| | Report annually against the TCFD framework. | Ongoing actions | • Published 2024 Climate-Related Financial Disclosure based on the TCFD framework as part of Great Southern Bank's 2024 Annual Report. |
| **Partner for impact** | Strategically partner with community, industry, NGOs and government to advance tangible climate action. | Ongoing actions | • Announced a partnership with Mission Australia, committing $1 million to support energy and water efficiency upgrades for hundreds of Australians living in community housing.[8] |
| | Continue working with COBA and BCCM to strengthen industry capacity in climate action and climate-related risk. | Ongoing actions | • Continued our engagement with mutual peers and other COBA members through COBA's Sustainability Community of Practice as well as other platforms.<br>• Continued to be a signatory to the Co-Operatives and Mutuals Declaration of Climate Action facilitated through the BCCM. |
| | Partner with service providers to decarbonise our procurement and supply chains. | Actions in progress | • Developed supplier code of conduct to reinforce commitment to reduce our supply chain emissions. |
| | Share success stories to inspire our business banking customers towards achieving net zero emissions. | Actions in progress | • Promoted our green personal loans externally, showcasing case studies on social media and in our Annual Report, with a focus on retail customers. Moving forward, we plan to expand this focus to include small business customers in FY25, leveraging our small business banking proposition. |

6. https://www.allianz.com.au/home-insurance/sustainable-renovations.html
7. For details, see our website for Unsecured Green Personal Loans (greatsouthernbank.com.au/personal-loans/unsecured-green-personal loan) and for Green Car Loans (greatsouthernbank.com.au/personal-loans/electric-car-loan)

8. For more information about the partnership with Mission Australia, refer to https://www.greatsouthernbank.com.au/about/news/mission-australia

# Assessing our climate risks and opportunities

In FY23, Great Southern Bank led a project with 11 customer-owned banks (COBA) and external climate change experts to better understand the climate-related risks and opportunities relevant to these banks and the broader customer-owned banking sector. We applied and expanded on the outcomes of this project to identify and assess the climate risks and opportunities specific to Great Southern Bank.[9] In FY24, risks, controls and actions were assigned to specific risk owners. Further assessment is ongoing to enhance controls and develop increased insight into climate risks and opportunities, including conducting a gap analysis of the Bank's current practices against the upcoming Australian Sustainability Reporting Standards.

**Table 2** opposite summarises Great Southern Bank's material climate-related physical, transition and liability risks, which are rated inherently medium or high. Management of these risks has been considered in the design and execution of our Climate Action Plan.

Consistent with the TCFD recommendations, we structured the risk assessment using short, medium, and long-term timeframes based on Great Southern Bank's strategic planning horizons and capital allocation plans:

- **Short term (0 to 3 years)**
  Focusing on existing operations and conditions in Australia.
- **Medium term (3 to 10 years)**
  Focusing on potential climate-driven changes to conditions in Australia to 2030.
- **Long term (10 to 30 years)**
  Focusing on large-scale changes, including substantial physical impacts of climate change on the mortgage portfolio (considering a 30-year time horizon).

We have utilised the Australian Prudential Regulation Authority (APRA) definitions when describing risk, specifically:

- **Physical risks:** Including both longer-term changes in climate (chronic risk) as well as changes to the frequency and magnitude of extreme weather events (acute risk). These can cause direct damage to assets or property, changes to income and costs, and changes to the cost and availability of insurance.
- **Transition risks:** Risks related to changes in domestic and international policy and regulatory settings, technological innovation, social adaptation and market changes, which can result in changes to costs, income and profits, investment preferences and asset viability.
- **Liability risks:** The potential for litigation where institutions and boards do not adequately consider or respond to the impacts of climate change.[10]

In FY24, the Bank also undertook an Opportunities Assessment to identify and assess climate-related opportunities. This involved a cross-functional team identifying opportunities and qualitatively assessing their impact on various aspects of the business, including our customers, risk management, finance, operations and reputation. **Table 3** summarises the Bank's key climate-related opportunities.

Following completion of a gap analysis of our current practices against the upcoming Australian Sustainability Reporting Standards (ASRS), we intend to deepen our understanding of our climate risks and opportunities through qualitative and quantitative scenario analysis in FY25. This will ensure we comply with the requirements of the ASRS in our FY26 climate-related financial disclosure.

9. For more information about the process involved in this, refer to our 2023 Climate-related financial disclosure.
10. Great Southern Bank's definition follows that of APRA's Prudential Practice Guide CPG 229 Climate Change Financial Risks (Final Prudential Practice Guide CPG 229 Climate Change Financial Risks (apra.gov.au))



**Table 2** Great Southern Bank's climate-related risks

| Climate risk type | Risk driver | Risk description | Time horizon | Residual Rating | Other business impacts |
|---|---|---|---|---|---|
| Transition | Policy and Legal | The Bank may issue product materials which are misleading and non-compliant with legal requirements. | Short to medium term | Medium | Regulatory and Legal Risk |
| Transition | Policy and Legal | The Bank may issue marketing materials which are misleading and non-compliant with legal requirements. | Short to medium term | Medium | Regulatory, Legal and Reputational Risk |
| Transition | Policy and Legal | The Bank may fail to meet regulatory compliance on climate-related disclosures, or the material presented in a climate disclosure may be incomplete or incorrect. | Short to medium term | Low | Regulatory and Legal Risk |
| Transition | Market | Changes in consumer sentiment and their preferences, or shifts in the competitor landscape may impact customers' desire to bank with Great Southern Bank. | Short to medium term | Low | Strategic Risk |
| Transition | Market | Customers employed in carbon-intensive industries may experience disruption in employment, impacting their ability to service their loan. | Short to medium term | Medium | Credit Risk |
| Transition | Reputation | The Bank's reputation may be negatively impacted due to the perceived or actual environmental impact of our lending, procuring or investing activities that may be inconsistent with our climate commitments. | Medium term | Medium | Strategic Risk |
| Physical | Acute | The Bank's costs for insurance and continuity requirements may increase more than expected due to increasing risk of natural disasters. | Short to medium term | Low | Operational Risk |
| Physical | Acute | The Bank may face increased demands on its customer contact points as a result of a natural disaster event. | Short to medium term | Low | Strategic Risk |

**Table 3** Great Southern Bank's climate-related opportunities

| Climate opportunity type | Potential opportunities being explored | Time horizon | Other business impacts |
|---|---|---|---|
| **Products / services** | • Offer products and solutions that support retail customers to purchase, construct new homes, or retrofit existing homes, to meet continually increasing sustainability standards and to improve energy efficiency.<br>• Offer products and solutions that support customers to increase the physical resilience of their homes against increasing frequency and severity of extreme weather events.<br>• Build customers' knowledge and understanding of how they can reduce their emissions as we work towards meeting our net zero target.<br>• Support customers to transition to digital banking to reduce plastic and paper consumption.<br>• Share success stories to encourage customers to reduce emissions and support the Bank's transition to net zero. | Short to medium-term | Financial<br>Reputation<br>Customer |
| **Markets** | • Collaborate with peers, industry, community, NGOs and government to advance tangible climate action and demonstrate the Bank's commitment to responsible banking. | Short to medium-term | Regulation<br>Reputation<br>Customer |
| **Resilience** | • Educate customers on the importance of maintaining appropriate levels of home and contents insurance and offer solutions to support them in ensuring they are adequately protected against the increasing frequency and severity of extreme weather events.<br>• Partner with goods and service providers to decarbonise the Bank's supply chain. | Medium to long-term | Customer<br>Risk Management<br>Financial<br>Operations |
| **Energy source** | • Purchase and/or generate energy from renewable sources for the Bank's branches and offices to mitigate the risk of volatile energy prices and carbon pricing. | Short to medium-term | Operations<br>Financial |
| **Resource efficiency** | • Educate our team members on how to reduce energy consumption in the Bank's branches and offices to support the Bank's transition to net zero. | Short to medium-term | Operations<br>Financial |



# Assessing the physical resilience of our mortgage portfolio

Great Southern Bank has prioritised assessing the physical resilience of its residential mortgage portfolio, recognising it as the largest asset by outstanding loan amount on our balance sheet and the most exposed to the physical risks of climate change, including flooding, bushfires and storms. With the frequency and intensity of these natural hazards set to rise, these physical risks are only likely to further increase.

In FY21, an initial assessment of climate-related physical risks that may impact our residential mortgage portfolio focused on understanding the impact of natural hazards across three physical climate change scenarios (2030, 2050 and 2100), identifying river flooding as the most material risk with 5% of security properties considered at very high risk, followed by flash flooding and storm surges. Detailed findings are available in our 2022 Climate-Related Financial Disclosure.

Building on this, in FY23, the Bank expanded its efforts by conducting stress testing to gauge the potential financial impacts of climate-related physical risks on our residential mortgage portfolio. This included analysing severe but plausible scenarios and assessing capital adequacy in alignment with regulatory requirements. In the context of climate change, we adapted the standard approach used in regular risk stress testing by including a 'shock' scenario that analysed different natural hazards across several concentrated regions to identify the impact to our balance sheet. The results indicated that key regulatory measures would remain above the limits set by the Board should such a 'shock' scenario occur.

In FY25, we plan to conduct further assessments of the physical resilience of our mortgage portfolio through quantitative scenario analysis. This is part of the Bank's preparation for compliance with the Australian Sustainability Reporting Standards in FY26. These initiatives underscore the bank's commitment to understanding vulnerabilities and enhancing resilience in the face of climate change impacts.

# Risk management

## Great Southern Bank's Risk Management Framework (RMF) encompasses our systems, structures, policies, processes and people dedicated to managing all sources of material risk, including those associated with climate change.


**Figure 2:** Great Southern Bank's Risk Management Framework

This framework is designed to address risks that could significantly impact the interests of customers, stakeholders, or the Bank itself. The Board holds ultimate responsibility for overseeing the RMF, ensuring it effectively identifies, assesses, and manages risks to safeguard the Bank's operations and commitments to stakeholders.

The RMF brings together all our risk artefacts, including our Risk Appetite Statement (RAS), Risk Management Strategy (RMS), stress testing and strategic priorities.

The RMS outlines the material risks identified by Great Southern Bank and details our approach to managing these risks. It provides a comprehensive framework for identifying, assessing, and mitigating risks across various aspects of the Bank's operations, including those related to climate change. Additionally, the RAS defines the amount and types of risks that the Bank is willing to accept in pursuit of its purpose and strategy. It specifies the risk appetite and tolerance levels approved by the Board, representing the maximum level of risk the Bank is prepared to undertake in its activities and operations. This statement ensures alignment between risk-taking activities and the Bank's overall strategic objectives while maintaining prudent risk management practices.

Historically, climate risks were identified, prioritised and monitored in terms of other material risks, including strategic, credit, operational, regulatory and legal risk. This year, the Bank has enhanced its RMF by integrating a new enterprise-wide risk taxonomy that prioritises climate change risk management.



This taxonomy is structured around seven material risk classes (see **Figure 3**) and encompasses a total of 41 risk categories. Within the Strategic & People risk class, there are two specific risk categories directly related to climate change: Reputation & ESG, and Climate Change. Climate change risk is evaluated across three dimensions: physical risk, transition risks, and liability risks.

This updated framework reflects our commitment to enhancing our approach to climate risk management, ensuring that climate-related risks are given appropriate attention and are integrated into strategic decision-making processes across the organisation.


**Figure 3:** Great Southern Bank's Risk Classes

While climate change is not specifically included in the Bank's residential mortgage risk assessments, broader environmental factors such as flooding or bushfire threats are considered in property valuation reports. We are actively exploring ways to enhance the identification of climate-related physical risks within our credit risk processes for mortgage applications.

With regard to climate-related risks within our investment portfolio, the Bank evaluates direct exposure to sectors vulnerable to climate-related risks, including agriculture, nuclear power, and the fossil fuel industry. We do not have direct exposures to any of these sectors, and our business banking portfolio in general is small.

Furthermore, our RAS states a zero appetite for direct investment in or lending associated with fossil fuel extraction or fossil fuel energy production.

In relation to climate-related opportunities, the Bank conducted an Opportunities Assessment this year to identify and evaluate such opportunities. In FY25, we plan to expand our understanding of these climate-related opportunities alongside climate-related risks.

We continue to review ways to further enhance our management of climate-related risks and opportunities, including more formal integration with credit risk and investment processes in the upcoming year.

# Metrics and targets[11]

Great Southern Bank believes in being transparent and continues to disclose our climate-related impacts across its operations and financing activities.

### Operational emissions (Scope 1 and Scope 2)

These emissions are associated with our offices and branches in Queensland, New South Wales, Victoria and Western Australia, including relevant Scope 3 emissions.[12,13] These emissions have been calculated in accordance with the World Resources Institute's Greenhouse Gas Protocol Corporate Standard and the Climate Active Carbon Neutral Standard for Organisations (see **Operational metrics and targets**).

### Financed emissions (Scope 3, Category 15)

As a signatory to the Partnership for Carbon Accounting Financials (PCAF)[14], we assess our financed emissions from our mortgage and investments portfolios. This assessment aligns with PCAF's Standard for Financed Emissions (see **Financed metrics and targets**).

### Independent assurance

We continue to obtain independent limited assurance for our total financed emissions (not total) as shown in Table 4 below, recognising this as our most material source of emissions (see pages 60 and 61 for KPMG's limited assurance opinion).

### Science-based targets

Great Southern Bank has submitted near-term science-based emissions reduction targets for Scope 1 and 2 as well as Scope 3, Category 15 financed emissions to the SBTi. These targets align with the Paris Agreement and were validated by SBTi in February 2024. We are only the third Australian bank to achieve this validation.

In accordance with SBTi requirements, Great Southern Bank commits to reviewing these targets within five years from their approval date to ensure alignment with evolving climate science and goals.

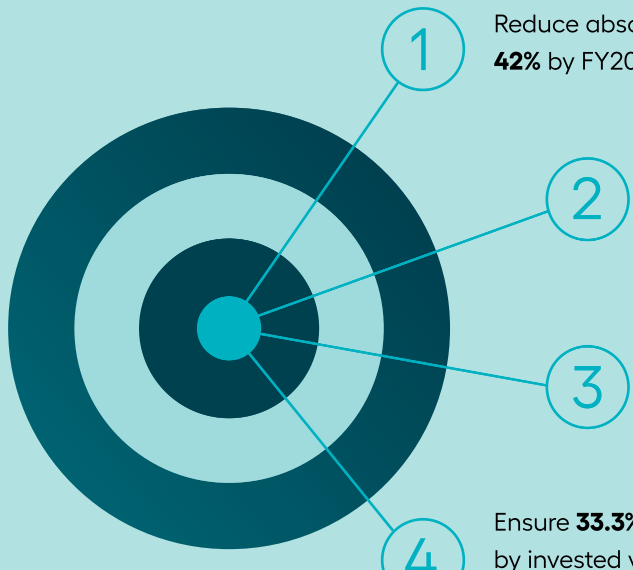
**Table 4 Total emissions**

| Metric | GHG Emissions Scope | Units[15] | FY24 | FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|---|---|---|---|
| Operational emissions | Scope 1 | $tCO_2$-e | 4 | 45 | 135 | 142 | 141 |
| | Scope 2 location-based | $tCO_2$-e | 734 | 825 | 952 | 1,019 | 1,225 |
| | Scope 2 market-based[16] | $tCO_2$-e | 576 | – | – | – | – |
| | Scope 3 | $tCO_2$-e | 6,027 | 5,761 | 5,979 | 5,965 | 5,814 |
| Financed emissions[17,18] | | $tCO_2$-e | 324,816 | 318,272 | 383,709 | 220,768 | – |
| **Total emissions**[17,19] | | **$tCO_2$-e** | **331,423** | **324,903** | **390,775** | **227,894** | **7,180** |

11. Unless otherwise stated, dollar amounts are in AUD. Totals may vary due to rounding.
12. Our reporting boundary for Scope 1 and 2 emissions is based on the World Resources Institute's Greenhouse Gas Protocol Corporate Standard and the Climate Active Carbon Neutral Standard for Organisations.
13. Scope 1 emissions include all GHG emissions from sources that are within Great Southern Bank's control boundary, including emissions from fuel use for transportation purposes and refrigerants during the use of air conditioning equipment. Scope 2 emissions include the use of purchased electricity in our offices and branches, reported using the location-based method from FY21. Scope 3 emissions are emissions that occur as a result of our activities but occur from sources outside the organisation's control boundary. These include computer software and equipment, professional services, postage, courier, and freight, employee commuting, business travel and waste generation and disposal.
14. Source: Partnership for Carbon Accounting Financials
15. All emissions values are in tonnes of carbon dioxide equivalent (tCO2-e). Emission factors were derived from the National Greenhouse Accounts (NGA) Factors and the Climate Active database.
16. In line with our Climate Action Plan, in FY24 we have analysed the effects of renewable energy procurement on our emissions. This is the first year to calculate and disclose our Scope 2 emissions from electricity consumption using location-based and market-based methodologies.
17. Restated for FY23 and FY22 as a result of data accuracy improvements and methodology updates
18. Total financed emissions disclosed in Table 4 include Scope 1, 2 and 3 emissions of all our investment and lending activities. Refer to Tables 6, 7 and 8 for further details and a disaggregated disclosure of financed emissions. These were included within the scope of the limited assurance provided by KPMG (see pages 60 and 61 for KPMG's limited assurance opinion).
19. Total emissions for FY24 include market-based Scope 2 emissions. All previous total emissions include location-based Scope 2 emissions.



## Great Southern Bank validated near-term science-based targets




1. Reduce absolute Scope 1 and 2 emissions by **42%** by FY2030 from a FY2022 base year.
2. Reduce residential mortgage portfolio emissions by **43%** per sqm by FY2030 from a FY2022 base year.
3. Ensure **47.3%** of the corporate bonds portfolio by invested value have set SBTi validated targets by FY2028 from a FY2022 base year.
4. Ensure **33.3%** of the eligible private equity investments by invested value have set SBTi validated targets by FY2028 from a FY2022 base year.



# Operational metrics and targets[20]

**Table 5 Operational metrics** [21, 22, 23, 24]

| Metric | Units | FY24 | FY23 | FY22 | FY21 | FY20[25] |
|---|---|---|---|---|---|---|
| Scope 1 GHG emissions | $tCO_2$-e[26] | 4 | 45 | 135 | 142 | 141 |
| Scope 2 location-based GHG emissions | $tCO_2$-e | 734 | 825 | 952 | 1,019 | 1,225 |
| Scope 2 market-based GHG emissions | $tCO_2$-e | 576 | | | | |
| Total operational GHG emissions (Scope 1 and 2)[27] | $tCO_2$-e | 580 | 870 | 1,087 | 1,161 | 1,366 |
| Scope 3 GHG emissions | $tCO_2$-e | 6,027 | 5,761 | 5,979 | 5,965 | 5,814 |
| Total operational GHG emissions (Scope 1, 2 and 3)[27] | $tCO_2$-e | 6,607 | 6,631 | 7,066 | 7,126 | 7,180 |
| Operational GHG emissions intensity by FTE (Scope 1, 2 and 3)[27] | $tCO_2$-e/FTE | 6.17 | 4.83 | 5.78 | 5.10 | 6.22 |
| Offsets retired[28] | $tCO_2$-e | 6,607 | 6,631 | 7,066 | 7,126 | - |
| Liquid fuel consumption | kL | 0 | 17 | 35 | 39 | 41 |
| Electricity consumption | MWh | 992 | 1,114 | 1,186 | 1,220 | 1,506 |
| Waste generated | Tonnes | 26 | 30 | 21 | 27 | 22 |
| Waste diverted from landfill[29] | Tonnes | 10 | 12 | 8 | - | - |
| Water consumption | kL | 1,410 | 2,957 | 7,952 | 9,086 | 7,549 |

In FY24, our combined Scope 1 (directly released from our operations) and market-based Scope 2 (released from offsite generation of electricity consumed in our operations) GHG emissions were estimated at 580 tonnes of carbon-dioxide equivalent emissions ($tCO_2$-e). This represents a 33% decrease from our FY23 emissions of 870 $tCO_2$-e, attributed to a reduction in electricity consumption, the purchase of renewable energy and the retirement of all company vehicles. Combined Scope 1, market-based 2 and 3 emissions decreased by 24 $tCO_2$-e, or around 0.4% from FY23 to FY24.

## Targets

Great Southern Bank's science-based targets validated by the SBTi for our operational emissions include a 42% reduction in Scope 1 and 2 absolute GHG emissions by 2030 from a FY22 base year.

Strategic actions to achieve this target include further reducing the company-owned vehicle fleet and the procuring and retiring Large-Scale Generation Certificates.

While the Bank focuses on reducing emissions in line with its science-based targets and does not use carbon credits to achieve these goals, it remains committed to maintaining carbon neutral certification to mitigate its climate today.

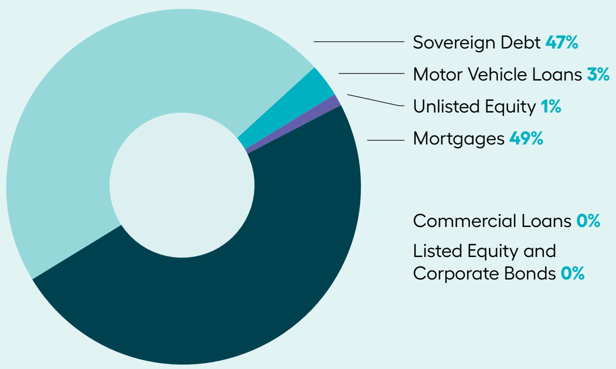
Our business operations for FY23 were certified carbon neutral under the Climate Active Carbon Neutral Standard for Organisations, a program enabling businesses to account for and verify their GHG emissions. Our FY24 Public Disclosure Statement is currently in progress and will be submitted according to the timeline established by Climate Active.

20. A Basis of Preparation documenting the measurement approach, methodologies, inputs, assumptions and data limitations can be found on our website www.greatsouthernbank.com.au/2024.
21. Subsidiaries covered in FY22 are CUA Health Limited (ABN 98 098 685 459), Credicorp Insurance Pty Ltd (ABN 50 069 196 756), CUA Management Pty Ltd (ABN 60 010 003 853) and Credicorp Finance Pty Ltd (ABN 79 010 052 981).
22. Subsidiaries covered in FY23 are Credicorp Insurance Pty Ltd (ABN 50 069 196 756), CUA Management Pty Ltd (ABN 60 010 003 853) and Credicorp Finance Pty Ltd (ABN 79 010 052 981).
23. Figures stated in this report are calculations based on best practice methodology rather than precise measurements.
24. Totals for FY24 include market-based Scope 2 emissions. Totals for all previous years include location-based Scope 2 emissions.
25. In line with Climate Active requirements, FY20 performance data used to project FY21 emissions underwent a Technical Assessment and a third-party audit. The second validation, a Technical Assessment, was performed in FY23. Next validation process, a third Technical Assessment, will be conducted in the FY26 reporting period. A third-party audit will only be carried out if a base year recalculation is needed.
26. All emissions values are in tonnes of carbon dioxide equivalent ($tCO_2$-e). Emission factors were derived from the National Greenhouse Accounts (NGA) Factors and the Climate Active database.
27. Includes Scope 2 market-based GHG emissions.
28. Our FY23 emissions have been fully offset through Certified Emission Reduction units from a wind power project in India and Australian Carbon Credit Units from a savanna burning project managed by First Nations rangers in Arnhem Land, in alignment with the quality requirements of Climate Active. Great Southern Bank has been a certified carbon neutral organisation under Climate Active since FY21. More information on the Climate Active website.
29. Waste diverted from landfill was not reported in FY20 and FY21.

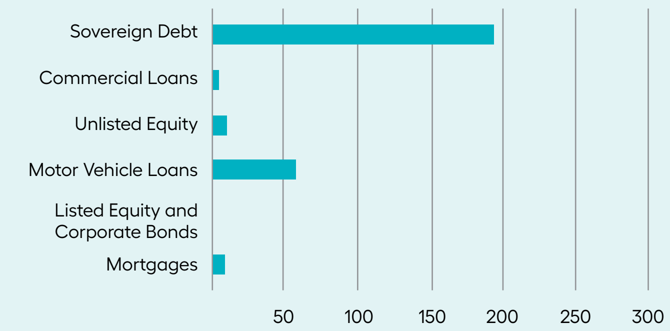
# Financed metrics and targets

**Figure 4:** FY24 Financed metrics

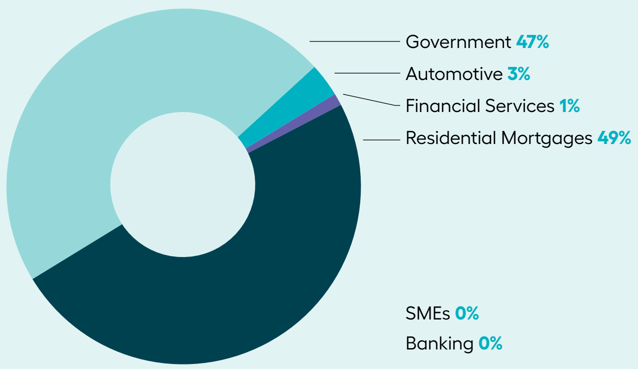
### Emissions share by asset class




### Emissions intensity by asset class ($tCO_2e/\$M$)




### Emissions share by sector




### Emissions intensity by sector ($tCO_2e/\$M$)

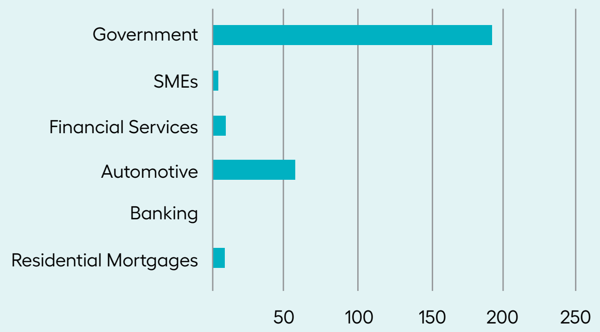



**Table 6 FY24 Financed Emissions intensity metrics**

| Emissions intensity by Asset Class | | |
|---|---|---|
| **Asset Class** | **Dollars lent/invested per tonne of emissions generated ($\$/tCO_2e$)** | **Emissions intensity ($tCO_2e/\$M$)** |
| Mortgages | 103,037 | 9.71 |
| Listed Equity and Corporate Bonds | 2,369,044 | 0.42 |
| Motor Vehicle Loans | 14,029 | 71.28 |
| Unlisted Equity | 46,042 | 21.72 |
| Commercial Loans | 268,945 | 3.72 |
| Sovereign Bonds | 3,752 | 266.55 |
| **Total** | **58,561** | **17.08** |

| Emissions intensity by Sector | | |
|---|---|---|
| **Sector** | **Dollars lent/invested per tonne of emissions generated ($\$/tCO_2e$)** | **Emissions intensity ($tCO_2e/\$M$)** |
| Residential Mortgages | 103,037 | 9.71 |
| Banking | 2,369,044 | 0.42 |
| Automotive | 14,029 | 71.28 |
| Financial Services | 46,042 | 21.72 |
| SMEs | 268,945 | 3.72 |
| Government | 3,752 | 266.55 |
| **Total** | **58,561** | **17.08** |

Since 2021, Great Southern Bank has analysed its indirect impact through our lending and investment activities using PCAF methodologies to estimate Scope 3, Category 15, financed emissions. Following validation of emissions reduction targets by SBTi, we remain committed to tracking our emissions against these targets and to monitoring alignment with our FY22 baseline. Key findings in FY24 are represented in this report[30]:

- A total of 100% of our balance sheet by invested value of in-scope PCAF asset classes is included in this year's financed emissions inventory.
- Asset classes not included are personal loans, other than mortgages and motor vehicle loans, line of equity accounts of commercial customers, investments in derivatives and authorised deposit-taking institutions, as there is currently no methodology available by PCAF to estimate financed emissions associated with these asset classes.
- The total Scope 1 and 2 GHG emissions generated by Great Southern Bank's portfolio in FY24 were estimated to be 259,748 $tCO_2$-e.
- The carbon intensity of each million Australian dollars lent or invested was estimated at 17.08 $tCO_2$-e. The intensity varies across asset classes and sectors, with corporate bonds being the least greenhouse gas (GHG) intensive. In contrast, motor vehicle loans represent the most GHG intensive asset class. Residential mortgages, Great Southern Bank's largest asset class, had a GHG intensity of 9.71 $tCO_2$-e.
- One tonne of GHG emissions (in $CO_2$-e) is generated by $58,561 loaned or invested.
- The overall weighted data quality score in FY24 is 4.61 where 1 is highest data quality and 5 is lowest data quality.

Key metrics by asset class and sector are outlined in **Tables 7** and **8**, including the data quality scores (as required by the PCAF Standard) and notable exclusions. We will continue to work to identify financial impacts and the most meaningful metrics to measure and manage climate-related risks and opportunities such as climate-related metrics linked to Executive remuneration. We are committed to improving data quality and reporting metrics over time.

### Targets

The science-based targets validated by the SBTi for our financed emissions include targets for our Scope 3, Category 15 emissions. Specifically, these targets include a commitment to reduce the emissions intensity of our mortgage portfolio in terms of tCO2-e per square metre by 43% by 2030 from a FY22 baseline. We aim to increase our investments in organisations with SBTi targets through Corporate Bonds and Deposit Certificates to 47.3% by invested value, and for eligible Private Equity portfolios to 33.3% by invested value, both by 2028. At year end of FY24, investments in Corporate Bonds and Deposit Certificates by invested value were 11% and the investments in eligible Private Equity portfolio were 0%.

30. Note: Financed emissions for FY24 are based on non-audited financial data.

# Key metrics for financed emissions[20]

**Table 7 Financed Emissions by PCAF asset class** [31, 32]

| PCAF Asset class | Total outstanding loans and investments covered ($M) | | | Scope 1 Financed Emissions ($tCO_2$-e) | | | Scope 2 Financed Emissions ($tCO_2$-e) | | | Total Scope 1 and 2 Financed Emissions ($tCO_2$-e) | | | Total Financed Emissions (Scope 1, 2 and 3 in $tCO_2$-e) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 |
| Mortgages | 16,413 | 15,545 | 13,358 | 27,741 | 26,692 | 24,374 | 111,903 | 112,558 | 113,086 | 139,644 | 139,250 | 137,460 | 159,293 | 158,219 | 155,626 |
| Listed Equity and Corporate Bonds [33] | 1,777 | 2,098 | 1,486 | 26 | 53 | 18 | 234 | 396 | 167 | 260 | 449 | 185 | 750 | 954 | 645 |
| Motor Vehicle Loans [34] | 136 | 122 | 60 | 7,631 | 7,357 | - | 151 | 91 | - | 7,782 | 7,448 | 3,403 | 9,710 | 9,298 | 4,289 |
| Unlisted Equity [34] | 69 | 62 | 61 | 84 | 108 | - | 565 | 671 | - | 648 | 779 | 40 | 1,505 | 1,609 | 477 |
| Commercial Loans [34, 35] | 50 | 47 | 39 | 38 | - | - | 127 | - | - | 166 | 334 | 188 | 188 | 1,337 | 938 |
| Sovereign Bonds [33] | 575 | 499 | 562 | 111,179 | 107,832 | 123,091 | 70 | 55 | 58,025 | 111,249 | 107,887 | 181,116 | 153,371 | 146,854 | 221,734 |
| **Total** | **19,020** | **18,372** | **15,567** | **146,699** | **142,042** | **147,483** | **113,050** | **113,778** | **171,278** | **259,748** | **256,148** | **322,392** | **324,816** | **318,272** | **383,709** |

**Table 8 Financed Emissions by sector** [31]

| Sector | Total outstanding loans and investments covered ($M) | | | Scope 1 Financed Emissions ($tCO_2$-e) | | | Scope 2 Financed Emissions ($tCO_2$-e) | | | Total Scope 1 and 2 Financed Emissions ($tCO_2$-e) | | | Total Financed Emissions (Scope 1, 2 and 3 in $tCO_2$-e) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 | FY24 | FY23 | FY22 |
| Residential Mortgages | 16,413 | 15,545 | 13,358 | 27,741 | 26,692 | 24,374 | 111,903 | 112,558 | 113,086 | 139,644 | 139,250 | 137,460 | 159,293 | 158,219 | 155,626 |
| Banking [33] | 1,777 | 2,098 | 1,486 | 26 | 53 | 18 | 234 | 396 | 167 | 260 | 449 | 185 | 750 | 954 | 645 |
| Automotive [34] | 136 | 122 | 60 | 7,631 | 7,357 | - | 151 | 91 | - | 7,782 | 7,448 | 3,403 | 9,710 | 9,298 | 4,289 |
| Financial Services [34] | 69 | 62 | 61 | 84 | 108 | - | 565 | 671 | - | 648 | 779 | 40 | 1,505 | 1,609 | 477 |
| SMEs [34, 36] | 50 | 47 | 39 | 38 | - | - | 127 | - | - | 166 | 334 | 188 | 188 | 1,337 | 938 |
| Government [33] | 575 | 499 | 562 | 111,179 | 107,832 | 123,091 | 70 | 55 | 58,025 | 111,249 | 107,887 | 181,116 | 153,371 | 146,854 | 221,734 |
| **Total** | **19,020** | **18,372** | **15,567** | **146,699** | **142,042** | **147,483** | **113,050** | **113,778** | **171,278** | **259,748** | **265,148** | **322,392** | **324,816** | **318,272** | **383,709** |

**Table 9 Other key metrics**

| Asset class | Emissions intensity for residential mortgages ($tCO_2$-e/$m^2$) | | |
|---|---|---|---|
| | FY24 | FY23 | FY22 |
| Residential mortgages | 32.03 | 32.86 | 30.18 |



20. A Basis of Preparation documenting the measurement approach, methodologies, inputs, assumptions and data limitations can be found on our website www.greatsouthernbank.com.au/2024.
31. The weighted data quality score (as defined under the PCAF standard) for FY24 data has been estimated at [4.61]. Great Southern Bank has elected to disclose this information, in line with the PCAF's position in its Reporting Standard that recognises "*high quality data can be difficult to come by when calculating financed emissions, particularly for certain asset classes. However, data limitations should not deter financial institutions from taking the first steps toward preparing their inventories, as even estimated or proxy data can help them identify carbon-intensive hotspots in their portfolios, which can inform their climate strategies*". We will continue to investigate options to improve data quality over time.
32. Note: Asset classes not covered by this inventory are personal loans and investments in derivatives and authorised deposit-taking institutions. The total loan and investment value for FY24 as per June 30, 2024, is $310M. There is currently no methodology available, and the total value is marginal.
33. FY23 total outstanding loans and investments covered and financed emissions metrics are restated due to a redistribution of Corporate Bonds and Sovereign Bonds.
34. Dash (-) included where only aggregated data is available
35. The methodology used to estimate emissions related to the Commercial Loans portfolio changed in FY24. For FY24, the emissions associated to this portfolio are disclosed as Commercial Loans. A detailed description of the measurement approach, methodologies, inputs, assumptions and data limitations for FY24 can be found on our website www.greatsouthernbank.com.au/2024
36. The methodology used to estimate emissions related to SMEs changed in FY24. For FY24, the emissions associated to this portfolio are disclosed as SMEs FY24. A detailed description of the measurement approach, methodologies, inputs, assumptions and data limitations for FY24 can be found on our website www.greatsouthernbank.com.au/2024.

# Taskforce for Nature-related Financial Disclosures

Alongside climate change, Great Southern Bank recognises nature loss and degradation as a challenge that affects us all.

Momentum is building globally for a collective response with the Global Biodiversity Framework adopted at COP 15 of the UN Convention on Biological Diversity. Through frameworks such as the Taskforce for Nature-related Financial Disclosures (TNFD) and associated tools, organisations are supported to assess their interface with nature and contribute to the global movement to restore and repair our natural environment.

In FY24, we have taken action to build our understanding of Great Southern Bank's relationship with nature, with a high-level assessment of the ways in which our organisation depends on nature, how we impact nature through our direct and value chain operations, and the risks and opportunities that arise at this interface.

A key area of our interaction with nature is the footprint of our residential mortgage portfolio. Our assessment has shown that there is an alignment between the actions we are already taking to respond to climate-related risks and opportunities, and the risks and opportunities in relation to nature.

We recognise that knowledge and insight on nature-related issues and the ways in which organisations can respond to these issues is evolving. We aim to review our understanding as new standards and new data emerge, and remain committed to positive and impactful actions in the future.

# Independent Limited Assurance Report to the Directors of Credit Union Australia Ltd (trading as Great Southern Bank)

## Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the information subject to assurance, which has been prepared by Credit Union Australia Ltd (trading as Great Southern Bank) in accordance with the criteria for the period ended 30 June 2024.

## Information Subject to Assurance

The information subject to assurance, is presented in the 2024 Basis of Preparation for Financed Emissions and in the 2024 Annual Report, available on the Great Southern Bank website and is shown in the table below and covers the year ended 30 June 2024:

| Information subject to assurance | Value assured |
|---|---|
| Total financed emissions (tCO2e) | 324,816 |
| Emissions intensity for financed emissions (tCO2e/$M) | 17.08 |
| Dollar lent/ invested per tonne of emissions generated ($M/tCO2e) | 58,561 |

## Criteria Used as the Basis of Reporting

The criteria used for the preparation of the information subject to assurance is described in the 2024 Basis of Preparation for Financed Emissions ("the Criteria"). The Criteria will be available on Great Southern Bank's website in the "Downloads" section on the "Great Southern Bank Annual Report 2024 webpage.

## Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard, we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the information subject to assurance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills, and professional competencies.





## Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Great Southern Bank personnel to understand the internal controls, governance structure, and reporting process of the information subject to assurance;
- reviews of relevant documentation including the 2024 Basis of Preparation for Financed Emissions;
- analytical procedures over the information subject to assurance;
- walkthroughs of the information subject to assurance to source documentation;
- evaluating the appropriateness of the criteria with respect to the information subject to assurance; and
- reviewed the information subject to assurance in the 2024 Annual Report in its entirety to ensure it is consistent with our overall knowledge of assurance engagement.

## How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Credit Union Australia Ltd (trading as Great Southern Bank).

## Use of this Assurance Report

This report has been prepared for the Directors of Great Southern Bank for the purpose of providing an assurance conclusion on the information subject to assurance and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Great Southern Bank, or for any other purpose than that for which it was prepared.

## Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs and the needs of their stakeholders;
- preparing and presenting the information subject to assurance in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the information subject to assurance that is free from material misstatement, whether due to fraud or error.

KPMG

28 August 2024

## Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the information subject to assurance for the period ended 30 June 2024, and to issue an assurance report that includes our conclusion.

## Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.

# CREDIT UNION AUSTRALIA LTD
# (trading as Great Southern Bank)

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2024



## Contents

The Directors have pleasure in presenting their report together with the financial statements of Credit Union Australia Ltd (trading as Great Southern Bank) (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2024 and the auditor's report thereon.

## Directors and Company Secretaries

### Directors

The names and details of the Directors of the Bank in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Nigel Ampherlaw**
*B.Com., FCA, MAICD*
Chairman and Independent Non-Executive Director

Nigel joined the Board in March 2011 and has been the Chairman since November 2017. He is a member of the Board People, Culture and Remuneration Committee.

Nigel has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region. He is a chartered accountant by profession. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held several senior client Lead Partner roles.

Nigel is a Director of Elanor Investors Group.

**Peeyush Gupta**
*BA, MBA, AM, FAICD*
Independent Non-Executive Director (appointed on 13 March 2024)

Peeyush joined the Board in March 2024 and is a member of the Board Audit and Board Risk Committees. With experience working in the finance sector for over thirty five years, Peeyush has a track record of starting and growing businesses, and in acquisitions, integration, managing digital transformation, industry disruption and growth.

Peeyush was the co-founder and inaugural CEO of IPAC Securities, a firm providing financial advice and institutional portfolio management with operations in Australia, New Zealand, Singapore, Hong Kong and South Africa. He has served as a Director and Chairman on boards across a variety of sectors including financial services, insurance, government, media, accounting and technology, and as the Chairman of a large superannuation fund.

Peeyush is currently a Director of Dexus Funds Management Limited, SBS, Chartered Accountants Australia and New Zealand, Quintessence Labs, Cancer Council NSW and Northern Territory Aboriginal Investment Corporation.

Peeyush is an alumnus of Harvard, London and UNSW business schools. In 2019, he was awarded the Order of Australia (AM) for services to business and the community.





## Directors and Company Secretaries (continued)

**Mark Hand**
*B.Bus., MBA, CPA*
Independent Non-Executive Director (appointed on 1 July 2023)

Mark joined the Board in July 2023. He is the Chairman of the Board Audit Committee and a member of the Board Risk Committee. He is also a Director of Credicorp Insurance Pty Ltd (Credicorp Insurance) and a member of Credicorp Insurance Board Audit and Board Risk Committees.

Mark is a career banker and experienced senior executive, having held senior positions in Australia and South Asia. Mark has held executive leadership roles across the commercial and consumer banking sectors and has extensive experience in risk management. Most recently he was the Group Executive for the Australian Retail and Commercial Banking division of ANZ Bank.

Mark has strong innovation and transformation capability combined with a passion for customer experience. He has long been an advocate for gender equity, workplace culture and employee engagement.

Mark has previously been a Director of Diversity Council Australia Limited, ANZ Bank Taiwan Limited and ANZ Trustees Limited.

**Paul Lewis**
*BA, MBA*
Managing Director and the Chief Executive Officer

Paul was appointed to the Board in November 2019, coinciding with his commencement in the role of CEO.

He is also the Chairman of Credicorp Finance Pty Ltd (Credicorp Finance) and a Director of CUA Management Pty Ltd (CUA Management).

Paul first joined the Bank in February 2018 as the Chief Sales Officer with responsibility for leading the Bank's distribution channels.

With over 20 years' experience in financial services leadership positions, Paul has held numerous retail banking executive roles in Australia, New Zealand and Malaysia.

Prior to joining the Bank, Paul was the Senior Head of Strategy and Transformation at Westpac, where his role included leading the Consumer banking strategy development for the Westpac Group. He held a variety of senior executive roles within ANZ in Australia, New Zealand and South East Asia, including three years as General Manager of the ANZ Australian Retail Branch Network. In this role, Paul was responsible for leading more than 800 branches and 7,000 employees before being seconded to Malaysia for two years as the Managing Director, Retail Banking for AmBank with responsibility for 6,500 staff and 2.5 million retail customers.

Paul's professional qualifications include an MBA and BA from Massey University, NZ. He is an alumnus of the London Business School's Senior Executive Management Program and is currently a Director of the Business Council of Co-operatives and Mutuals (BCCM) Ltd.

## Directors and Company Secretaries (continued)

**Kyle Loades**
*MBA, FAICD, FTL, GFIN*
Independent Non-Executive Director

Kyle joined the Board in December 2017. He is Chairman of the Board Risk Committee and a member of the Board Audit Committee. He is also the Chairman of the Credicorp Insurance Board and member of the Credicorp Insurance Board Audit and Board Risk Committees.

Kyle is a Chairman, Non-Executive Director and Advisor with more than two decades of experience across the commercial, community and public sectors.

Kyle is currently Chairman of Hunter Medical Research Institute and Active Super. He is a Conjoint Professor at Newcastle Business School at the University of Newcastle. Kyle completed a three-and-a-half year term as Chairman of NRMA where he directed a period of significant cultural and operational change requiring considerable strategy and risk expertise.

Kyle is a Fellow of the AICD and AUSTTA, has completed an MBA at the University of Newcastle, a Harvard Business School Certificate in Disruptive Strategy, a Transformation Leadership Program at ANU, a Diploma of Superannuation at AIST and a Professional Banking Fundamentals Program at FINSIA.

**Louise McCann**
*MM MGSM, FAICD, FIML, FRSA*
Independent Non-Executive Director

Louise joined the Board in November 2015. She is Chairman of the Purpose and Impact Committee and a member of the Board Risk and the Board People, Culture and Remuneration Committees.

After a successful executive career as a CEO and senior executive in the media, commercial market research, brand and communications sectors in Australia, New Zealand and across Asia, Louise has had a very diverse portfolio of Non-Executive Director roles. These roles have been in the following sectors: technology/telecommunications, media, health, education, personal transport, and professional services, across the ASX, public companies and not-for-profit organisations.

Louise is currently Chairman of Grant Thornton Australia Limited, Chairman of their Nominations and Remuneration Committee and a member of their Partner Earning and Performance Committee. She is also Non-Executive Director of the University of Notre Dame and Chairman of their Remuneration, People and Culture Committee.

**Deborah O'Toole**
*LLB, MAICD*
Independent Non-Executive Director

Deb joined the Board in March 2014. She is the Chairman of the Board People, Culture and Remuneration Committee and a member of the Board Audit Committee and Purpose and Impact Committee. She is also a Director of Credicorp Insurance and the Chairman of Credicorp Insurance Board Audit and Board Risk Committees.

Deb is a qualified lawyer and has more than 30 years' experience in mining, resources and rail freight industries, many of which have been focused in the finance function. She is a graduate of the Harvard Business School's Advanced Management Program and was a former CFO at Aurizon, Queensland Cotton and MIM Holdings.

Deb is Chairman of Transurban Qld Finance Pty Limited and is a Director of Sims Limited, Pacific National Rail, Alumina Limited and Sydney Airport Corporation Limited.





## Directors and Company Secretaries (continued)

**Wayne Stevenson**
*B.Com., CA, FAICD*
Non-Executive Director

Wayne joined the Board in February 2014. He is a member of the Board Audit and Board Risk Committees and Purpose and Impact Committee.

Wayne's executive background was largely in banking and financial services with ANZ where he held several senior positions across Australia, New Zealand and Asia. Wayne brings strong expertise of the financial services industry including 15 years in CFO roles at ANZ involving a broad range of disciplines including the undertaking of significant acquisitions, restructures and divestments. Since leaving ANZ, Wayne has developed a Non-Executive Director portfolio across a number of industries including outdoor and media, payments, SaaS technology, and insurance.

Wayne is currently a Director of BigTinCan Holdings Ltd (ASX listed) and Cuscal Limited.

**Sangeeta Venkatesan**
*FCA, B.Com.*
Independent Non-Executive Director (appointed on 1 December 2022, resigned on 1 August 2023)

Sangeeta joined the Board on 1 December 2022. She was a member of the Board Audit Committee, a Director of Credicorp Insurance and a member of Credicorp Insurance Board Audit and Board Risk Committees.

Sangeeta is an experienced banker, board advisor, investor, and entrepreneur. Sangeeta's executive career included working with some of the most prominent and globally recognised firms such as Goldman Sachs, Morgan Stanley, Nomura, and the Commonwealth Bank of Australia in senior roles across the globe including London, Singapore, Hong Kong, and Sydney. Sangeeta was co-founder and Chairman of Human Financial from 2018 until 2022, for which she won the "Innovator of the Year" award at Money Management and Super Review's Financial Services Awards 2019, and the finance Monthly Women in Finance Awards 2020. She was also co-founder and CEO of Applegrove Capital from 2018 until 2022.

## Directors and Company Secretaries (continued)

### Company Secretaries

The names and details of the Company Secretaries of the Bank during the year and until the date of this report are as follows. The Company Secretaries were in office for this entire period unless otherwise stated.

**Belinda Bones**
*B.Bus, FGIA, FCG*
Company Secretary (appointed on 31 January 2024)

Belinda was appointed a Company Secretary of the Bank in January 2024. She is also a Company Secretary to Credicorp Insurance, CUA Management and Credicorp Finance.

Belinda has over 25 years’ experience in corporate governance, financial accounting, management accounting and auditing across diverse industries and business structures, in both listed and non-listed entities. Belinda holds a Bachelor of Business Accountancy from the Queensland University of Technology and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

**Andrew McMaugh**
*B.A LL.B GAICD*
General Counsel and Company Secretary (appointed on 1 May 2024)

Andrew is the Bank’s General Counsel and was appointed Company Secretary of the Bank on 1 May 2024. He is also a Company Secretary to Credicorp Insurance, CUA Management and Credicorp Finance.

Andrew has over 20 years’ legal and governance experience in listed, non-listed and government owned corporations. Andrew holds a Bachelor of Arts and a Bachelor of Laws from the University of Queensland and is a graduate of the Australian Institute of Company Directors. Andrew is admitted to practice as a Solicitor in the Supreme Court of Queensland and High Court of Australia.

**Nicole Pedwell**
*B.IntBus., FGIA, FCIS, GAICD*
Company Secretary (resigned on 31 January 2024)

Nicole joined the company in November 2014 and was appointed a Company Secretary of the Bank in December 2014, and resigned on 31 January 2024. She was also a Company Secretary to Credicorp Insurance, CUA Management and Credicorp Finance until her resignation.

Nicole is a qualified Company Secretary and corporate governance and communications professional. Nicole has over 20 years’ investor and stakeholder relations experience in both global and domestic financial services entities. Nicole holds a Bachelor of International Business from Griffith University, a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia and is a graduate of the Australian Institute of Company Directors.

Nicole is a Director of the Financial Basics Foundation, the Financial Basics Community Foundation and ESSI Money Pty Ltd, and is on the Queensland State Council of the Governance Institute of Australia.



# Directors’ report

## Directors and Company Secretaries (continued)

### Directors’ meetings

The number of meetings of Directors and meetings of Board Committees held during the financial year and the number of meetings attended by each Director was as follows:

**A** = Number of meetings eligible to attend
**B** = Number of meetings attended

| | Board | | Board Audit Committee | | Board Risk Committee | | Board People, Culture & Remuneration Committee | | Combined Board People, Culture & Remuneration Committee and Board Risk Committee Meeting | | Purpose and Impact Commitee[1] | | Combined Purpose and Impact Committee and Board Risk Committee Meeting | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| N. Ampherlaw | 12 | 11 | - | - | - | - | 4 | 3 | 2 | 2 | - | - | - | - |
| P. Gupta | 4 | 4 | 1 | 1 | 2 | 2 | - | - | - | - | - | - | 1 | 1 |
| M. Hand | 12 | 11 | 1 | 1 | 7 | 6 | - | - | 2 | 2 | - | - | 1 | 1 |
| P. Lewis | 12 | 11 | - | - | - | - | - | - | - | - | - | - | - | - |
| K. Loades | 12 | 12 | 4 | 4 | 7 | 7 | - | - | 2 | 2 | - | - | 1 | 1 |
| L. McCann | 12 | 12 | - | - | 7 | 7 | 4 | 4 | 2 | 2 | 4 | 4 | 1 | 1 |
| D. O'Toole | 12 | 12 | 4 | 4 | - | - | 4 | 4 | 2 | 2 | 4 | 4 | 1 | 1 |
| W. Stevenson | 12 | 12 | 4 | 4 | 7 | 7 | - | - | 2 | 2 | 4 | 4 | 1 | 1 |
| S. Venkatesan[2] | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

[1]A new committee, the Purpose and Impact Committee was established on 1 August 2023.
[2]Sangeeta Venkatesan resigned on 1 August 2023.

The above table relates to the Bank’s Directors’ meetings. The subsidiaries have their own Boards and Board Committee meetings attended by the respective subsidiary Board members.

### Remuneration of Non-Executive Directors and other key management personnel

The Bank’s remuneration policy aims to remunerate personnel competitively in line with comparable financial services organisations in order to attract and retain the talent necessary to meet organisational objectives. In addition, the remuneration policy and framework are designed to ensure the Bank’s long term financial soundness and to support an effective risk management framework.

*Non-Executive Directors’ fees*

Non-Executive Directors receive fees to recognise their contribution to the work of the Board and Board Committees on which they serve. Non-Executive Directors do not receive any performance-related remuneration.

In line with the Bank’s Remuneration policy, the Bank will complete the external benchmarking cycle for Non-Executive Directors, CEO and Executive roles in 2024 in preparation for the remuneration reviews. In determining the appropriate level of remuneration, external consultants are engaged to provide independent advice to ensure that the compensation is set competitively compared to the market. A Chair Committee fee structure for the financial year ended 30 June 2024 is in place, to align with industry practice and recognise the additional work of the Chairs of the Committees.

## Directors and company Secretaries (continued)

### Remuneration of Non-Executive Directors and other key management personnel (continued)

*Other key management personnel (KMP)*

Remuneration comprises total fixed remuneration (TFR) and elements of at-risk pay, including a short term incentive (STI) and a long term incentive (LTI). These elements have been designed to attract and retain talent and are comprised of the following:

- TFR is intended to recognise the delivery of individual roles and responsibilities and is reviewed annually by the Board People, Culture & Remuneration Committee and the Board. The review considers individual performance and market remuneration data.
- The STI provides a reward for contribution aligned to customer interests, annual business performance and collective success and is based on individual and organisational targets. The Board may apply its discretion in determining any STI awards to reflect performance during the year. A portion of the STI is deferred for certain roles to encourage effective risk management in accordance with Australian Prudential Regulation Authority (APRA) requirements.
- The LTI is designed to attract future talent as well as to motivate and retain current executives, focusing on sharing the Bank's successes as a team rather than rewarding individual performance. It also aims to balance short term, in-year performance with the longer term sustainable creation of value for the Bank and its customers. Any LTI award is paid following the end of a four-year performance period.

### Directors' benefits

During, or since the end of the current year, no Director has received, or become entitled to receive, a benefit by reason of a contract entered into by the Bank, or its controlled entities, with the Director, a firm of which the Director is a customer, or an entity in which the Director has a substantial financial interest, other than a benefit to which the Director is entitled as a customer of the Bank. All transactions with entities associated with Directors are at arm's length and on commercial terms.

### Indemnification of Directors and Officers

During the year, the Bank paid an insurance premium in respect of an insurance policy for the benefit of Directors, secretary, executive officers and employees of the Bank and related entities. The insurance policy grants indemnification in respect of certain liabilities for which the *Corporations Act 2001* allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium. No insurance cover or indemnification has been provided for the benefit of the auditor of the Bank.

## Financial performance disclosures

### Principal activities

The principal activities of the Bank during the year were the provision of banking and associated services to customers. Through its controlled entities, the Group was also involved in general insurance and securitisation activities.

### Significant changes in the state of affairs

There was no significant change in the state of affairs of the Group during the year ended 30 June 2024 not otherwise contained in the Directors' report or the financial statements.

### Dividends

The Constitution of the Bank does not allow for the payment of dividends on any member shares currently on issue.



Directors' report

## Financial performance disclosures (continued)

### Review of operations

The Group reported a net profit after tax for the financial year ended 30 June 2024 of $37.3 million (2023: $44.5 million).

The decrease from the prior financial year result of $7.2 million to the current financial year result of $37.3 million was predominately driven by an increase in total operating expenses of $9.0 million. Net interest income for the Group remained steady at $349.1 million (2023: $348.8 million) driven by an increase in gross loans and advances which grew by 5.6% to $16.9 billion (2023: $16.0 billion). The growth in loans and advances was funded by growth in deposits of 4.7% to $13.6 billion (2023: $13.0 billion).

A deliberate approach was undertaken early in the financial year to manage and stabilise margins in a higher funding cost environment while the Group continued to deliver on its purpose of helping all Australians own their own home.

Other net operating income decreased by $0.7 million mainly driven by increases in transaction costs.

Total operating expenses for the Group increased by 3.3% to $285.5 million (2023: $276.5 million) with increases in personnel and information technology expenses offset to a large degree by reductions in general administration and other expenses driven by disciplined cost management. The group continues to invest heavily in technology to deliver an improved banking experience for customers including the launch of a digitally led small business banking proposition.

Underlying asset quality remains strong, as the Group continued to maintain a conservative approach to risk management and lending practices. However, the expense from credit and other financial asset impairment increased from the prior financial year (2023: $7.1 million) to $8.5 million. Additional impairment provisions have been recognised in the face of an uncertain economic outlook as a result of inflation and interest rate pressures.

The Group has taken significant steps on its journey towards becoming a more sustainable and responsible bank. Over the current financial year it attained B Corp Certification, joining 7,800 businesses globally that are focused on social and environmental performance, accountability and transparency. The Group's near-term climate targets were validated by the Science Based Targets Initiative (SBTi), and it retained Climate Active certification for its business operations. Its first green personal loan products were launched, and the Group transitioned nine of its branches and two hubs to renewable energy. In partnership with Mission Australia, the Group completed energy and water efficiency upgrades designed to reduce utility costs for tenants and lower carbon emissions at a community housing complex in NSW. It progressed its financial inclusion and reconciliation efforts with the launch of its 'Innovate' Reconciliation Action Plan (RAP), and also completed a number of key actions from its 'Build' Financial Inclusion Action Plan.

## Risk management

The Group's strategic and operational outcomes are underpinned by the effective management of key risks through the three lines of defence model. This model defines risk management roles, accountabilities and responsibilities, including our approach to risk oversight and assurance.

During the year, the Group regularly identified and assessed key risks in accordance with our Risk Management Framework, Risk Management Strategy and Risk Appetite Statement. This, along with the supporting policies and standards, has helped management to deliver on the business strategy within a comprehensive framework for managing risk. These enterprise wide risk management activities enable the Group to aggregate material risk classes to form a Group wide view of risks and to support data driven, customer focused decision making.

Management continues to invest in improvements to risk management processes, people and systems to protect customers and meet increasing regulatory obligations.

## Climate risk

The Australian Council of Financial Regulators identifies climate change as a first-order risk for the financial system. APRA considers that climate risk should be managed within an institution's broader risk management framework and has articulated its expectations in Prudential Practice Guide CPG 229.

The Bank published its third Taskforce on Climate-Related Financial Disclosure (TCFD) report as part of this Financial Report (refer to page 34). This includes our financial year 2024 emissions for the Group's investment and lending activities in line with global accounting standards established by the Partnership for Carbon Accounting Financials.

During the financial year ending 30 June 2024, the Group continued to operationalise the commitments made within its Climate Action Plan, including implementing strategy to transition our offices and branches to 100% renewable energy by 2030, embedding climate risk management within our policies and procedures, and introduced green personal loans.

We are committed to annual updates of our disclosures. Additionally, we are closely following the development of mandatory climate-related disclosures in Australia under the upcoming *Australian Sustainability Reporting Standards 1 and 2*. Upon finalisation of these standards and legislation, we anticipate as a Group 1 entity, being required to release our first fully compliant climate-related financial disclosure for the FY26 reporting year.

## Other matters

### Launch of digitally led small business banking proposition

In March 2024, the Group launched its digital-first banking proposition for small businesses, leveraging proprietary platform and operational software provided by fintech and equity partner Constantinople. The business app and suite of banking products are designed to meet the needs of nano and micro small businesses, and initially offer transaction and savings accounts, overdraft facilities and unsecured loans, with further product and service rollouts planned. The proposition will help a traditionally under-served market access financial products and services, helping them achieve their financial goals and ultimately supporting them on their home ownership journey.

### Capital and remuneration prudential disclosures

The Bank has previously complied with the APS 330 *Remuneration Public Disclosure*, refer to the Prudential Disclosures section of the Bank's website (https://www.greatsouthernbank.com.au/about/corporate-governance/prudential-disclosures). As of January 2023, the standard was updated to apply to all locally incorporated ADIs with the exception of non-significant financial institutions (non-SFIs) and as the Bank is considered a non-SFI, future Remuneration Public Disclosures will be in line with APRA Prudential Standard CPS 511 *Remuneration* and CRS 511 *Remuneration* Reporting.

### Carbon neutral

The Group has been certified carbon neutral for its financial year ended 30 June 2023 operations and is currently seeking recertification for its financial year ended 30 June 2024 operations. The Group first obtained certification as a carbon neutral entity in financial year ended 2021 and commits to maintaining this status by seeking recertification under the Australian Government's Climate Active Carbon Neutral Standard for Organisations on an annual basis.

Climate Active is a partnership between the Australian Government and Australian businesses to encourage voluntary climate action. Climate Active provides independent verification and certification to businesses who account for their greenhouse gas emissions.

The Group is also committed to decarbonising its operations to achieve net zero emissions by 2040.

Further information can be found in the Group's Public Disclosure Statements on the Department for Climate Change, Energy, Environment, and Water's website (https://www.climateactive.org.au/buy-climate-active/certified-members/great-southern-bank).





## Other matters (continued)

### Events subsequent to reporting date

*New securitisation trust*

On 18 July 2024, the Bank established a new securitisation trust: Series 2024-1 Harvey Trust. The Series 2024-1 Harvey Trust was formed acquiring loans from the Bank and Harvey Warehouse Trust No.4 amounting to $285.5 million and $714.2 million, respectively. The acquisition of these loans was funded through the issuance of floating rate notes. Securitisation transactions of this nature are ordinary in the course of business for the Bank.

There are no other matters or circumstances not otherwise dealt with in the Financial Report that have significantly or may significantly affect the Group.

### Likely developments

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of such information is likely to result in unreasonable prejudice to the Group.

### Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Group is not aware of any breach of environmental requirements as they apply to the Group.

### Rounding

The Group is of a kind referred to in the Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument *2016/191* dated 24 March 2016 and, in accordance with that instrument, amounts have been rounded to the nearest million dollars ($m) unless otherwise stated.

### Lead auditor's independence

The Directors have obtained a copy of the Lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, refer to page 74.

### Authorisation by Directors

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

| | |
|---|---|
| Nigel Ampherlaw | Mark Hand |
| Chairman | Director |

Brisbane
28 August 2024

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

## To the Directors of Credit Union Australia Ltd (trading as Great Southern Bank) (the Bank)

I declare that, to the best of my knowledge and belief, in relation to the audit of the Bank for the financial year ended 30 June 2024 there have been:

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

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

KPMG

KPMG

Scott Guse

Scott Guse

*Partner*

Brisbane

28 August 2024





# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2024

# Income statements
For the year ended 30 June 2024

| | Note | Group 2024 $m | Group 2023 $m | Bank 2024 $m | Bank 2023 $m |
|---|---|---|---|---|---|
| **Net interest income** | | | | | |
| Interest income | 2.1 | **996.9** | 710.4 | **996.9** | 710.4 |
| Interest expense | 2.1 | **(647.8)** | (361.6) | **(647.9)** | (361.8) |
| **Total net interest income** | | **349.1** | 348.8 | **349.0** | 348.6 |
| **Other net operating income** | 2.1 | **-** | 0.7 | **0.9** | 1.6 |
| Share of net loss of a joint venture | | **(2.9)** | (2.8) | **(2.9)** | (2.8) |
| **Total operating income** | | **346.2** | 346.7 | **347.0** | 347.4 |
| **Expenses** | | | | | |
| Employment related expenses | | **(160.6)** | (153.2) | **(160.2)** | (152.8) |
| Occupancy | | **(4.5)** | (2.7) | **(4.5)** | (2.7) |
| Depreciation | 2.2 | **(16.0)** | (16.8) | **(16.0)** | (16.8) |
| Amortisation of intangible assets | 4.3 | **(14.5)** | (15.9) | **(14.5)** | (15.9) |
| Information technology | 2.2 | **(39.4)** | (30.9) | **(39.4)** | (30.9) |
| General administrative expenses | | **(25.9)** | (28.2) | **(27.4)** | (29.6) |
| Other expenses | 2.2 | **(24.6)** | (28.8) | **(24.5)** | (28.6) |
| Total operating expenses | | **(285.5)** | (276.5) | **(286.5)** | (277.3) |
| **Profit before impairment and income tax** | | **60.7** | 70.2 | **60.5** | 70.1 |
| Credit and other financial asset impairment | 2.2 | **(8.5)** | (7.1) | **(8.5)** | (7.1) |
| **Profit before income tax** | | **52.2** | 63.1 | **52.0** | 63.0 |
| Income tax expense | 2.3 | **(14.9)** | (18.6) | **(14.8)** | (18.4) |
| **Profit for the year** | | **37.3** | 44.5 | **37.2** | 44.6 |
| **Profit for the year is attributable to:** | | | | | |
| Members of the Bank | | **37.3** | 44.5 | **37.2** | 44.6 |

*The income statements should be read in conjunction with the accompanying notes.*



# Statements of comprehensive income
For the year ended 30 June 2024

| | Note | Group 2024 $m | Group 2023 $m | Bank 2024 $m | Bank 2023 $m |
|---|---|---|---|---|---|
| **Profit for the year** | | **37.3** | 44.5 | **37.2** | 44.6 |
| **Other comprehensive income** | | | | | |
| *Items that are or may be reclassified to profit or loss* | | | | | |
| Cash flow hedges: | | | | | |
| Revaluation taken to members' funds | | **(52.6)** | (36.6) | **(52.6)** | (36.6) |
| Transferred to profit or loss | | **(0.4)** | 0.7 | **(0.4)** | 0.7 |
| Revaluation of equity instruments - FVOCI[1] | | **2.4** | - | **2.4** | - |
| Revaluation of debt instruments - FVOCI | | **-** | - | **2.9** | (0.1) |
| | | **(50.6)** | (35.9) | **(47.7)** | (36.0) |
| Income tax on other comprehensive income | 2.3 | **15.2** | 10.8 | **14.3** | 10.8 |
| Other comprehensive income after tax | | **(35.4)** | (25.1) | **(33.4)** | (25.2) |
| **Total comprehensive income** | | **1.9** | 19.4 | **3.8** | 19.4 |
| Total comprehensive income for the period is attributable to: | | | | | |
| Members of the Bank | | **1.9** | 19.4 | **3.8** | 19.4 |

[1]FVOCI - Fair value through other comprehensive income

*The statements of comprehensive income should be read in conjunction with the accompanying notes.*

# Balance sheets
As at 30 June 2024

| | Note | Group 2024 $m | Group 2023 $m | Bank 2024 $m | Bank 2023 $m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 3.1 | **477.3** | 450.3 | **476.4** | 445.3 |
| Receivables due from other banks | 3.1 | **16.8** | 19.0 | **16.8** | 19.0 |
| Financial assets - fair value through profit or loss | 3.2 | **6.2** | 3.0 | **-** | - |
| Financial assets - amortised cost | 3.2 | **2,367.8** | 2,613.5 | **6,075.0** | 5,798.6 |
| Derivative financial instruments | 3.3 | **14.0** | 74.2 | **14.0** | 74.2 |
| Loans and advances | 3.4 | **16,912.9** | 16,022.1 | **16,912.9** | 16,022.1 |
| Financial assets - FVOCI | 3.2 | **65.5** | 57.9 | **218.6** | 139.1 |
| Other assets | 4.1 | **27.0** | 19.6 | **27.0** | 19.5 |
| Investments in controlled entities | 4.9 | **-** | - | **0.8** | 1.5 |
| Investments in a joint venture | 4.10 | **3.7** | 3.8 | **3.7** | 3.8 |
| Property, plant and equipment | 4.2 | **24.1** | 30.0 | **24.1** | 30.0 |
| Intangibles | 4.3 | **68.1** | 61.2 | **68.1** | 61.2 |
| Right-of-use assets | 4.4 | **30.0** | 32.9 | **30.0** | 32.9 |
| Deferred tax asset | 2.3 | **16.4** | - | **15.7** | - |
| **Total assets** | | **20,029.8** | 19,387.5 | **23,883.1** | 22,647.2 |
| | | | | | |
| **Liabilities** | | | | | |
| Payables due to other banks | 3.1 | **1.4** | 55.3 | **1.4** | 55.3 |
| Deposits | 3.6 | **13,637.0** | 13,021.1 | **13,637.0** | 13,021.1 |
| Derivative financial instruments | 3.3 | **20.2** | 21.6 | **20.2** | 21.6 |
| Borrowings | 3.7 | **4,955.9** | 4,876.2 | **8,815.4** | 8,145.2 |
| Other liabilities | 4.5 | **30.4** | 24.8 | **31.4** | 24.7 |
| Lease liabilities | 4.6 | **34.2** | 36.6 | **34.2** | 36.6 |
| Provisions | 4.7 | **34.7** | 37.1 | **34.7** | 37.1 |
| Deferred tax liability | 2.3 | **-** | 0.7 | **-** | 0.6 |
| **Total liabilities** | | **18,713.8** | 18,073.4 | **22,574.3** | 21,342.2 |
| **Net assets** | | **1,316.0** | 1,314.1 | **1,308.8** | 1,305.0 |
| | | | | | |
| **Members' funds** | | | | | |
| Reserves | 4.8 | **32.8** | 68.0 | **34.5** | 67.7 |
| Retained earnings | | **1,283.2** | 1,246.1 | **1,274.3** | 1,237.3 |
| **Total members' funds** | | **1,316.0** | 1,314.1 | **1,308.8** | 1,305.0 |

*The balance sheets should be read in conjunction with the accompanying notes.*



# Statements of changes in members' funds
For the year ended 30 June 2024

| | Group Reserves $m | Group Retained earnings $m | Group Total members' funds $m | Bank Reserves $m | Bank Retained earnings $m | Bank Total members' funds $m |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2023** | **68.0** | **1,246.1** | **1,314.1** | **67.7** | **1,237.3** | **1,305.0** |
| Profit for the year after tax | **-** | **37.3** | **37.3** | **-** | **37.2** | **37.2** |
| *Other comprehensive income after tax:* | | | | | | |
| Cash flow hedges: | | | | | | |
| Revaluation taken to members' funds | **(36.8)** | **-** | **(36.8)** | **(36.8)** | **-** | **(36.8)** |
| Transferred to profit and loss | **(0.3)** | **-** | **(0.3)** | **(0.3)** | **-** | **(0.3)** |
| Revaluation of equity instruments - FVOCI | **1.7** | **-** | **1.7** | **1.7** | **-** | **1.7** |
| Revaluation of debt instruments - FVOCI | **-** | **-** | **-** | **2.0** | **-** | **2.0** |
| **Total comprehensive income for the period** | **(35.4)** | **37.3** | **1.9** | **(33.4)** | **37.2** | **3.8** |
| Redemption of member shares | **0.2** | **(0.2)** | **-** | **0.2** | **(0.2)** | **-** |
| **Balance at 30 June 2024** | **32.8** | **1,283.2** | **1,316.0** | **34.5** | **1,274.3** | **1,308.8** |
| | | | | | | |
| **Balance at 1 July 2022** | 93.0 | 1,201.7 | 1,294.7 | 92.8 | 1,192.8 | 1,285.6 |
| Profit for the year after tax | - | 44.5 | 44.5 | - | 44.6 | 44.6 |
| *Other comprehensive income after tax:* | | | | | | |
| Cash flow hedges: | | | | | | |
| Revaluation taken to members' funds | (25.6) | - | (25.6) | (25.6) | - | (25.6) |
| Transferred to profit and loss | 0.5 | - | 0.5 | 0.5 | - | 0.5 |
| Revaluation of debt instruments - FVOCI | - | - | - | (0.1) | - | (0.1) |
| **Total comprehensive income for the period** | (25.1) | 44.5 | 19.4 | (25.2) | 44.6 | 19.4 |
| Redemption of member shares | 0.1 | (0.1) | - | 0.1 | (0.1) | - |
| **Balance at 30 June 2023** | 68.0 | 1,246.1 | 1,314.1 | 67.7 | 1,237.3 | 1,305.0 |

*The statements of changes in members' funds should be read in conjunction with the accompanying notes.*

# Statements of cash flows

For the year ended 30 June 2024

| | Note | Group 2024 $m | Group 2023 $m | Bank 2024 $m | Bank 2023 $m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest received | | **970.9** | 679.8 | **972.0** | 674.5 |
| Interest paid | | **(597.9)** | (327.0) | **(598.0)** | (327.1) |
| Fees and commissions received | | **30.8** | 27.8 | **30.8** | 27.8 |
| Fees and commissions paid | | **(32.4)** | (30.5) | **(32.4)** | (30.5) |
| Dividends received | | **1.9** | 1.7 | **2.3** | 2.2 |
| Other non-interest income received | | **3.2** | 2.0 | **4.3** | 3.1 |
| Payments to suppliers and employees | | **(267.5)** | (254.1) | **(267.9)** | (255.3) |
| Income tax paid | | **(13.8)** | (53.6) | **(13.6)** | (53.5) |
| Change in loans and advances | | **(923.0)** | (1,029.8) | **(923.0)** | (1,029.8) |
| Change in financial assets | | **239.5** | (458.9) | **239.5** | (458.9) |
| Change in deposits | | **616.6** | 1,080.5 | **616.6** | 1,080.5 |
| Net cash provided by/(used in) operating activities | 3.1 | **28.3** | (362.1) | **30.6** | (367.0) |
| **Cash flows from investing activities** | | | | | |
| Payments for plant, equipment and intangible assets | | **(22.6)** | (34.6) | **(22.6)** | (34.6) |
| Proceeds from investments in a joint venture | | **0.4** | 0.5 | **0.4** | 0.5 |
| Proceeds from investments in controlled entities | | **-** | - | **0.7** | - |
| Net cash used in investing activities | | **(22.2)** | (34.1) | **(21.5)** | (34.1) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | **81.0** | 427.1 | **82.1** | 432.0 |
| Net repayments to lease liabilities | | **(8.4)** | (11.3) | **(8.4)** | (11.3) |
| Net cash provided by financing activities | 3.1 | **72.6** | 415.8 | **73.7** | 420.7 |
| Change in cash and cash equivalents | | **78.7** | 19.6 | **82.8** | 19.6 |
| Cash at the beginning of the year | | **414.0** | 394.4 | **409.0** | 389.4 |
| Cash at the end of the year | 3.1 | **492.7** | 414.0 | **491.8** | 409.0 |

*The statements of cash flows should be read in conjunction with the accompanying notes.*



# Notes to the financial statements

For the year ended 30 June 2024

## 1. Basis of preparation

### 1.1 Corporate information

The financial report of Credit Union Australia Ltd (trading as Great Southern Bank) (the Bank) as an individual entity, and the Bank and its subsidiaries as a Group (the Group) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 28 August 2024.

The Bank is a for-profit entity incorporated and domiciled in Australia.

The controlling entity of the Group is Credit Union Australia Ltd. The registered office and principal place of business is:

Credit Union Australia Ltd
Level 27
300 George Street
Brisbane QLD 4000

### 1.2 Basis of accounting

#### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis, unless the application of fair value measurements is required by the relevant accounting standards.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars ($m) unless otherwise stated under the option available to the Bank under the *ASIC Corporations Instrument 2016/191*.

#### (b) Statement of compliance

The financial report complies with International Financial Reporting Standards (IFRS) which are applicable to the Group as issued by the International Accounting Standards Board.

### 1.3 Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements.

Forward-looking information, including consideration of various scenarios and probabilities in determining the Group's forward-looking assumptions for the purpose of expected credit losses (ECL), has been provided in Note 3.5. While there are a wide range of possible scenarios and macro-economic outcomes including the tightening monetary policy cycle and high inflationary environment, the scenarios and assumptions applied represent reasonable and supportable forward-looking views at the reporting date.





### 1.3 Significant accounting judgements and estimates (continued)

As there is a high degree of uncertainty associated with these scenarios and assumptions, actual outcomes may differ to those forecasted which may impact the accounting estimates included in the financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The most significant use of judgements and estimates has been applied to the areas outlined below and incorporate the impacts of a tightening monetary policy cycle and high inflationary environment, in particular on the Group's provisioning processes. Refer to the respective notes for additional details.

| | *Note Reference* |
|---|---|
| ECL and impairment of loans and advances and financial assets | 3.2, 3.5 and 3.10 |
| Fair value of financial instruments | 3.9 |
| Determining lease terms and estimating the incremental borrowing rate | 4.4 and 4.6 |

## 2. Financial performance

### 2.1 Income

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **$m** | $m | **$m** | $m |
| **Net interest income** | | | | |
| Interest income | | | | |
| Loans and advances to customers | **813.1** | 581.3 | **813.1** | 581.3 |
| Other financial assets | **138.0** | 88.3 | **138.0** | 88.3 |
| Other interest income[1] | **45.8** | 40.8 | **45.8** | 40.8 |
| | **996.9** | 710.4 | **996.9** | 710.4 |
| Interest expense | | | | |
| Deposits from customers | **(406.6)** | (216.3) | **(406.6)** | (216.3) |
| Borrowings | **(122.9)** | (80.0) | **(122.9)** | (80.0) |
| Debt securities | **(65.4)** | (38.7) | **(65.4)** | (38.7) |
| Wholesale funding | **(52.9)** | (26.6) | **(53.0)** | (26.6) |
| Other interest expense[1] | **-** | - | **-** | (0.2) |
| | **(647.8)** | (361.6) | **(647.9)** | (361.8) |
| Total net interest income | **349.1** | 348.8 | **349.0** | 348.6 |
| **Other net operating income** | | | | |
| Fees and commissions income from contracts with customers | | | | |
| Commissions income | **14.6** | 14.0 | **14.6** | 14.0 |
| Account services | **10.3** | 10.5 | **10.3** | 10.5 |
| Transactional | **3.4** | 3.0 | **3.4** | 3.0 |
| Other fees | **3.1** | 1.0 | **3.1** | 1.0 |
| | **31.4** | 28.5 | **31.4** | 28.5 |
| Fee, transaction costs and commission expense | | | | |
| Transaction costs | **(29.4)** | (27.6) | **(29.4)** | (27.6) |
| Commissions | **(1.2)** | (1.2) | **(1.2)** | (1.2) |
| Other expense | **(1.8)** | (1.6) | **(1.8)** | (1.6) |
| | **(32.4)** | (30.4) | **(32.4)** | (30.4) |
| Total net fee and commission expense | **(1.0)** | (1.9) | **(1.0)** | (1.9) |
| Finance cost - other | | | | |
| Interest expense - lease liabilities | **(1.2)** | (1.0) | **(1.2)** | (1.0) |
| Total finance cost - other | **(1.2)** | (1.0) | **(1.2)** | (1.0) |
| Dividend revenue | **1.9** | 1.7 | **2.3** | 2.2 |
| Net (loss)/gain on derivative financial instruments | **(0.4)** | 0.7 | **(0.4)** | 0.7 |
| Net insurance income | **0.6** | 0.7 | **-** | - |
| Other income | **0.1** | 0.5 | **1.2** | 1.6 |
| Total net other operating income | **-** | 0.7 | **0.9** | 1.6 |

[1]Includes interest income and expense from hedging instruments.





### 2.1 Income (continued)

*Recognition and measurement*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Separate specific recognition criteria must also be met, as outlined below.

Interest income and expense

Interest income and expenses are recognised using a calculated effective interest rate method which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Within net interest income, there are no amounts that relate to assets or liabilities held at fair value through profit or loss. If an asset is assessed as credit impaired, a lifetime ECL provision is recognised and interest income is calculated on a net basis (gross carrying amount less provision).

Fee, transaction costs and commission income and expense

Fee, transaction costs and commission income are brought to account on an accruals basis over the period that they cover, once a right to receive consideration has been attained and the performance obligation in respect of this income is met. Fee and commission expense relates mainly to transaction and service fees which are expensed when services are received.

Other fee income and expense from contracts with customers

Other fee income includes fees earned on a range of products and services platforms and are brought to account on an accruals basis over the period that they cover, once a right to receive consideration has been attained and the performance obligation in respect of this income is considered to be met.

Interest expense on lease liabilities

The finance cost portion of lease payments are 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. Refer to recognition and measurement section in Note 4.4.

### 2.2 Expenses

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Depreciation | | | | |
| Property, plant and equipment | **(7.2)** | (6.2) | **(7.2)** | (6.2) |
| Right-of-use assets | **(8.8)** | (10.6) | **(8.8)** | (10.6) |
| | **(16.0)** | (16.8) | **(16.0)** | (16.8) |
| Information technology | | | | |
| Maintenance contracts | **(36.9)** | (30.2) | **(36.9)** | (30.2) |
| Others | **(2.5)** | (0.7) | **(2.5)** | (0.7) |
| | **(39.4)** | (30.9) | **(39.4)** | (30.9) |
| Other expenses | | | | |
| Advertising | **(11.0)** | (11.7) | **(11.0)** | (11.7) |
| Professional services | **(13.6)** | (17.1) | **(13.5)** | (16.9) |
| | **(24.6)** | (28.8) | **(24.5)** | (28.6) |
| Credit and other financial asset impairment[1] | | | | |
| Impairment of loans and advances | **(2.5)** | (2.6) | **(2.5)** | (2.6) |
| Bad debts written off - loans and advances | **(7.8)** | (6.5) | **(7.8)** | (6.5) |
| Bad debts recovered - loans and advances | **1.9** | 2.0 | **1.9** | 2.0 |
| Impairment of financial assets - amortised cost | **(0.1)** | - | **(0.1)** | - |
| | **(8.5)** | (7.1) | **(8.5)** | (7.1) |

[1]Refer to Note 3.5 for recognition and measurement information.



## Notes to the financial statements
For the year ended 30 June 2024

### 2.3 Income tax

#### (a) Amounts recognised in income statements

The components of income tax expense are:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Income tax expense | **14.9** | 18.6 | **14.8** | 18.4 |
| | **14.9** | 18.6 | **14.8** | 18.4 |
| Current tax | | | | |
| Current income tax | **20.2** | 21.4 | **20.2** | 21.3 |
| Adjustments in respect of current income tax of previous year | **(3.4)** | (2.4) | **(3.4)** | (2.4) |
| Deferred tax | | | | |
| Relating to origination and reversal of temporary differences | **(5.1)** | (2.4) | **(5.2)** | (2.5) |
| Adjustments in respect of deferred income tax of previous year | **3.2** | 2.0 | **3.2** | 2.0 |
| Income tax expense | **14.9** | 18.6 | **14.8** | 18.4 |

#### (b) Reconciliation of tax expense

A reconciliation between the tax expense and the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Accounting profit before tax | **52.2** | 63.1 | **52.0** | 63.0 |
| At Australia's statutory income tax rate of 30% (2023: 30%) | **15.6** | 18.9 | **15.6** | 18.9 |
| Adjust for tax effect of: | | | | |
| Non-deductible expenses | **-** | (0.1) | **-** | (0.1) |
| Assessable income | **-** | 0.7 | **-** | 0.7 |
| Fully franked dividends received | **(0.6)** | (0.5) | **(0.6)** | (0.5) |
| Intragroup dividends received | **-** | - | **(0.1)** | (0.2) |
| Overprovision in prior year | **(0.1)** | (0.4) | **(0.1)** | (0.4) |
| Income tax expense | **14.9** | 18.6 | **14.8** | 18.4 |

## 2.3 Income tax (continued)

### (c) Deferred tax balances

Deferred income tax in the balance sheets relates to the following:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Deferred tax assets comprise temporary differences attributable to: | | | | |
| Provision for impairment of loans and advances | **10.7** | 9.8 | **10.7** | 9.8 |
| Employee benefits | **8.1** | 8.0 | **8.1** | 8.0 |
| Provisions and accruals | **3.4** | 4.9 | **3.4** | 4.9 |
| Lease liabilities | **10.3** | 11.0 | **10.3** | 11.0 |
| Plant and equipment and intangible assets | **1.3** | - | **1.3** | - |
| Derivative financial instruments | **1.3** | - | **1.3** | - |
| Total deferred tax assets | **35.1** | 33.7 | **35.1** | 33.7 |
| Deferred tax liabilities comprise temporary differences attributable to: | | | | |
| Plant and equipment and intangible assets | **-** | 0.6 | **-** | 0.6 |
| Financial assets - FVOCI | **9.9** | 9.2 | **10.6** | 9.1 |
| Right-of-use assets | **8.8** | 9.9 | **8.8** | 9.9 |
| Derivative financial instruments | **-** | 14.7 | **-** | 14.7 |
| Total deferred tax liabilities | **18.7** | 34.4 | **19.4** | 34.3 |
| Net deferred tax assets/(liabilities) | **16.4** | (0.7) | **15.7** | (0.6) |





## 2.3 Income tax (continued)

### (d) Movement in deferred tax

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Deferred income tax credit included in income tax expense comprises: | | | | |
| Increase in deferred tax assets | **1.4** | 1.2 | **1.4** | 1.2 |
| Decrease/(increase) in deferred tax liabilities | **0.5** | (0.8) | **0.6** | (0.7) |
| | **1.9** | 0.4 | **2.0** | 0.5 |
| Deferred income tax related to items charged or credited to other comprehensive income during the year as follows: | | | | |
| Net loss on cash flow hedges | **15.9** | 10.8 | **15.9** | 10.8 |
| Net gain on fair value through other comprehensive income | **(0.7)** | - | **(1.6)** | - |
| | **15.2** | 10.8 | **14.3** | 10.8 |
| Total deferred tax movement | **17.1** | 11.2 | **16.3** | 11.3 |

### (e) Unused tax losses and franking account

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Unused tax losses for which no deferred tax asset has been recognised | **0.9** | 0.9 | **0.9** | 0.9 |
| Potential tax benefit @ 30% | **0.3** | 0.3 | **0.3** | 0.3 |

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Franking account balance | **448.7** | 433.8 | **448.7** | 433.8 |

The ability to use these franking credits is restricted by the constitution of the Bank which does not permit the payment of dividends on any member shares currently on issue.

The Bank maintains and operates a single franking account for the tax consolidated group.

## 2.3 Income tax (continued)

*Recognition and measurement*

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in members' funds or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax is recognised on the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

*Tax consolidation*

The head entity within the tax consolidated group is the Bank. The Bank, together with all eligible wholly owned Australian subsidiaries, comprise a tax consolidated group.

The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members. Any current tax liabilities/assets and deferred tax assets from unused tax losses of subsidiaries in the tax consolidated group are recognised by the Bank and funded in line with the tax funding arrangements.

The Bank recognises the current tax balances of its wholly owned subsidiaries as if those were its own in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances on a "modified stand-alone taxpayer" basis under UIG 1052 *Tax Consolidation Accounting*. Amounts receivable or payable under the tax funding and tax sharing agreements with the tax consolidated entities are recognised as intercompany amounts receivable or payable.

The "modified stand-alone taxpayer" basis is the method used for measuring current and deferred taxes (other than deferred tax assets relating to tax losses) of the entities in the tax consolidated group as if each entity continued to be a taxable entity in its own right. Deferred tax assets in relation to tax losses are measured based on the tax-consolidated group's ability to utilise the tax losses.





# 3. Balance sheet and risk management

## 3.1 Cash and cash equivalents

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Notes and coins on hand | **3.1** | 3.6 | **3.1** | 3.6 |
| Deposits on call | **474.2** | 446.7 | **473.3** | 441.7 |
| | **477.3** | 450.3 | **476.4** | 445.3 |

Cash and cash equivalents include restricted balances of $233.1 million (2023: $257.3 million) in the Group which represent deposits held in securitisation trust collection accounts which are not available to the Group.

*Recognition and measurement*

Cash and cash equivalents include notes and coins on hand and cash on deposits and at call accounts with other ADIs.

Cash and cash equivalents are carried at amortised cost in the balance sheets.

*Notes to the statements of cash flows*

(a) Reconciliation of profit for the year to net cash provided by/(used in) operating activities:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Profit after tax for the year | **37.3** | 44.5 | **37.2** | 44.6 |
| Adjustments for: | | | | |
| Depreciation and amortisation | **30.5** | 32.7 | **30.5** | 32.7 |
| Credit and other financial asset impairment | **10.3** | 9.1 | **10.3** | 9.1 |
| Net interest on loans and advances | **23.2** | 18.7 | **23.2** | 18.7 |
| Derivative financial instruments (unrealised) | **21.8** | 7.1 | **21.8** | 7.1 |
| Other non-cash items | **(0.3)** | (0.9) | **(0.3)** | (0.9) |
| Changes in: | | | | |
| Loans and advances | **(923.0)** | (1,029.8) | **(923.0)** | (1,029.8) |
| Financial assets | **239.5** | (458.9) | **239.5** | (458.9) |
| Net deferred tax asset/liability | **(17.1)** | (11.2) | **(16.3)** | (11.3) |
| Other assets | **(9.9)** | (12.4) | **(8.5)** | (17.5) |
| Deposits | **616.6** | 1,080.5 | **616.6** | 1,080.5 |
| Insurance policy liabilities | **(0.3)** | (0.7) | **-** | - |
| Income tax payable | **3.1** | (34.7) | **3.1** | (34.7) |
| Provisions | **(2.4)** | 5.2 | **(2.4)** | 5.2 |
| Other liabilities | **(1.0)** | (11.3) | **(1.1)** | (11.8) |
| Net cash provided by/(used in) operating activities | **28.3** | (362.1) | **30.6** | (367.0) |

## 3.1 Cash and cash equivalents (continued)

*Notes to the statements of cash flows (continued)*

(b) Reconciliation of cash and cash equivalents at the end of financial year in the statements of cash flows:

Cash and cash equivalents at the end of the financial year in the statement of cash flows is represented by the following items in the balance sheets:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Cash and cash equivalents | **477.3** | 450.3 | **476.4** | 445.3 |
| Receivables due from other banks[1] | **16.8** | 19.0 | **16.8** | 19.0 |
| Payables due to other banks[2] | **(1.4)** | (55.3) | **(1.4)** | (55.3) |
| | **492.7** | 414.0 | **491.8** | 409.0 |

[1]Includes collateral representing credit support to secure the Bank's derivative liability position, as part of the standard International Swaps and Derivatives Association (ISDA) Agreement.
[2]Includes collateral representing credit support to secure the Bank's derivative asset position, as part of the standard ISDA Agreement.

(c) Reconciliation of cash flows from financing activities:

| **Group** | **1 July 2023 $m** | **Cash flows $m** | **Non-cash changes $m** | **30 June 2024 $m** |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Borrowings | **4,876.2** | **81.0** | **(1.3)** | **4,955.9** |
| Lease liabilities | **36.6** | **(8.4)** | **6.0** | **34.2** |
| Total liabilities from financing activities | **4,912.8** | **72.6** | **4.7** | **4,990.1** |

| **Group** | 1 July 2022 $m | Cash flows $m | Non-cash changes $m | 30 June 2023 $m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Borrowings | 4,453.1 | 427.1 | (4.0) | 4,876.2 |
| Lease liabilities | 40.3 | (11.3) | 7.6 | 36.6 |
| Total liabilities from financing activities | 4,493.4 | 415.8 | 3.6 | 4,912.8 |

| **Bank** | **1 July 2023 $m** | **Cash flows $m** | **Non-cash changes $m** | **30 June 2024 $m** |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Borrowings | **8,145.2** | **82.1** | **588.1** | **8,815.4** |
| Lease liabilities | **36.6** | **(8.4)** | **6.0** | **34.2** |
| Total liabilities from financing activities | **8,181.8** | **73.7** | **594.1** | **8,849.6** |

| **Bank** | 1 July 2022 $m | Cash flows $m | Non-cash changes $m | 30 June 2023 $m |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Borrowings | 7,911.3 | 432.0 | (198.1) | 8,145.2 |
| Lease liabilities | 40.3 | (11.3) | 7.6 | 36.6 |
| Total liabilities from financing activities | 7,951.6 | 420.7 | (190.5) | 8,181.8 |





## 3.2 Financial assets

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| **Fair value through profit or loss** | | | | |
| Term deposits | **6.2** | 3.0 | **-** | - |
| | **6.2** | 3.0 | **-** | - |
| **Amortised cost** | | | | |
| Deposits[2] | **730.0** | 979.5 | **730.0** | 979.5 |
| Fixed coupon bonds[2] | **84.9** | 29.7 | **84.9** | 29.7 |
| Floating rate notes | **1,553.3** | 1,604.6 | **1,553.3** | 1,604.6 |
| Residential mortgage-backed securities | **-** | - | **3,707.2** | 3,185.1 |
| Impairment provision[1] | **(0.4)** | (0.3) | **(0.4)** | (0.3) |
| | **2,367.8** | 2,613.5 | **6,075.0** | 5,798.6 |
| **Fair value through other comprehensive income** | | | | |
| Debt instruments - residential mortgage-backed securities | **-** | - | **153.1** | 81.2 |
| Equity instruments - shares in unlisted entities | **65.5** | 57.9 | **65.5** | 57.9 |
| | **65.5** | 57.9 | **218.6** | 139.1 |

[1]Refer to Note 3.5 for consideration of asset credit quality and ECL.
[2]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.

*Recognition and measurement*

Initial recognition of financial assets

On initial recognition, financial assets are measured at fair value. Subsequent measurement is then either at fair value through profit or loss, amortised cost or fair value through other comprehensive income. For an asset that is not at fair value through profit or loss, the initial carrying amount includes transaction costs that are directly attributable to the acquisition of that financial asset. The fair value of a financial instrument at initial recognition is generally its transaction price.

Fair value through profit or loss

This group of financial assets is managed, and its performance is evaluated on a fair value basis because related liabilities are also managed on this basis. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Amortised cost

Financial assets are classified at amortised cost when they are held to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.

Gains and losses are recognised in the profit or loss statement when the financial assets are derecognised or impaired.

During the year ended 30 June 2024, the Bank sold corporate investment securities measured at amortised cost to the value of $30.2 million (2023: $10.0 million). Any sales are made in order to comply with the credit limits and concentration risks in the Bank's Financial Risk Policy.

### 3.2 Financial assets (continued)

*Recognition and measurement (continued)*

Fair value through other comprehensive income

Financial assets are classified at fair value through other comprehensive income when they are held for both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

The fair value through the reserve includes the change in the fair value of investments in debt and equity instruments. The changes recognised in other comprehensive income are transferred to profit or loss when the asset is derecognised or impaired.

Debt instruments at fair value through other comprehensive income include residential mortgage-backed securities.

Equity instruments at fair value through other comprehensive income include unlisted shares. These equity securities represent investments that the Bank intends to hold for the long term. Amounts in the reserve are subsequently transferred to retained earnings, and not profit or loss, when the asset is derecognised. Dividends on such investments are recognised in profit or loss unless the dividend represents a recovery of the cost of the investment.

*Assessment of classification*

The classification of financial assets is determined by:

- Stated policies and objectives and the operation of those policies in practice, strategy on earning contractual interest income, interest rate profile, duration of financial assets and associated financial liabilities that are funding the assets, and cash flows from the sale of assets;
- How performance is evaluated and reported to the Group's management;
- How those risks affect performance and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reason for such sales and the expectation of future sales activity (as part of an overall assessment on how the Group's objective of managing financial assets is achieved and how cash flows are realised).

The assessment is made at a portfolio level as this best reflects the way the business is managed and information is prepared and reported.

*Contractual cash flows assessment*

In assessing whether the cash flows are SPPI, the Group will consider the contractual terms of the instrument, including contractual terms that could change the timing or amount of contractual cash flows.

*Impairment of financial assets*

Refer to Note 3.5.

*Modified financial assets*

Where the modification to the contractual terms of a loan is substantial (except for the acceptance of forbearance), the existing loan is derecognised, and a new renegotiated loan is recognised at a new effective interest rate. Where the modification is not substantial and does not result in derecognition, the gross carrying amount of the loan is calculated by discounting the modified cash flows using the original effective interest rate. Credit risk is assessed by comparing the remaining lifetime probability of default (PD) at the reporting date based on the modified terms with the remaining lifetime PD at initial recognition and based on the original terms.





### 3.3 Derivative financial instruments

#### (a) Fair value of derivatives

The Bank is exposed to interest rate risk arising from changes in market interest rates.

The following table summarises the fair value and notional amounts of the Bank's commitments to derivative financial instruments at reporting date. The fair value of derivative financial instruments is determined on a present value basis.

| Group & Bank - 2024 | Fair value | | Weighted average fixed interest rate | | Maturity of notional amount | | |
|---|---|---|---|---|---|---|---|
| | Assets $m | Liabilities $m | % | Notional amount $m | Within 1 year $m | 1 to 3 years $m | Over 3 years $m |
| **Derivative financial instruments** | | | | | | | |
| Interest rate swaps | **14.0** | **20.2** | **3.52%** | **7,079.0** | **4,885.0** | **1,808.0** | **386.0** |

| Group & Bank - 2023 | Fair value | | Weighted average fixed interest rate | | Maturity of notional amount | | |
|---|---|---|---|---|---|---|---|
| | Assets $m | Liabilities $m | % | Notional amount $m | Within 1 year $m | 1 to 3 years $m | Over 3 years $m |
| **Derivative financial instruments** | | | | | | | |
| Interest rate swaps | 74.2 | 21.6 | 2.00% | 4,930.0 | 3,265.0 | 1,570.0 | 95.0 |

By using interest rate swaps to hedge exposures to changes in interest rates, the Bank also exposes itself to the credit risk of the derivative counterparty, which is not offset against the hedged item. The Bank manages this risk by entering into transactions with high-quality counterparties whose credit rating is grade 1 (refer to Note 3.10(c) for grade definitions).

## 3.3 Derivative financial instruments (continued)

### (b) Accounting for derivatives

*Recognition and measurement*

Interest rate swaps are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value.

For interest rate swaps which do not qualify for hedge accounting, changes in fair value are recorded at fair value through profit or loss.

Interest earned or incurred is accrued in interest income or expense respectively, according to the terms of the contract.

*Hedge accounting for cash flow hedges*

For the purposes of hedge accounting, the Bank continues to apply the hedge accounting requirements under AASB 139 *Financial Instruments: Recognition and Measurement* as permitted under AASB 9 *Financial Instruments*. Hedging instruments are classified as cash flow hedges where they are used to hedge the exposure to variability in cash flows that is attributable to either a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

In assessing hedge effectiveness, the Bank determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship.

The Bank evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate. The Bank further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

The quantitative analysis involves the use of the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged item. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. The Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using this regression analysis.

Hedging relationships are considered to be highly effective if all the following criteria are met:

- The regression co-efficient (R squared), which measures the correlation between variables in the regression, is at least 80%;
- The slope of regression is within an 80%-125% range; and
- The confidence level of the slope is at least 95%.

In the Bank's hedging relationships, the main sources of ineffectiveness are:

- The effect of the counterparties' and the Bank's credit risks on the fair value of the swap, which is not reflected in the fair value of the hedged item; and
- Differences in maturities or timing of cash flows of the interest rate swaps and the hedged item.

There were no other sources of ineffectiveness in the Bank's hedging relationships. The Bank's policy is to de-designate ineffective hedges.

For designated and qualifying cash flow hedges, the change in fair value of the effective portion of the hedging instrument is initially recognised directly in members' funds in the cash flow hedge reserve. The ineffective portion is recognised immediately in the income statement.





## 3.3 Derivative financial instruments (continued)

### (b) Accounting for derivatives (continued)

*Hedge accounting for cash flow hedges (continued)*

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in the reserve and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is immediately transferred to the income statement.

The following table provides information regarding the determination of hedge ineffectiveness at 30 June 2024 and 30 June 2023:

| **Group & Bank - 2024** | **Changes in fair value used for calculating hedge ineffectiveness** | **Changes in the value of the hedged item used for calculating ineffectiveness[1]** | **Hedge ineffectiveness recognised in income statement** | **Line item in income statement that includes hedge ineffectiveness** | **Amount reclassified from the cash flow hedge reserve to income statement** | **Line item in income statement affected by the reclassification** |
|---|---|---|---|---|---|---|
| *Interest rate risk* | **$m** | **$m** | **$m** | | **$m** | |
| **Derivative financial instruments** | | | | | | |
| Interest rate swaps | **(37.1)** | **(36.8)** | **(0.3)** | **Other net operating income** | **-** | **Other net operating income** |

| **Group & Bank - 2023** | Changes in fair value used for calculating hedge ineffectiveness | Changes in the value of the hedged item used for calculating ineffectiveness[1] | Hedge ineffectiveness recognised in income statement | Line item in income statement that includes hedge ineffectiveness | Amount reclassified from the cash flow hedge reserve to income statement | Line item in income statement affected by the reclassification |
|---|---|---|---|---|---|---|
| *Interest rate risk* | $m | $m | $m | | $m | |
| **Derivative financial instruments** | | | | | | |
| Interest rate swaps | (25.4) | (25.6) | 0.2 | Other net operating income | 0.3 | Other net operating income |

[1]This amount is recognised in other comprehensive income as part of the cash flow hedge.

Balances presented in the table are net of tax.

## 3.4 Loans and advances

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024** **$m** | 2023 $m | **2024** **$m** | 2023 $m |
| Term loans | **16,806.3** | 15,913.8 | **16,806.3** | 15,913.8 |
| Credit cards and overdrafts | **88.1** | 90.3 | **88.1** | 90.3 |
| Gross loans and advances | **16,894.4** | 16,004.1 | **16,894.4** | 16,004.1 |
| Impairment provision | **(34.6)** | (32.1) | **(34.6)** | (32.1) |
| Net deferred origination cost and fee revenue | **53.1** | 50.1 | **53.1** | 50.1 |
| Net loans and advances | **16,912.9** | 16,022.1 | **16,912.9** | 16,022.1 |

*Recognition and measurement*

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short term resale. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, net of any credit impairment. Losses arising from credit impairments are recognised in the income statement in credit and other financial asset impairment.

## 3.5 Impairment of financial assets

The provision for impairment of loans and advances reflects ECLs measured using the three-stage approach as detailed below. The tables below show the movements in the impairment provisions by ECL stage.

| **Group & Bank - 2024** | **Stage 1** | **Stage 2** | **Stage 3** | | |
|---|---|---|---|---|---|
| | **Collective provision $m** | **Collective provision $m** | **Collective provision $m** | **Individual provision $m** | **Total provision $m** |
| **Balance at 30 June 2023** | **22.2** | **4.4** | **5.1** | **0.4** | **32.1** |
| *Changes due to financial assets recognised in the opening balance that have transferred from:* | | | | | |
| Stage 1 | **(0.6)** | **0.4** | **0.2** | **-** | **-** |
| Stage 2 | **1.3** | **(1.9)** | **0.6** | **-** | **-** |
| Stage 3 | **0.7** | **0.6** | **(1.3)** | **-** | **-** |
| Charge to income statement | **(2.0)** | **1.6** | **3.1** | **(0.2)** | **2.5** |
| **Balance at 30 June 2024** | **21.6** | **5.1** | **7.7** | **0.2** | **34.6** |

| **Group & Bank - 2023** | Stage 1 | Stage 2 | Stage 3 | | |
|---|---|---|---|---|---|
| | Collective provision $m | Collective provision $m | Collective provision $m | Individual provision $m | Total provision $m |
| **Balance at 30 June 2022** | 21.7 | 3.3 | 4.1 | 0.4 | 29.5 |
| *Changes due to financial assets recognised in the opening balance that have transferred from:* | | | | | |
| Stage 1 | (0.5) | 0.3 | 0.2 | - | - |
| Stage 2 | 1.1 | (1.6) | 0.5 | - | - |
| Stage 3 | 0.6 | 0.4 | (1.0) | - | - |
| Charge to income statement | (0.7) | 2.0 | 1.3 | - | 2.6 |
| **Balance at 30 June 2023** | 22.2 | 4.4 | 5.1 | 0.4 | 32.1 |





## 3.5 Impairment of financial assets (continued)

*Movements in the gross carrying amount of loans and advances*

The following tables show the movements in the gross carrying amount of loans and advances in different stages during the year.

| **Group & Bank - 2024** | **Stage 1 $m** | **Stage 2 $m** | **Stage 3 $m** | **Total $m** |
|---|---|---|---|---|
| **Loans and advances (gross) as at 1 July 2023** | **15,767.5** | **194.5** | **42.1** | **16,004.1** |
| *Transfers from* | | | | |
| Stage 1 | **(179.5)** | **152.7** | **26.8** | **-** |
| Stage 2 | **67.7** | **(81.5)** | **13.8** | **-** |
| Stage 3 | **7.9** | **6.8** | **(14.7)** | **-** |
| Balance of new loans and advances originated during the year | **4,029.4** | **22.4** | **3.4** | **4,055.2** |
| Loans and advances derecognised during the year including write-offs | **(3,100.2)** | **(50.2)** | **(14.5)** | **(3,164.9)** |
| **Loans and advances (gross) as at 30 June 2024** | **16,592.8** | **244.7** | **56.9** | **16,894.4** |

| **Group & Bank - 2023** | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
|---|---|---|---|---|
| **Loans and advances (gross) as at 1 July 2022** | 14,840.0 | 134.6 | 32.5 | 15,007.1 |
| *Transfers from* | | | | |
| Stage 1 | (141.6) | 123.7 | 17.9 | - |
| Stage 2 | 50.1 | (60.1) | 10.0 | - |
| Stage 3 | 6.6 | 5.7 | (12.3) | - |
| Balance of new loans and advances originated during the year | 4,205.3 | 27.1 | 3.6 | 4,236.0 |
| Loans and advances derecognised during the year including write-offs | (3,192.9) | (36.5) | (9.6) | (3,239.0) |
| **Loans and advances (gross) as at 30 June 2023** | 15,767.5 | 194.5 | 42.1 | 16,004.1 |

*Recognition and measurement*

The ECL model used for impairment under AASB 9 *Financial Instruments* applies to financial assets measured at amortised cost, fair value through other comprehensive income, amounts receivable from contracts with customers as defined in AASB 15 *Revenue from Contracts with Customers,* loan commitments and financial guarantee contracts.

The Group applies a three-stage approach in measuring ECLs based on changes in the financial assets' underlying credit risk and includes forward-looking or macroeconomic conditions:

- Stage 1: Where there has been no significant increase in credit risk (SICR) since initial recognition or the asset is not credit impaired upon origination, a portion (12 month ECL) of the lifetime ECLs associated with the PD events occurring within the next 12 months is recognised. Debt investment securities that are determined to have a low credit risk at the reporting date and other financial instruments on which the credit risk has not increased significantly since their initial recognition are measured as 12 month ECL.
- Stage 2: Where there has been a SICR since initial recognition but the asset is not credit impaired, the lifetime ECL is recognised.
- Stage 3: When a financial asset is assessed as credit impaired (including exposures that are greater than 90 days past due), the lifetime ECL is recognised. Interest revenue is calculated on a net basis (gross carrying amount less provision).

ECLs are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

## 3.5 Impairment of financial assets (continued)

*Recognition and measurement (continued)*

Lifetime ECLs are generally determined based on the contractual maturity or behavioural life of the financial asset. When measuring the ECLs, the Bank takes into account the probability weighted outcome of cash shortfalls over the expected life of the asset discounted at its current effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group is expected to receive.

The Group considers a debt investment security to have a low credit risk when its credit rating is equivalent to the globally understood definition of "investment grade". The Group does not apply this approach to any other financial instruments.

*Model inputs*

The ECL is calculated based on the PD, loss given default (LGD) and the exposure at default (EAD) discounted at the effective interest rate:

- PD is the estimate of the likelihood that a borrower will default over a given period. The ECL model uses PD taking into account the prior status of the loans.
- LGD is the amount of expected loss in the event of the borrower defaulting.
- EAD is the expected balance sheet exposure at default.

*Forward-looking information*

Forward-looking information is used in the measurement of ECLs through unbiased, probability weighted scenarios and includes macroeconomic variables that influence credit losses such as gross domestic product (GDP) data, unemployment rates and changing house prices.

*Significant increase in credit risk (SICR)*

The Bank will assess whether there has been a SICR for financial assets by comparing the risk of a default occurring over the remaining life of a financial asset at the reporting date to the corresponding risk of default at origination. In assessing whether there has been a SICR, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. The credit risk assessment is carried out on an individual and collective basis. The Bank considers contractual payments that are 30 days past due, financial hardship or default events (e.g. 90 days past due) as primary indicators of SICR.

*Model review*

The model and macro-economic forward-looking factors are regularly monitored and reviewed at least annually through the Bank's Credit Risk Committee.





## 3.5 Impairment of financial assets (continued)

*Forward-looking macroeconomic adjustments*

The Bank incorporates forward-looking information through probability weighted scenarios to evaluate and measure ECLs. The Bank has considered the ongoing impacts of factors including the tightening monetary policy cycle and high inflationary environment in the forward-looking economic provision adjustments to address the uncertainty of the future performance of loans.

The scenarios and assumptions considered are based on publicly available economic forecasts and the Bank's assessment of the balance of probabilities for a base case and alternative economic scenarios. These scenarios and probabilities are used to adjust the Bank's modelled ECL.

| Scenario | Weighting | Assumption applied |
|---|---|---|
| **Base case** | 50% | This scenario is set around the current central economic forecasts which sees the economy remain on the "narrow path" where inflation returns to target within the RBA's projected timeframe. The economy continues to grow over the forecast period and unemployment rate increases are modest. Modest housing value growth is maintained through the forecast period. |
| **Downside** | 35% | This scenario recognises the path to maintaining economic growth is narrow and the economy falls into a 'technical recession' due to one (or more) domestic/international risk factors that negatively impact on an already weak Australian consumer. Unemployment rates increase beyond a neutral unemployment level which combined with further reductions to consumer confidence sees house price falls of 20% over the medium term. |
| **Severe** | 5% | This scenario considers more remote and other more severe events compared to the downside scenario which adversely impacts GDP, unemployment, and property values. It contemplates that inflation may remain above the RBA's target band through the onset of the downturn which limits the ability of the RBA to ease monetary policy to stimulate the economy to avoid the deep recession that ensues. Peak-to-trough housing value declines of 30% are experienced across most regions of Australia. |
| **Upside** | 10% | This scenario is set around the Base scenario and recognises the potential for unemployment, GDP, and house prices to be more resilient than is expected in the central economic forecasts. |

In addition to the modelled scenarios, the Bank also considers the need for additional overlays for model risk and/or other factors not adequately captured within the model. These overlays were reviewed and updated as at 30 June 2024.

## 3.5 Impairment of financial assets (continued)

*Sensitivity analysis*

Given the continued uncertainty and need for management judgement, sensitivity analysis was conducted to understand the impact of changes in certain variables on the ECL.

The table below shows the impact on the total ECL by adjusting the specified input and leaving all other inputs unchanged.

| Sensitivity measures | 2024 $m | 2023 $m |
|---|---|---|
| If 1% of Stage 1 mortgage secured loans moved to Stage 2 | **1.4** | 1.6 |
| If 1% of Stage 1 mortgage secured loans moved to Stage 3 | **7.1** | 8.3 |
| If 1% of Stage 1 personal lending exposures moved to Stage 2 | **1.2** | 1.0 |
| If 1% of Stage 1 personal lending exposures moved to Stage 3 | **3.4** | 3.0 |
| If the LGD of the mortgage secured loans increased by 1% | **1.5** | 1.2 |

*Climate change considerations*

The impact of climate change has the potential to affect loan repayments and the value of the associated collateral held to secure those loans. These impacts include changes in climatic conditions, extreme weather events and actions or initiatives by the government or regulators.

At present, the risk of climate change is assessed at loan origination and during regular reviews as part of the Bank's credit risk processes. As at 30 June 2024, management has assessed no material risk of loss due to climate change risk in our customers' exposures. Management continues to evaluate and enhance the Bank's processes to consider climate risk exposures and the potential ways to manage those risks.

*Write-offs*

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering the financial asset in its entirety. 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-offs. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in the income statements.

*Use of judgements and estimates*

The Bank individually reviews loans and advances that have triggered certain criteria to assess whether an impairment loss should be recorded in the income statement. Judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward-looking information available at the time. Actual results may differ, resulting in future changes to the allowance.



Notes to the financial statements
For the year ended 30 June 2024

## 3.6 Deposits

| | Group | | Bank | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Members' shares | **2.8** | 3.0 | **2.8** | 3.0 |
| Customers' call deposits | **9,117.0** | 9,578.7 | **9,117.0** | 9,578.7 |
| Customers' term deposits | **4,517.2** | 3,439.4 | **4,517.2** | 3,439.4 |
| | **13,637.0** | 13,021.1 | **13,637.0** | 13,021.1 |

*Recognition and measurement*

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

## 3.7 Borrowings

| | Group | | Bank | |
|---|---|---|---|---|
| | 2024 $m | 2023 $m | 2024 $m | 2023 $m |
| Securitisation trust borrowings | **1,437.4** | 1,571.9 | **5,204.7** | 4,817.1 |
| Securitisation warehouse borrowings | **1,040.7** | 624.8 | **1,131.3** | 646.3 |
| Term borrowings[1] | **2,477.8** | 2,679.5 | **2,479.4** | 2,681.8 |
| | **4,955.9** | 4,876.2 | **8,815.4** | 8,145.2 |

[1]Included in term borrowings is the TFF drawn down, refer to Note 3.8.

Securitisation trust borrowings represent amounts payable to noteholders of asset-backed securities issued by the Bank's consolidated special purpose entities. There is a combination of external and internal self-securitisation arrangements. Refer to Note 4.9 (b) for additional information.

The Group maintains securitisation warehouse borrowing facilities to assist with liquidity management and accumulation of sufficient volume of receivables to be securitised externally. The approved and committed limits are disclosed in Note 3.8.

### 3.8 Standby borrowing facilities

In the normal course of business, the Bank enters into various types of contracts which give rise to the following standby and overdraft facilities:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| (i) Australia and New Zealand Banking Group | | | | |
| Approved limit | **1,300.0** | 750.0 | **1,300.0** | 750.0 |
| Committed limit[1] | **1,300.0** | 750.0 | **1,300.0** | 750.0 |
| Amount utilised | **1,037.6** | 245.8 | **1,037.6** | 245.8 |
| (ii) One Managed Investment Funds Limited as trustee of the Gryphon Capital Income Trust | | | | |
| Approved limit | **45.0** | 60.0 | **45.0** | 60.0 |
| Committed limit[1] | **45.0** | 42.3 | **45.0** | 42.3 |
| Amount utilised | **30.0** | 40.9 | **30.0** | 40.9 |
| (iii) National Australia Bank Limited | | | | |
| Approved limit | **705.0** | 690.0 | **705.0** | 690.0 |
| Committed limit[1] | **300.0** | 425.0 | **300.0** | 425.0 |
| Amount utilised | **258.8** | 336.4 | **258.8** | 336.4 |
| (iv) Overdraft | | | | |
| Approved limit | **10.0** | 10.0 | **10.0** | 10.0 |
| Amount utilised | **-** | - | **-** | - |
| (v) RBA (internal securitisation) | | | | |
| Approved limit | **2,791.8** | 1,669.2 | **2,791.8** | 1,669.2 |
| Amount utilised | **-** | - | **-** | - |
| (vi) RBA TFF | | | | |
| *Initial allowance* | | | | |
| Approved limit | **-** | 356.6 | **-** | 356.6 |
| Amount utilised | **-** | 356.6 | **-** | 356.6 |
| *Supplementary allowance* | | | | |
| Approved limit | **-** | 270.9 | **-** | 270.9 |
| Amount utilised | **-** | 270.9 | **-** | 270.9 |

[1]The committed limit is utilised as the base in determining unused limit fees.

The RBA announced on 19 March 2020 the establishment of a TFF to offer three-year funding to ADIs at a fixed rate of 25 basis points in response to COVID-19. The Bank, being an eligible ADI, was granted an initial allowance of $406.6 million. On 1 September 2020, the RBA announced a further supplementary allowance, of which the Bank was granted $270.9 million. From 4 November 2020, the supplementary allowance was provided at an interest rate of 10 basis points, fixed for the term of the funding.

As at 30 June 2023, the Bank had drawn $627.5 million of the funding allowance, with $50.0 million repaid during the financial year ended 30 June 2023. $819.0 million of mortgage backed securities that have a fair value of $814.0 million were pledged as collateral for the amount drawn.

The remaining balance of the TFF has been repaid during the financial year ended 30 June 2024.





### 3.9 Fair value of financial instruments

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities at the reporting date.

| Group - 2024 | Fair value | | | | Carrying amount |
|---|---|---|---|---|---|
| | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** | **$m** |
| **Financial assets measured at fair value** | | | | | |
| Derivative financial instruments | **-** | **14.0** | **-** | **14.0** | **14.0** |
| Financial assets - fair value through profit or loss: Insurance assets | **-** | **6.2** | **-** | **6.2** | **6.2** |
| Financial assets - FVOCI: Investment in shares of unlisted entities | **-** | **-** | **65.5** | **65.5** | **65.5** |
| **Financial assets not measured at fair value** | | | | | |
| Loans and advances | **-** | **-** | **16,684.3** | **16,684.3** | **16,912.9** |
| Financial assets - amortised cost | **-** | **2,362.0** | **-** | **2,362.0** | **2,367.8** |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial instruments | **-** | **20.2** | **-** | **20.2** | **20.2** |
| **Financial liabilities not measured at fair value** | | | | | |
| Deposits | **-** | **13,555.4** | **-** | **13,555.4** | **13,637.0** |
| Borrowings | **-** | **2,482.5** | **2,424.7** | **4,907.2** | **4,955.9** |

| Group - 2023 | Fair value | | | | Carrying amount |
|---|---|---|---|---|---|
| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m | $m |
| **Financial assets measured at fair value** | | | | | |
| Derivative financial instruments | - | 74.2 | - | 74.2 | 74.2 |
| Financial assets - fair value through profit or loss: Insurance assets | - | 3.0 | - | 3.0 | 3.0 |
| Financial assets - FVOCI: Investment in shares of unlisted entities | - | - | 57.9 | 57.9 | 57.9 |
| **Financial assets not measured at fair value** | | | | | |
| Loans and advances | - | - | 15,507.1 | 15,507.1 | 16,022.1 |
| Financial assets - amortised cost | - | 2,445.3 | - | 2,445.3 | 2,613.5 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial instruments | - | 21.6 | - | 21.6 | 21.6 |
| **Financial liabilities not measured at fair value** | | | | | |
| Deposits | - | 12,955.7 | - | 12,955.7 | 13,021.1 |
| Borrowings[1] | - | 2,185.5 | 2,624.3 | 4,809.8 | 4,876.2 |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.

## 3.9 Fair value of financial instruments (continued)

| Bank - 2024 | Fair value Level 1 $m | Level 2 $m | Level 3 $m | Total $m | Carrying amount $m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial instruments | **-** | **14.0** | **-** | **14.0** | **14.0** |
| Financial assets - FVOCI: Investment in shares of unlisted entities and mortgage-backed securities | **-** | **153.1** | **65.5** | **218.6** | **218.6** |
| **Financial assets for which fair values are disclosed** | | | | | |
| Loans and advances | **-** | **-** | **16,684.3** | **16,684.3** | **16,912.9** |
| Financial assets - amortised cost | **-** | **6,077.0** | **-** | **6,077.0** | **6,075.0** |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial instruments | **-** | **20.2** | **-** | **20.2** | **20.2** |
| **Financial liabilities for which fair values are disclosed** | | | | | |
| Deposits | **-** | **13,555.4** | **-** | **13,555.4** | **13,637.0** |
| Borrowings | **-** | **6,341.3** | **2,426.3** | **8,767.6** | **8,815.4** |

| Bank - 2023 | Fair value Level 1 $m | Level 2 $m | Level 3 $m | Total $m | Carrying amount $m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivative financial instruments | - | 74.2 | - | 74.2 | 74.2 |
| Financial assets - FVOCI: Investment in shares of unlisted entities and mortgage-backed securities | - | 81.2 | 57.9 | 139.1 | 139.1 |
| **Financial assets for which fair values are disclosed** | | | | | |
| Loans and advances | - | - | 15,507.1 | 15,507.1 | 16,022.1 |
| Financial assets - amortised cost | - | 5,607.2 | - | 5,607.2 | 5,798.6 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial instruments | - | 21.6 | - | 21.6 | 21.6 |
| **Financial liabilities for which fair values are disclosed** | | | | | |
| Deposits | - | 12,955.7 | - | 12,955.7 | 13,021.1 |
| Borrowings[1] | - | 5,377.1 | 2,626.3 | 8,003.4 | 8,145.2 |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.

There were no transfers between levels during the year. There were no transfers to or from Level 3 of the fair value hierarchy.





## 3.9 Fair value of financial instruments (continued)

*Recognition and measurement*

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific financial instruments.

All financial assets and liabilities are initially recognised at fair value on the settlement date.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1 - the fair value is calculated using quoted prices in active markets;
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

*Valuation techniques used to determine fair value*

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Derivative financial instruments

The fair value for derivative financial instruments is derived from a combination of discounted cash flow models and option pricing models. Where there is no market value, the fair value is determined using inputs which are observable either directly or indirectly. The fair values of derivative financial instruments take into account both credit valuation adjustments (CVA) and debit valuation adjustments (DVA).

Financial assets - fair value through profit or loss

These assets are insurance assets backing insurance liabilities and are therefore designated at fair value through profit or loss to reduce the accounting mismatch between assets and related liabilities.

Term deposits are brought to account at the gross value of the outstanding balance, which approximates their fair value due to the short term maturities of these securities and the lack of fluctuations in the market interest rates or credit quality of the counterparties since their inception.

Financial assets - Equity instruments at fair value through other comprehensive income

These assets represent investments that the Group intends to hold for long term strategic purposes and are not actively traded. These shares were measured at fair value on initial recognition. Where their value cannot be measured reliably, the assets are subsequently measured at the carrying amount determined at the last date on which the fair value could be determined reliably.

## 3.9 Fair value of financial instruments (continued)

Financial assets - Equity instruments at fair value through other comprehensive income (continued)

*Level 3 fair value measurement*

The fair value of these assets has been estimated taking into account the most recently transacted prices for the shares, earnings multiples of other similar entities and the net asset value per share of the underlying investment. This asset is categorised at Level 3 in the fair value hierarchy given the lack of visibility of these valuation variables.

The following table shows a reconciliation from the opening balance to the closing balance.

| | Group & Bank | |
|---|---|---|
| | **2024** | 2023 |
| | **$m** | $m |
| Balance at beginning of financial year | **57.9** | 57.9 |
| Fair value movement recognised in other comprehensive income | **2.4** | - |
| Additions[1] | **5.2** | - |
| Balance at end of financial year | **65.5** | 57.9 |

[1]During the year, the Bank made an additional investment of $5.2 million to shares in unlisted entities.

The summary below contains information about the significant unobservable inputs used in the Level 3 valuation of the equity shares and the valuation technique used to measure fair value. The range of inputs represents the highest and lowest inputs used in the valuation technique:

- Valuation technique - market comparables method;
- Significant unobservable inputs - price to earnings multiples (with a range of inputs between 12.2 times to 17.1 times); and
- Fair value measurement sensitivity to unobservable inputs - increase/(decrease) in these inputs will result in higher/(lower) fair values outlined in the table below.

| | -1x multiple | +1x multiple |
|---|---|---|
| | 2024 | 2024 |
| **Sensitivity analysis** | **$m** | **$m** |
| Changes in fair value and impact to other comprehensive income | **(4.1)** | **3.1** |
| % change | **(8.2%)** | **6.1%** |

Financial assets - Debt instruments at fair value through other comprehensive income

All these instruments are internal residential mortgage-backed securities held by the Bank and are not quoted or traded on an active market and are accordingly categorised at Level 2 in the fair value hierarchy. These assets are measured at fair value on initial recognition and are subsequently measured by means of discounted cash flows and other valuation techniques that are commonly used by market participants (e.g., observable market data for similar instruments).

Loans and advances

The carrying value of loans and advances are net of provisions for impairment.

For variable rate loans, excluding impaired loans, the amortised cost is a reasonable estimate of the fair value. The fair value for fixed rate loans was calculated by utilising a discounted cash flow model. The discount rates applied were based on the current benchmark rate for fixed rate loans being offered on terms with a similar remaining period.

*Level 3 fair value measurement*

As observable market transactions are not available to estimate the fair value of loans and advances, the fair value is estimated using valuation models such as a discounted cash flow model.





3.9 Fair value of financial instruments (continued)

Financial assets - amortised cost

Financial assets - amortised cost is comprised of investments and securities where cash flows arise on specified contractual dates, underlying terms can range anywhere from short to long term. They are categorised at Level 2 in the fair value hierarchy. The fair value is estimated primarily using available market price data. Where this information is not available, a discounted cash flow model is used based on current market rates as at balance date, and observable market data on capital pricing for similar instruments.

*Level 3 fair value measurement*

Where observable market transactions are not available to estimate the fair value of these assets, the fair value is estimated using a discounted cash flow model.

Deposits

The fair value for deposits was calculated by utilising a discounted cash flow model. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at balance date.

The fair value of non-interest bearing, call and variable rate deposits repriced within 12 months is the carrying value as at balance date.

Borrowings

Borrowings are categorised across Level 2 and Level 3 in the fair value hierarchy. Fair value is estimated utilising a discounted cash flow model based on current market rates as at balance date, and observable market data on capital pricing for similar instruments.

*Level 3 fair value measurement*

Where observable market transactions are not available to estimate the fair value of borrowings, the fair value is estimated using a discounted cash flow model.

*Financial instruments where fair value not separately disclosed - carrying amount approximates fair value*

Cash and cash equivalents

The carrying amount approximates the fair value as they are short term in nature or are receivable on demand.

Receivables due from other banks and payables due to other banks

Receivables due from other banks and payables due to other banks include collateral posted or received on derivative positions. They are carried at the gross value of the outstanding balance. The carrying amount approximates the fair value as they are short term in nature.

Use of judgements and estimates

Where the fair values of financial assets and financial liabilities recorded in the balance sheets cannot be derived from active markets, they are determined using a variety of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available these assets are valued using valuation techniques based on non-observable data.

### 3.10 Risk management

*Overview*

The Group manages risk to fulfil its commitments to customers whilst providing a positive customer experience and delivering on strategic objectives. The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's Risk Management Framework (RMF). The RMF is a key component of the Group's strategy for managing risk and is comprised of structures, policies and processes. The overarching principles for this framework are outlined in the sections below.

The key pillars which are reviewed and approved annually by the Board and subsequently provided to APRA include:

- The Risk Appetite Statement - which outlines, through qualitative and quantitative terms, the degree of risk the Group is willing to take in order to meet strategic objectives; and
- The Risk Management Strategy - which provides the method for identifying and managing risk including approach, responsibilities, policies and systems.

The Group applies the three lines of defence model approach to managing risk across the business. The responsibilities for each line of defence are as follows:

| Line of defence | Responsibilities |
|---|---|
| First | Under the first line of defence, operational management (including each member of staff) is responsible for identifying and managing risks in a way that is consistent with the Group's RMF and risk appetite set by the Board. |
| Second | The second line of defence is the risk management function, headed by the Chief Risk Officer (CRO), which contributes toward the progressive development and monitoring of the implementation of the Group's RMF. The risk management function also maintains the regulatory compliance framework in line with regulatory expectations. |
| Third | Internal audit forms the third line of defence and provides independent assurance over the performance of both first and second lines in managing risk. |

In addition to the lines of defence within the Group, external audit provides an independent audit opinion on the organisation's financial report and an audit/review opinion on certain aspects of the Group's compliance with its APRA regulatory compliance requirements.

Risk management policies have been established to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Training, standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Formal governance structures enable the management of risk at the Board and Executive level. Four key committees are in place to achieve this including: (i) the Board Risk Committee (BRC); (ii) the Board Audit Committee (BAC); (iii) the Board People, Culture & Remuneration Committee (BPCRC) and; (iv) Purpose & Impact Committee, each responsible for overseeing management of specific categories of risks for the Group. The BRC is assisted in its oversight role by the risk management function. The BAC is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC and the Board. Key risk issues are captured and considered during every Board meeting including the presentation of the CRO Report.

The Bank maintains five key management committees for monitoring and reporting risk across the Group: (i) Enterprise Risk Committee (ERCO), responsible for the Group's enterprise-wide risk management framework; (ii) Asset and Liability Committee (ALCO), responsible for balance sheet risk; (iii) Operational Risk and Compliance Committee (ORCC), responsible for the operational risk and compliance framework; (iv) Credit Risk Committee (CRC) responsible for providing credit risk oversight and; (v) Breach Committee (BreachCo) responsible for assessing regulatory incidents.





### 3.10 Risk management (continued)

The Group's approach to managing interest rate, price, credit, liquidity and funding risks is further detailed below.

#### (a) Interest rate risk

Interest rate risk is the risk that changes in interest rates result in losses for a financial institution. The Group is exposed to interest rate risk due to an underlying mismatch in the timing of interest rate repricing across all financial products. The tables below show the value of financial instruments grouped by interest rate repricing period:

| **Group - 2024** | **At call/ variable $m** | **Fixed interest rate maturing: Within 1 year $m** | **1 to 5 years $m** | **Over 5 years $m** | **Non interest bearing $m** | **Total $m** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | **474.9** | **-** | **-** | **-** | **2.4** | **477.3** |
| Receivables due from other banks | **16.8** | **-** | **-** | **-** | **-** | **16.8** |
| Financial assets - fair value through profit or loss | **-** | **6.2** | **-** | **-** | **-** | **6.2** |
| Financial assets - amortised cost | **1,643.2** | **724.6** | **-** | **-** | **-** | **2,367.8** |
| Derivative financial instruments | **-** | **7.5** | **6.5** | **-** | **-** | **14.0** |
| Loans and advances (gross) | **14,136.5** | **1,787.6** | **785.7** | **184.6** | **-** | **16,894.4** |
| | **16,271.4** | **2,525.9** | **792.2** | **184.6** | **2.4** | **19,776.5** |
| **Liabilities** | | | | | | |
| Payables due to other banks | **1.4** | **-** | **-** | **-** | **-** | **1.4** |
| Deposits | **9,116.9** | **4,396.1** | **121.2** | **-** | **2.8** | **13,637.0** |
| Derivative financial instruments | **-** | **8.3** | **11.9** | **-** | **-** | **20.2** |
| Borrowings | **3,465.6** | **1,468.5** | **21.8** | **-** | **-** | **4,955.9** |
| Commitments (Note 4.11) | **725.5** | **0.5** | **5.9** | **-** | **-** | **731.9** |
| | **13,309.4** | **5,873.4** | **160.8** | **-** | **2.8** | **19,346.4** |

| **Group - 2023** | At call/ variable $m | Fixed interest rate maturing: Within 1 year $m | 1 to 5 years $m | Over 5 years $m | Non interest bearing $m | Total $m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 447.8 | - | - | - | 2.5 | 450.3 |
| Receivables due from other banks | 19.0 | - | - | - | - | 19.0 |
| Financial assets - fair value through profit or loss | - | 3.0 | - | - | - | 3.0 |
| Financial assets - amortised cost | 1,695.6 | 887.9 | 30.0 | - | - | 2,613.5 |
| Derivative financial instruments | - | 32.0 | 42.2 | - | - | 74.2 |
| Loans and advances (gross) | 10,169.2 | 3,318.5 | 2,381.1 | 135.3 | - | 16,004.1 |
| | 12,331.6 | 4,241.4 | 2,453.3 | 135.3 | 2.5 | 19,164.1 |
| **Liabilities** | | | | | | |
| Payables due to other banks | 55.3 | - | - | - | - | 55.3 |
| Deposits | 9,578.6 | 3,268.7 | 170.8 | - | 3.0 | 13,021.1 |
| Derivative financial instruments | - | 2.0 | 19.6 | - | - | 21.6 |
| Borrowings[1] | 2,880.4 | 1,749.1 | 246.7 | - | - | 4,876.2 |
| Commitments (Note 4.11)[2] | 607.0 | 18.0 | 23.1 | - | - | 648.1 |
| | 13,121.3 | 5,037.8 | 460.2 | - | 3.0 | 18,622.3 |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.
[2]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.

## 3.10 Risk management (continued)

### (a) Interest rate risk (continued)

| Bank - 2024 | At call/ variable $m | Fixed interest rate maturing: Within 1 year $m | 1 to 5 years $m | Over 5 years $m | Non interest bearing $m | Total $m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | **474.0** | **-** | **-** | **-** | **2.4** | **476.4** |
| Receivables due from other banks | **16.8** | **-** | **-** | **-** | **-** | **16.8** |
| Financial assets - amortised cost | **5,350.4** | **724.6** | **-** | **-** | **-** | **6,075.0** |
| Derivative financial instruments | **-** | **7.5** | **6.5** | **-** | **-** | **14.0** |
| Loans and advances (gross) | **14,136.5** | **1,787.6** | **785.7** | **184.6** | **-** | **16,894.4** |
| Financial assets - FVOCI (Note 3.2) | **153.1** | **-** | **-** | **-** | **-** | **153.1** |
| | **20,130.8** | **2,519.7** | **792.2** | **184.6** | **2.4** | **23,629.7** |
| **Liabilities** | | | | | | |
| Payables due to other banks | **1.4** | **-** | **-** | **-** | **-** | **1.4** |
| Deposits | **9,116.9** | **4,396.1** | **121.2** | **-** | **2.8** | **13,637.0** |
| Derivative financial instruments | **-** | **8.3** | **11.9** | **-** | **-** | **20.2** |
| Borrowings | **7,323.5** | **1,470.1** | **21.8** | **-** | **-** | **8,815.4** |
| Commitments (Note 4.11) | **725.5** | **0.5** | **5.9** | **-** | **-** | **731.9** |
| | **17,167.3** | **5,875.0** | **160.8** | **-** | **2.8** | **23,205.9** |

| Bank - 2023 | At call/ variable $m | Fixed interest rate maturing: Within 1 year $m | 1 to 5 years $m | Over 5 years $m | Non interest bearing $m | Total $m |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 442.8 | - | - | - | 2.5 | 445.3 |
| Receivables due from other banks | 19.0 | - | - | - | - | 19.0 |
| Financial assets - amortised cost | 4,880.7 | 887.9 | 30.0 | - | - | 5,798.6 |
| Derivative financial instruments | - | 32.0 | 42.2 | - | - | 74.2 |
| Loans and advances (gross) | 10,169.2 | 3,318.5 | 2,381.1 | 135.3 | - | 16,004.1 |
| Financial assets - fair value through other comprehensive income (Note 3.2) | 81.2 | - | - | - | - | 81.2 |
| | 15,592.9 | 4,238.4 | 2,453.3 | 135.3 | 2.5 | 22,422.4 |
| **Liabilities** | | | | | | |
| Payables due to other banks | 55.3 | - | - | - | - | 55.3 |
| Deposits | 9,578.6 | 3,268.7 | 170.8 | - | 3.0 | 13,021.1 |
| Derivative financial instruments | - | 2.0 | 19.6 | - | - | 21.6 |
| Borrowings[1] | 6,147.1 | 1,751.4 | 246.7 | - | - | 8,145.2 |
| Commitments (Note 4.11)[2] | 607.0 | 18.0 | 23.1 | - | - | 648.1 |
| | 16,388.0 | 5,040.1 | 460.2 | - | 3.0 | 21,891.3 |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.
[2]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.





## 3.10 Risk management (continued)

### (a) Interest rate risk (continued)

The Bank's exposure to interest rates is through earnings and valuation risk. Earnings risk is measured through net interest income sensitivity (NIIS), while valuation risk is measured through present value sensitivity (PVS) and value at risk (VaR). The Board has responsibility for ensuring compliance with these limits and is assisted by the monitoring activities implemented by management under the broader risk management process.

NIIS is used for determining the potential volatility in our net interest income over the short term. NIIS is reported based on a 1% movement in interest rates across the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The below table represents the average, maximum and minimum potential adverse change in NIIS.

| Net interest income sensitivity | 2024 $m | 2023 $m |
|---|---|---|
| Average exposure | **3.2** | 2.5 |
| Maximum exposure | **4.5** | 4.5 |
| Minimum exposure | **1.7** | 1.2 |

VaR and PVS are used as complementary metrics for determining the potential volatility in longer term economic value. VaR measures historically observed interest rate changes, whilst PVS measures pre-defined rate movements across the yield curve.

The VaR methodology is a statistical technique used to measure the sensitivity of economic value using historically observed interest rate changes. The Bank's approach is based on a historical interest rate simulation which uses a 1500-day observation period and consists of a 99% confidence level within a 20-day holding period.

The below table represents the average, maximum and minimum VaR as measured at the end of each month over the financial year:

| Value at risk | 2024 $m | 2023 $m |
|---|---|---|
| Average | **4.9** | 3.8 |
| Maximum | **10.4** | 7.0 |
| Minimum | **1.9** | 1.2 |

PVS measures the sensitivity of the present value of the balance sheets based on a 1% movement in interest rates across the yield curve. This is to determine adverse changes in economic value of the balance sheets. The following table represents the average, maximum and minimum potential change in PVS:

| Present value sensitivity | 2024 $m | 2023 $m |
|---|---|---|
| Average exposure | **7.2** | 5.7 |
| Maximum exposure | **12.3** | 10.3 |
| Minimum exposure | **3.6** | 2.7 |

## 3.10 Risk management (continued)

### (b) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk on its investment in unlisted securities, refer to Notes 3.2 and 3.9 for further details.

The following sensitivity analysis is based on the equity price risk exposures on average balances at balance date. It shows the effect on equity and profit after tax if market prices had moved, with all other variables held constant.

| Group | 2024 | | 2023 | |
|---|---|---|---|---|
| **Judgments of reasonably possible movements** | **+10% $m** | **-10% $m** | +10% $m | -10% $m |
| Investment in unlisted securities | **4.6** | **(4.6)** | 4.0 | (4.0) |
| | **4.6** | **(4.6)** | 4.0 | (4.0) |

### (c) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss. Credit risk arises from the Bank's lending activities, which includes residential mortgages, consumer loans, overdrafts and credit cards and from the financial instruments held for liquidity management purposes and to hedge interest rate risk.

The Bank has an established credit risk management framework that encompasses:

- Risk appetite for lending;
- Strategies, policies and governance for managing credit risk; and
- Processes for continually monitoring credit quality for impairment and the adequacy of provisions.

*Maximum credit exposure*

Credit exposures are capped to the carrying value reported in the balance sheets for the related assets. The table below (refer to credit quality - investment with counterparties) presents the Bank's maximum credit exposure to the respective asset classes at the reporting dates. The amounts are presented gross of provisions for impairment and before taking into account any collateral held or other credit enhancement.

*Credit quality - investment with counterparties*

Counterparty concentration risk is monitored daily by treasury risk reporting and the risk management division, and monthly by the ALCO. Management establishes counterparty limits based on maximum exposure limits set by the Board and our internal credit assessment of a counterparty. The exposure is limited to the carrying amount in the balance sheets and is classified according to APRA's APS 112 *Capital Adequacy: Standardised Approach to Credit Risk (Attachment F, paragraph 8, Table 21)* which are broadly aligned to external long term credit rating agencies such as Standard & Poor's, Moody's and Fitch.





## 3.10 Risk management (continued)

### (c) Credit risk (continued)

*Credit quality - investment with counterparties (continued)*

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

| **Group - 2024** | **Credit rating Grade 1 $m** | **Credit rating Grade 2 $m** | **Credit rating Grade 3 $m** | **Unrated $m** | **Total $m** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | **473.4** | **-** | **-** | **3.9** | **477.3** |
| Receivables due from other banks | **16.8** | **-** | **-** | **-** | **16.8** |
| Financial assets - fair value through profit or loss | **3.1** | **1.6** | **1.5** | **-** | **6.2** |
| Financial assets - amortised cost | | | | | |
| Stage 1: 12-month ECL - not credit impaired | **1,416.5** | **367.9** | **583.4** | **-** | **2,367.8** |
| Derivative financial instruments | **14.0** | **-** | **-** | **-** | **14.0** |
| | **1,923.8** | **369.5** | **584.9** | **3.9** | **2,882.1** |

| **Group - 2023** | Credit rating Grade 1 $m | Credit rating Grade 2 $m | Credit rating Grade 3 $m | Unrated $m | Total $m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 397.8 | 48.8 | 1.1 | 2.6 | 450.3 |
| Receivables due from other banks | 19.0 | - | - | - | 19.0 |
| Financial assets - fair value through profit or loss | - | 3.0 | - | - | 3.0 |
| Financial assets - amortised cost | | | | | |
| Stage 1: 12-month ECL - not credit impaired | 1,368.5 | 944.6 | 300.4 | - | 2,613.5 |
| Derivative financial instruments | 74.2 | - | - | - | 74.2 |
| | 1,859.5 | 996.4 | 301.5 | 2.6 | 3,160.0 |

| **Bank - 2024** | **Credit rating Grade 1 $m** | **Credit rating Grade 2 $m** | **Credit rating Grade 3 $m** | **Unrated $m** | **Total $m** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | **472.5** | **-** | **-** | **3.9** | **476.4** |
| Receivables due from other banks | **16.8** | **-** | **-** | **-** | **16.8** |
| Financial assets - amortised cost | | | | | |
| Stage 1: 12-month ECL - not credit impaired | **5,009.6** | **367.9** | **583.4** | **114.1** | **6,075.0** |
| Financial assets - FVOCI (Note 3.2) | | | | | |
| Stage 1: 12-month ECL - not credit impaired | **44.5** | **9.1** | **6.3** | **93.2** | **153.1** |
| Derivative financial instruments | **14.0** | **-** | **-** | **-** | **14.0** |
| | **5,557.4** | **377.0** | **589.7** | **211.2** | **6,735.3** |

## 3.10 Risk management (continued)

### (c) Credit risk (continued)

*Credit quality - investment with counterparties (continued)*

| Bank - 2023 | Credit rating Grade 1 $m | Credit rating Grade 2 $m | Credit rating Grade 3 $m | Unrated $m | Total $m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 392.8 | 48.8 | 1.1 | 2.6 | 445.3 |
| Receivables due from other banks | 19.0 | - | - | - | 19.0 |
| Financial assets - amortised cost | | | | | |
| Stage 1: 12-month ECL - not credit impaired | 4,422.6 | 944.6 | 300.4 | 131.0 | 5,798.6 |
| Financial assets - FVOCI (Note 3.2) | | | | | |
| Stage 1: 12-month ECL - not credit impaired[1] | 42.9 | 8.7 | 6.0 | 23.6 | 81.2 |
| Derivative financial instruments | 74.2 | - | - | - | 74.2 |
| | 4,951.5 | 1,002.1 | 307.5 | 157.2 | 6,418.3 |

[1]The total amount represents the Bank's interest in residential mortgage-backed securities. Of the amount included within Grade 3, $2.5 million (2022: $nil) is credit rated as Grade 4.

*Credit quality - lending portfolios*

All loans and advances are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Bank sets aside provisions for impairment in accordance with its internal policies and procedures, which comply with AASB 9 *Financial Instruments: Recognition and Measurement* and APRA's APS 220 *Credit Risk Management*.

The following table sets out information about the overdue status of loans and advances to customers in Stage 1, Stage 2 and Stage 3 as defined in Note 3.5.

| **Group & Bank - 2024**<br>**Overdue status of loans and advances (gross)** | **Stage 1 $m** | **Stage 2 $m** | **Stage 3 $m** | **Total $m** |
|---|---|---|---|---|
| **Residential mortgages** | | | | |
| Current | **15,903.8** | **129.9** | **-** | **16,033.7** |
| Overdue less than or equal to 30 days | **234.2** | **40.9** | **-** | **275.1** |
| Overdue more than 30 days | **-** | **64.4** | **47.9** | **112.3** |
| | **16,138.0** | **235.2** | **47.9** | **16,421.1** |
| **Commercial lending** | | | | |
| Current | **49.4** | **-** | **-** | **49.4** |
| Overdue less than or equal to 30 days | **0.1** | **-** | **-** | **0.1** |
| Overdue more than 30 days | **-** | **-** | **0.6** | **0.6** |
| | **49.5** | **-** | **0.6** | **50.1** |
| **Personal lending** | | | | |
| Current | **391.2** | **3.2** | **-** | **394.4** |
| Overdue less than or equal to 30 days | **14.1** | **1.2** | **-** | **15.3** |
| Overdue more than 30 days | **-** | **5.1** | **8.4** | **13.5** |
| | **405.3** | **9.5** | **8.4** | **423.2** |
| **Total loans and advances (gross)** | **16,592.8** | **244.7** | **56.9** | **16,894.4** |
| **Total impairment provision** | **21.6** | **5.1** | **7.9** | **34.6** |





## 3.10 Risk management (continued)

### (c) Credit risk (continued)

*Credit quality - lending portfolios (continued)*

| **Group & Bank - 2023**<br>**Overdue status of loans and advances (gross)** | Stage 1 $m | Stage 2 $m | Stage 3 $m | Total $m |
|---|---|---|---|---|
| **Residential mortgages** | | | | |
| Current | 15,195.6 | 112.0 | - | 15,307.6 |
| Overdue less than or equal to 30 days | 159.4 | 24.2 | - | 183.6 |
| Overdue more than 30 days | - | 49.3 | 35.9 | 85.2 |
| | 15,355.0 | 185.5 | 35.9 | 15,576.4 |
| **Commercial lending** | | | | |
| Current | 46.4 | - | - | 46.4 |
| Overdue less than or equal to 30 days | 0.8 | - | - | 0.8 |
| Overdue more than 30 days | - | - | 0.5 | 0.5 |
| | 47.2 | - | 0.5 | 47.7 |
| **Personal lending** | | | | |
| Current | 354.3 | 3.1 | - | 357.4 |
| Overdue less than or equal to 30 days | 11.0 | 1.3 | - | 12.3 |
| Overdue more than 30 days | - | 4.6 | 5.7 | 10.3 |
| | 365.3 | 9.0 | 5.7 | 380.0 |
| **Total loans and advances (gross)** | 15,767.5 | 194.5 | 42.1 | 16,004.1 |
| **Total impairment provision** | 22.2 | 4.4 | 5.5 | 32.1 |

## 3.10 Risk management (continued)

### (c) Credit risk (continued)

*Credit quality - lending portfolios (continued)*

Collateral held

The Bank holds collateral against certain classes of loans and advances to customers in the form of a mortgage interest over property, other registered securities over assets and guarantees. To mitigate credit risk, the Bank can take possession of the security held against the loans and advances as a result of default.

The following table sets out the principal types of the collateral held against different types of financial assets:

| Group & Bank<br>Types of credit exposure | Percentage of exposure that is subject to collateral requirements<br>2024<br>% | <br>2023<br>% | Principal type of collateral held |
|---|---|---|---|
| Financial assets - amortised cost | **-** | - | None |
| Loans and advances: | | | |
| Residential mortgages | **100** | 100 | Real estate property |
| Commercial lending | **100** | 100 | Real estate property |
| Personal lending | **32** | 32 | Motor vehicle |
| Financial assets - fair value through other comprehensive income | **-** | - | None |

For derivative financial instruments, the Bank exchanges AUD cash collateral representing credit support to secure the Bank's derivative asset or liability position, as part of the standard ISDA. As at 30 June 2024, this collateral balance is $15.0 million (2023: $12.6 million) and $1.4 million (2023: $55.3 million) represented within receivables due from other banks and payables due to other banks respectively.

An estimate of the value of collateral held as security is assessed at the time of the borrowing and is generally not updated except when loans and advances are individually assessed for impairment. As at 30 June 2024, the fair value of collateral held against residential mortgages that have been assessed as credit impaired is $15.6 million (2023: $7.6 million) with associated gross loans and advances balance of $15.8 million (2023: $8.0 million). During the year, the Bank took possession of properties valued at $5.3 million (2023: $2.3 million) which were securing loans of $2.6 million (2023: $2.0 million).

The following table shows the Bank's loan to value ratios (LVR) on its residential mortgages. Valuation amounts used in these calculations are based on the security value taken at the time the loans were originated or subsequent revaluation.

| Group & Bank | 2024<br>$m | 2023<br>$m |
|---|---|---|
| LVR 0% - 60% | **5,128.3** | 4,948.2 |
| LVR 60.01% - 80% | **6,561.2** | 6,389.7 |
| LVR 80.01% - 90% | **2,630.8** | 2,416.8 |
| LVR > 90.01% | **2,100.8** | 1,821.7 |
| | **16,421.1** | 15,576.4 |

During the previous year, the Bank participated in the Government's Home Guarantee Scheme to support home buyers, primarily first home buyers. The scheme helps eligible first home buyers to purchase their own home by providing a partial guarantee and removing the need for the buyer to purchase Lenders Mortgage Insurance. Loans supported by the scheme typically originate at LVR above 90%. The existence of the guarantee strengthens the Bank's security position. The LVR is reported without the benefit of the guarantee.



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## 3.10 Risk management (continued)

### (c) Credit risk (continued)

*Credit risk - geographical analysis (concentration risk)*

The lending portfolio is heavily concentrated on residential mortgages in line with our core business and risk appetite. The major concentrations of exposures broadly aligns with our business strategy, focused primarily in the capital cities and large regional areas in the eastern states. Management undertakes periodic exercises including stress testing and geographic analysis to better understand the impact of concentration risk within the lending portfolio. Based on these exercises, management is comfortable with the level of concentration risk.

| Group & Bank<br>*State* | 2024<br>Residential mortgages<br>$m | <br>Other loans<br>$m | 2023<br>Residential mortgages<br>$m | <br>Other loans<br>$m |
|---|---|---|---|---|
| Queensland | **6,145.8** | **224.0** | 5,677.5 | 200.5 |
| New South Wales | **4,887.6** | **112.2** | 4,857.5 | 97.8 |
| Victoria | **3,431.5** | **102.5** | 3,236.8 | 99.8 |
| Western Australia | **1,183.3** | **22.3** | 1,080.3 | 18.4 |
| Australian Capital Territory | **277.9** | **4.6** | 284.1 | 4.0 |
| South Australia | **325.6** | **4.2** | 300.1 | 3.8 |
| Tasmania | **127.6** | **2.1** | 105.8 | 1.7 |
| Northern Territory | **41.8** | **1.4** | 34.3 | 1.7 |
| | **16,421.1** | **473.3** | 15,576.4 | 427.7 |

### (d) Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is unable to meet its financial obligations as they fall due, caused by a mismatch in cash flows. The primary liquidity objective is to fund in a way that will facilitate growth in core business under a wide range of market conditions.

Future funding may be sourced from RBA facility, securitisation market, standby facilities, and external notes with consideration given to product, tenor and customer concentrations.

Liquidity risk is managed through the matching of maturity profiles of assets and liabilities on a daily basis, maintenance of committed funding facilities and continuous forecasting of cash flows, supplemented with liquidity scenario analysis. Funding risk is managed through a range of key metrics around diversification, duration and capacity. The operational management of liquidity and funding is performed centrally within the Treasury Division, with oversight from the Risk Management Group, ALCO and Board. Policies are approved by the Board on the recommendation of the ALCO and are consistent with the requirements of APRA's regulatory standard APS 210 *Liquidity*. During the current and the previous years, the Bank did not breach these requirements.

## 3.10 Risk management (continued)

### (d) Liquidity and funding risk (continued)

The following table shows the expected cash flow liquidity analysis for different monetary liabilities and assets held. In the case of borrowings, the table shows the period in which the principal outstanding will be repaid based on the remaining period to the repayment date. For term borrowings, the below dissection is based upon the contractual conditions for each borrowing being strictly complied with and is subject to change in the event that current repayment conditions are varied.

| **Group - 2024** | **Carrying Amount $m** | **Gross contractual inflow/(outflow) $m** | **Within 1 month $m** | **1-3 months $m** | **3-12 months $m** | **1-5 years $m** | **More than 5 years $m** |
|---|---|---|---|---|---|---|---|
| **Financial liability by type** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Payables due to other banks | 1.4 | 1.4 | 1.4 | - | - | - | - |
| Members' shares | 2.8 | 2.8 | 2.8 | - | - | - | - |
| Customers' call deposits | 9,117.0 | 9,117.0 | 9,117.0 | - | - | - | - |
| Customers' term deposits | 4,517.2 | 4,630.9 | 651.3 | 1,085.2 | 2,761.3 | 133.1 | - |
| Borrowings | 4,955.9 | 5,436.5 | 213.7 | 409.1 | 1,803.8 | 2,413.8 | 596.1 |
| Lease liabilities | 34.2 | 38.4 | 0.8 | 1.4 | 5.6 | 19.1 | 11.5 |
| Total non-derivative financial liabilities | 18,628.5 | 19,227.0 | 9,987.0 | 1,495.7 | 4,570.7 | 2,566.0 | 607.6 |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps[1] | | | | | | | |
| Outflow | - | 225.9 | 10.7 | 26.6 | 110.4 | 78.2 | - |
| Inflow | - | (204.2) | (9.4) | (24.1) | (98.5) | (72.2) | - |
| Total derivative financial liabilities | 20.2 | 21.7 | 1.3 | 2.5 | 11.9 | 6.0 | - |
| **Financial asset by type[2]** | | | | | | | |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 477.3 | 477.3 | 477.3 | - | - | - | - |
| Receivables due from other banks | 16.8 | 16.8 | 16.8 | - | - | - | - |
| Financial assets - fair value through profit or loss | 6.2 | 6.2 | - | 1.3 | 4.9 | - | - |
| Financial assets - amortised cost | 2,367.8 | 2,367.8 | 352.4 | 430.4 | 532.3 | 1,052.7 | - |
| Loans and advances | 16,912.9 | 16,912.9 | 29.5 | 96.8 | 266.9 | 1,494.1 | 15,025.6 |
| Financials assets - FVOCI | 65.5 | 65.5 | - | - | - | - | 65.5 |
| Total non-derivative financial assets | 19,846.5 | 19,846.5 | 876.0 | 528.5 | 804.1 | 2,546.8 | 15,091.1 |
| **Derivative financial assets** | | | | | | | |
| Interest rate swaps[1] | | | | | | | |
| Outflow | - | (75.5) | (12.0) | (5.5) | (18.5) | (39.5) | - |
| Inflow | - | 91.0 | 14.8 | 9.4 | 23.2 | 43.6 | - |
| Total derivative financial assets | 14.0 | 15.5 | 2.8 | 3.9 | 4.7 | 4.1 | - |

[1]For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. Applicable same day, same counterparty derivative inflows and outflows are net cash settled.
[2]The financial assets have been presented based on the remaining contractual maturities.





## 3.10 Risk management (continued)

### (d) Liquidity and funding risk (continued)

| **Group - 2023** | Carrying Amount $m | Gross contractual inflow/(outflow) $m | Within 1 month $m | 1-3 months $m | 3-12 months $m | 1-5 years $m | More than 5 years $m |
|---|---|---|---|---|---|---|---|
| **Financial liability by type** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Payables due to other banks | 55.3 | 55.3 | 55.3 | - | - | - | - |
| Members' shares | 3.0 | 3.0 | 3.0 | - | - | - | - |
| Customers' call deposits | 9,578.7 | 9,578.7 | 9,578.7 | - | - | - | - |
| Customers' term deposits | 3,439.4 | 3,511.1 | 565.6 | 712.6 | 2,048.3 | 184.3 | 0.3 |
| Borrowings[1] | 4,876.2 | 5,327.1 | 335.4 | 781.4 | 1,334.7 | 2,295.0 | 580.6 |
| Lease liabilities | 36.6 | 41.4 | 0.8 | 1.6 | 5.9 | 17.9 | 15.2 |
| Total non-derivative financial liabilities | 17,989.2 | 18,516.6 | 10,538.8 | 1,495.6 | 3,388.9 | 2,497.2 | 596.1 |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps[2] | | | | | | | |
| Outflow | - | 137.6 | 11.1 | 23.3 | 60.1 | 43.1 | - |
| Inflow | - | (116.0) | (12.6) | (22.2) | (49.0) | (32.2) | - |
| Total derivative financial liabilities | 21.6 | 21.6 | (1.5) | 1.1 | 11.1 | 10.9 | - |
| **Financial asset by type[3]** | | | | | | | |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 450.3 | 450.3 | 450.3 | - | - | - | - |
| Receivables due from other banks | 19.0 | 19.0 | 19.0 | - | - | - | - |
| Financial assets - fair value through profit or loss | 3.0 | 3.0 | 1.5 | - | 1.5 | - | - |
| Financial assets - amortised cost | 2,613.5 | 2,613.5 | 136.0 | 584.3 | 714.5 | 1,178.7 | - |
| Loans and advances[4] | 16,022.1 | 16,022.1 | 22.7 | 90.3 | 218.8 | 1,181.4 | 14,508.9 |
| Financial assets - FVOCI | 57.9 | 57.9 | - | - | - | - | 57.9 |
| Total non-derivative financial assets | 19,165.8 | 19,165.8 | 629.5 | 674.6 | 934.8 | 2,360.1 | 14,566.8 |
| **Derivative financial assets** | | | | | | | |
| Interest rate swaps[2] | | | | | | | |
| Outflow | - | (56.0) | (11.1) | (20.6) | (14.3) | (10.0) | - |
| Inflow | - | 130.2 | 14.9 | 35.0 | 59.2 | 21.1 | - |
| Total derivative financial assets | 74.2 | 74.2 | 3.8 | 14.4 | 44.9 | 11.1 | - |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.
[2]For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. Applicable same day, same counterparty derivative inflows and outflows are net cash settled.
[3]The financial assets have been presented based on the remaining contractual maturities.
[4]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.

## 3.10 Risk management (continued)

### (d) Liquidity and funding risk (continued)

| **Bank - 2024** | **Carrying Amount $m** | **Gross contractual inflow/(outflow) $m** | **Within 1 month $m** | **1-3 months $m** | **3-12 months $m** | **1-5 years $m** | **More than 5 years $m** |
|---|---|---|---|---|---|---|---|
| **Financial liability by type** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Payables due to other banks | **1.4** | **1.4** | **1.4** | **-** | **-** | **-** | **-** |
| Members' shares | **2.8** | **2.8** | **2.8** | **-** | **-** | **-** | **-** |
| Customers' call deposits | **9,117.0** | **9,117.0** | **9,117.0** | **-** | **-** | **-** | **-** |
| Customers' term deposits | **4,517.2** | **4,630.9** | **651.3** | **1,085.2** | **2,761.3** | **133.1** | **-** |
| Borrowings | **8,815.4** | **9,818.4** | **319.4** | **595.5** | **2,550.3** | **4,696.7** | **1,656.5** |
| Lease liabilities | **34.2** | **38.4** | **0.8** | **1.4** | **5.6** | **19.1** | **11.5** |
| Total non-derivative financial liabilities | **22,488.0** | **23,608.9** | **10,092.7** | **1,682.1** | **5,317.2** | **4,848.9** | **1,668.0** |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps[1] | | | | | | | |
| Outflow | **-** | **225.9** | **10.7** | **26.6** | **110.4** | **78.2** | **-** |
| Inflow | **-** | **(204.2)** | **(9.4)** | **(24.1)** | **(98.5)** | **(72.2)** | **-** |
| Total derivative financial liabilities | **20.2** | **21.7** | **1.3** | **2.5** | **11.9** | **6.0** | **-** |
| **Financial asset by type[2]** | | | | | | | |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | **476.4** | **476.4** | **476.4** | **-** | **-** | **-** | **-** |
| Receivables due from other banks | **16.8** | **16.8** | **16.8** | **-** | **-** | **-** | **-** |
| Financial assets - amortised cost | **6,075.0** | **6,075.0** | **361.2** | **430.4** | **532.3** | **1,052.7** | **3,698.4** |
| Loans and advances | **16,912.9** | **16,912.9** | **29.5** | **96.8** | **266.9** | **1,494.1** | **15,025.6** |
| Financials assets - FVOCI | **218.6** | **218.6** | **-** | **-** | **-** | **-** | **218.6** |
| Total non-derivative financial assets | **23,699.7** | **23,699.7** | **883.9** | **527.2** | **799.2** | **2,546.8** | **18,942.6** |
| **Derivative financial assets** | | | | | | | |
| Interest rate swaps[1] | | | | | | | |
| Outflow | **-** | **(75.5)** | **(12.0)** | **(5.5)** | **(18.5)** | **(39.5)** | **-** |
| Inflow | **-** | **91.0** | **14.8** | **9.4** | **23.2** | **43.6** | **-** |
| Total derivative financial assets | **14.0** | **15.5** | **2.8** | **3.9** | **4.7** | **4.1** | **-** |

[1]For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.
[2]The financial assets have been presented based on the remaining contractual maturities.





## 3.10 Risk management (continued)

### (d) Liquidity and funding risk (continued)

| **Bank - 2023** | Carrying Amount $m | Gross contractual inflow/(outflow) $m | Within 1 month $m | 1-3 months $m | 3-12 months $m | 1-5 years $m | More than 5 years $m |
|---|---|---|---|---|---|---|---|
| **Financial liability by type** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Payables due to other banks | 55.3 | 55.3 | 55.3 | - | - | - | - |
| Members' shares | 3.0 | 3.0 | 3.0 | - | - | - | - |
| Customers' call deposits | 9,578.7 | 9,578.7 | 9,578.7 | - | - | - | - |
| Customers' term deposits | 3,439.4 | 3,511.1 | 565.6 | 712.6 | 2,048.3 | 184.3 | 0.3 |
| Borrowings[1] | 8,145.2 | 9,022.2 | 435.8 | 939.2 | 1,977.8 | 4,323.8 | 1,345.6 |
| Lease liabilities | 36.6 | 41.4 | 0.8 | 1.6 | 5.9 | 17.9 | 15.2 |
| Total non-derivative financial liabilities | 21,258.2 | 22,211.7 | 10,639.2 | 1,653.4 | 4,032.0 | 4,526.0 | 1,361.1 |
| **Derivative financial liabilities** | | | | | | | |
| Interest rate swaps[2] | | | | | | | |
| Outflow | - | 137.6 | 11.1 | 23.3 | 60.1 | 43.1 | - |
| Inflow | - | (116.0) | (12.6) | (22.2) | (49.0) | (32.2) | - |
| Total derivative financial liabilities | 21.6 | 21.6 | (1.5) | 1.1 | 11.1 | 10.9 | - |
| **Financial asset by type[3]** | | | | | | | |
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 445.3 | 445.3 | 445.3 | - | - | - | - |
| Receivables due from other banks | 19.0 | 19.0 | 19.0 | - | - | - | - |
| Financial assets - amortised cost | 5,798.6 | 5,798.6 | 143.2 | 584.3 | 714.5 | 1,178.7 | 3,177.9 |
| Loans and advances[4] | 16,022.1 | 16,022.1 | 22.7 | 90.3 | 218.8 | 1,181.4 | 14,508.9 |
| Financial assets - FVOCI | 139.1 | 139.1 | - | - | - | - | 139.1 |
| Total non-derivative financial assets | 22,424.1 | 22,424.1 | 630.2 | 674.6 | 933.3 | 2,360.1 | 17,825.9 |
| **Derivative financial assets** | | | | | | | |
| Interest rate swaps[2] | | | | | | | |
| Outflow | - | (56.0) | (11.1) | (20.6) | (14.3) | (10.0) | - |
| Inflow | - | 130.2 | 14.9 | 35.0 | 59.2 | 21.1 | - |
| Total derivative financial assets | 74.2 | 74.2 | 3.8 | 14.4 | 44.9 | 11.1 | - |

[1]The amount utilised from the RBA TFF has been included in borrowings. Refer to Note 3.8 for further details.
[2]For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.
[3]The financial assets have been presented based on the remaining contractual maturities.
[4]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.

## 3.11 Capital management

*Regulatory capital*

The Group actively manages its capital base to cover risks inherent in the business. The primary objectives of the Group's capital management strategies are to ensure that the Bank maintains sufficient capital resources to support the Group's business activities and operational requirements and to ensure continuous compliance with externally imposed capital ratios. The Bank uses capital to reinvest in the business to enhance products and services supplied to the customers of the Bank.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by APRA in supervising the Bank. During the current and previous years, the Banking Group[1] has not breached any capital requirements.

The elements of capital are analysed as follows:

| **Qualifying capital** | **Banking Group[1]** | |
|---|---|---|
| | **As at 30 June 2024 $m** | As at 30 June 2023 $m |
| **Common Equity Tier 1 Capital** | | |
| Retained profits, including current year profits | **1,277.0** | 1,240.0 |
| Reserves | **34.5** | 67.7 |
| Total Common Equity Tier 1 Capital | **1,311.5** | 1,307.7 |
| **Regulatory Adjustments** | | |
| Intangibles | **(68.1)** | (61.2) |
| Equity investments | **(72.1)** | (64.5) |
| Other deductions | **(71.3)** | (116.2) |
| Total Regulatory Adjustments | **(211.5)** | (241.9) |
| **Net Common Equity Tier 1 Capital** | **1,100.0** | 1,065.8 |
| | | |
| **Tier 2 Capital** | | |
| Provisions eligible for inclusion in Tier 2 Capital | **21.6** | 21.8 |
| **Net Tier 2 Capital** | **21.6** | 21.8 |
| | | |
| Capital base | **1,121.6** | 1,087.6 |
| Risk weighted assets | **7,673.5** | 7,466.1 |
| | | |
| **Risk Weighted Capital Ratios** | | |
| Tier 1 | **14.34%** | 14.28% |
| Tier 2 | **0.28%** | 0.29% |
| **Total Capital Ratio** | **14.62%** | 14.57% |

[1]The regulatory capital requirements are measured for the Bank and all of its banking subsidiaries (known as the Banking Group).





## 4. Other notes

### 4.1 Other assets

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Sundry debtors | **3.3** | 3.3 | **3.3** | 3.2 |
| Prepayments | **23.7** | 16.3 | **23.7** | 16.3 |
| | **27.0** | 19.6 | **27.0** | 19.5 |

All other asset balances at 30 June 2024 and 30 June 2023 are current.

### 4.2 Property, plant and equipment

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| At cost | **60.9** | 58.6 | **60.9** | 58.6 |
| Accumulated depreciation | **(36.8)** | (31.2) | **(36.8)** | (31.2) |
| Property, plant and equipment | **24.1** | 27.4 | **24.1** | 27.4 |
| Capital work in progress | **-** | 2.6 | **-** | 2.6 |
| Total property, plant and equipment | **24.1** | 30.0 | **24.1** | 30.0 |

All property, plant and equipment balances at 30 June 2024 and 30 June 2023 are non-current.

*Recognition and measurement*

All property, plant and equipment are measured at cost less depreciation and impairment losses.

All property, plant and equipment are depreciated using the straight-line method over their expected useful lives to the Group. Leasehold improvements are depreciated over the shorter of either their estimated useful life or the remaining term of the lease. The estimated useful lives have not changed from the previous year.

The estimated useful lives are as follows:

| | |
|---|---|
| Computer hardware | 4 years |
| Office furniture and equipment | 3-5 years |
| Leasehold improvements | 2-10 years |

## 4.3 Intangible assets

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| At cost | **190.8** | 180.3 | **190.8** | 180.3 |
| Accumulated amortisation | **(148.3)** | (133.8) | **(148.3)** | (133.8) |
| Intangible assets | **42.5** | 46.5 | **42.5** | 46.5 |
| Capital work in progress | **25.6** | 14.7 | **25.6** | 14.7 |
| Total intangible assets | **68.1** | 61.2 | **68.1** | 61.2 |
| | | | | |
| Reconciliation of carrying amounts | | | | |
| Carrying amount at beginning of financial year | **61.2** | 55.3 | **61.2** | 55.3 |
| Additions | **10.5** | 16.8 | **10.5** | 16.8 |
| Net movement in capital work in progress | **10.9** | 5.0 | **10.9** | 5.0 |
| Amortisation | **(14.5)** | (15.9) | **(14.5)** | (15.9) |
| Carrying amount at end of financial year | **68.1** | 61.2 | **68.1** | 61.2 |

All intangible asset balances at 30 June 2024 and 30 June 2023 are non-current.

*Recognition and measurement*

Intangible assets include acquired or internally generated software. Software is amortised using the straight-line method over the expected useful life to the Group. The estimated useful lives are as follows:

| | |
|---|---|
| Major banking infrastructure software | 15 years (2023: 15 years) |
| Loan origination system | 3-10 years (2023: 3-10 years) |
| Other computer software | 3-7 years (2023: 3-7 years) |

*Software as a service (SaaS) arrangements*

SaaS arrangements are service contracts providing the Group with the right to access a cloud provider's application service software over the contractual period. The Group does not receive a software intangible asset at the contract commencement date.

Distinct configuration and customisation costs paid to the cloud provider are expensed as incurred as the software is configured or customised. Non distinct configuration and customisation costs are expensed over the SaaS contract term. Services fees or fees for use of the application software are recognised as operating expenses over the term of the service contract when services are received.

Costs incurred by the Group that meet the definition and recognition criteria for an intangible asset are recognised as intangible software assets. These costs include the development of software code that enhances, modifies, or creates additional capability to existing systems owned and controlled by the Group.

Non distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the year, the Group recognised $1.4 million (2023: $3.1 million) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements. These are not considered to be distinct from the access to the SaaS application software over the contract term.





## 4.3 Intangible assets (continued)

*Use of judgements and estimates*

The Group estimates the useful lives of its major banking assets based on expected technical obsolescence of such assets and a comparison of other similar platforms and systems.

The current estimated useful life of the Group's major banking infrastructure software remains unchanged at 15 years. However, the actual useful life may be shorter or longer than 15 years, depending on technical innovations and competitor actions. As at 30 June 2024, the carrying amount of this software was $7.4 million (2023: $9.2 million). If the useful life was only 10 years, the carrying amount would be $0.6 million (2023: $2.0 million) as at 30 June 2024. If the useful life was estimated to be 20 years, the carrying amount would be $11.0 million (2023: $12.2 million) as at 30 June 2024.

The Group previously estimated the useful lives of its loan origination system and cloud foundation platform to be at least 5 years and 3 years, respectively. During the current year, the Group undertook a review of those intangible assets which are now expected to operate for an additional 5 years and 3 years, respectively. The extension better reflects the expected pattern of consumption of the future benefits of those assets which resulted in their expected useful lives being increased. The change in useful lives is a change in accounting estimate and adjusted prospectively. The effect of these changes on actual and expected amortisation of intangible assets, was as follows:

| | **2024 $m** | 2025 $m | 2026 $m | 2027 $m | 2028 $m | Later $m |
|---|---|---|---|---|---|---|
| (Decrease)/increase in amortisation expense | **(2.1)** | (1.9) | (1.3) | 0.1 | 1.4 | 3.8 |
| Carrying amount of loan origination system and cloud foundation platform | **9.7** | 8.2 | 6.7 | 5.3 | 3.9 | - |

## 4.4 Right-of-use assets

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Buildings | **30.0** | 32.9 | **30.0** | 32.9 |
| Total right-of-use assets | **30.0** | 32.9 | **30.0** | 32.9 |
| | | | | |
| Reconciliation of carrying amounts | | | | |
| Carrying amount at beginning of financial year | **32.9** | 35.9 | **32.9** | 35.9 |
| Additions | **5.9** | 7.6 | **5.9** | 7.6 |
| Depreciation | **(8.8)** | (10.6) | **(8.8)** | (10.6) |
| Carrying amount at end of financial year | **30.0** | 32.9 | **30.0** | 32.9 |

Refer to Note 4.6 for maturity analysis of lease liabilities as at 30 June 2024 and 30 June 2023.

## 4.4 Right-of-use assets (continued)

The Group leases various hub offices and branch premises. Lease contracts are typically made for periods over 1 to 10 years, excluding extension options.

*Recognition and measurement*

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use-assets (ROU) assets are measured at cost, which comprise the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

ROU assets are depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis.

Lease liabilities include the following lease payments:

- Fixed payments, less any lease incentives received or receivable; and
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the Group's incremental borrowing rates (IBR) as the rates implicit to Group's leases cannot be readily determined. The IBR is the rate that the Group would have to pay to borrow the funds necessary to obtain a similar ROU in a similar economic environment with similar terms, security and conditions.

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.

Exemptions are available for short term leases and leases of low-value assets. The Group has applied these exemptions for short term leases at 30 June 2024 and 30 June 2023.

*Use of judgements and estimates*

*Determining the lease term of contracts with renewal and termination options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group considers all relevant factors that create an economic incentive in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

*Estimating the incremental borrowing rate*

The Group estimates the IBR using observable inputs (such as market interest rates) when available.





## 4.5 Other liabilities

Except for the straight-line lease liability, all other liability balances are current.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Trade creditors and accruals | **20.1** | 17.2 | **21.2** | 17.6 |
| Insurance contract liabilities[1] | **0.1** | 0.5 | **-** | - |
| Income tax payable | **10.2** | 7.1 | **10.2** | 7.1 |
| | **30.4** | 24.8 | **31.4** | 24.7 |

[1]Credicorp Insurance continues to be in run-off, refer to Note 4.13.

## 4.6 Lease liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| **Lease liabilities** | | | | |
| Current | **6.7** | 7.2 | **6.7** | 7.2 |
| Non-current | **27.5** | 29.4 | **27.5** | 29.4 |
| | **34.2** | 36.6 | **34.2** | 36.6 |
| Reconciliation of carrying amounts | | | | |
| Carrying amount at beginning of financial year | **36.6** | 40.3 | **36.6** | 40.3 |
| Net additions | **6.0** | 7.6 | **6.0** | 7.6 |
| *Lease payments* | | | | |
| Gross lease payments | **(9.6)** | (12.3) | **(9.6)** | (12.3) |
| Interest portion of lease payments | **1.2** | 1.0 | **1.2** | 1.0 |
| | **(8.4)** | (11.3) | **(8.4)** | (11.3) |
| Carrying amount at end of financial year | **34.2** | 36.6 | **34.2** | 36.6 |

For recognition and measurement details, refer to Note 4.4.

The Bank has no bank guarantee in respect of its leased properties at 30 June 2024 and 30 June 2023.

## 4.7 Provisions

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Employee benefits | **27.1** | 26.8 | **27.1** | 26.8 |
| Make good provision | **2.3** | 2.5 | **2.3** | 2.5 |
| Other provisions | **5.3** | 7.8 | **5.3** | 7.8 |
| | **34.7** | 37.1 | **34.7** | 37.1 |
| Current | **28.3** | 31.7 | **28.3** | 31.7 |
| Non-current | **6.4** | 5.4 | **6.4** | 5.4 |
| | **34.7** | 37.1 | **34.7** | 37.1 |

*Recognition and measurement*

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

Provisions payable later than one year have been measured at the present value by discounting the expected future cash outflows at a rate that reflects the current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financing costs, excluding long term employee benefits.

Employee benefits

Employee provisions comprise liabilities for employee benefits such as annual and long service leave, short term and long term incentives plans, refer to Note 4.9(a). These arise from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

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

Make good provision

The make good provision is the estimated present value of expenditure required to restore the leased branches and hub offices to their original condition at the end of the respective leases. The provision is assessed at each balance date for new, amended and expired leases. The estimate of the costs has been calculated using historical costs.

Other provisions

Included in other provisions are provisions relating to ongoing remediations and regulatory reviews. The Group undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these investigations and reviews have resulted in remediation programs or are being assessed for possible breaches of regulatory obligations. The Group continues to work with various regulators including ASIC, APRA and the Australian Taxation Office (ATO) on proposed remediation actions. There is a risk that where a breach has occurred, regulators may also impose fines and/or penalties.

Provisions relating to these remediations and regulatory reviews are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated.





## 4.8 Reserves

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Redeemed member share reserve | **3.5** | 3.3 | **3.5** | 3.3 |
| Fair value through other comprehensive income reserve | **23.0** | 21.3 | **24.7** | 21.0 |
| Cash flow hedge reserve | **(3.3)** | 33.8 | **(3.3)** | 33.8 |
| Business combination reserve | **9.6** | 9.6 | **9.6** | 9.6 |
| | **32.8** | 68.0 | **34.5** | 67.7 |

*Nature and purpose of reserves*

Redeemed member share reserve

Under the *Corporations Act 2001*, redeemable preference shares (member shares) may only be redeemed out of the Bank's profit or through the new issue of shares for the purpose of the redemption. The Bank therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the *Corporations Act 2001* applied to the Bank), from retained earnings to the redeemed member share reserve. The value of members' shares is disclosed as a liability in Note 3.6.

Fair value through other comprehensive income reserve

This comprises the cumulative net changes in the fair value of investments in equity and debt instruments. For equity instruments, amounts in the reserve are subsequently transferred to retained earnings, and not profit or loss, when the investment is derecognised or impaired. For debt instruments, on derecognition the amounts in the reserve are reclassified to profit or loss.

Cash flow hedge reserve

This reserve is for the portion of the cumulative net gain or loss on cash flow hedges that are determined to be an effective hedge.

Business combination reserve

This reserve is used to record mergers with other mutual entities. The reserve represents the excess of the fair value of assets taken up over liabilities assumed in a merger.

## 4.9 Related parties

### (a) Key management personnel (KMP)

Compensation of the Bank's Non-Executive Directors and other KMP

| | Non-Executive Directors | | Other KMP[1] | |
|---|---|---|---|---|
| | **2024 $'000** | 2023 $'000 | **2024 $'000** | 2023 $'000 |
| The aggregate compensation of KMP during the year comprising amount paid or payable or provided for was as follows: | | | | |
| - Short term employee benefits | **1,353.2** | 1,139.4 | **4,809.7** | 4,519.9 |
| - Post employment benefits | **218.0** | 255.7 | **228.4** | 187.5 |
| - Other long term benefits | **-** | - | **296.4** | 1,840.3 |
| | **1,571.2** | 1,395.1 | **5,334.5** | 6,547.7 |

[1]Other KMP comprise of Executive Committee members.

Compensation shown as short term benefits means (where applicable) salaries, annual and sick leave, and bonuses, but excludes out of pocket expense reimbursements. The Bank's Non-Executive Directors and other KMP are only remunerated by the Bank.

Included in post employment benefits is superannuation contributions and compensation relating to the Directors' defined benefit plan. The plan provides lump sum benefits based on years of service and the final average salary for the respective Directors who joined the Bank prior to 30 June 2021. Included in other long term benefits is the long term incentive plan for the CEO and Executive Committee members.

The average total compensation to each Non-Executive Director excluding post employment and termination benefits is $193,311 (2023: $189,895).

Loans to the Bank's Non-Executive Directors and other KMP

| | **2024 $'000** | 2023 $'000 |
|---|---|---|
| Aggregate of loans as at balance date | **2,474.3** | 3,292.5 |
| Total undrawn revolving credit facilities available at balance date | **310.4** | 1,527.2 |
| Interest charged on loans and overdraft facilities | **125.9** | 113.3 |

The above table includes amounts for the Bank's Non-Executive Directors and other KMP in office or employed by the Bank at balance date and their related parties. Non-Executive Directors and other KMP who resigned during the current year are excluded from the current year analysis but are included in the previous year comparative analysis.

The Bank's policy for lending to its Non-Executive Directors and other KMP is that all loans are approved under the same criteria applicable to customers. All loans were at lending terms and conditions applicable to customers. KMP may receive concessional rates of interest on their loans and facilities that are available to all the Bank's employees. No amounts were written down or recorded as impaired during the year (2023: $nil).

There are no benefits or concessional terms and conditions applicable to the family members of the Bank's Non-Executive Directors and other KMP (2023: $nil). No loan balances with family or relatives of the Bank's Non-Executive Directors and other KMP were written down or recorded as impaired during the year (2023: $nil).





## 4.9 Related parties (continued)

### (a) Key management personnel (KMP) (continued)

*Other transactions with the Bank's Non-Executive Directors and other KMP*

Other transactions with the Bank's Non-Executive Directors and other KMP and their related parties generally relate to deposits.

The Bank's policy for these other transactions is that all transactions are approved on the same terms and conditions that apply to customers. Interest has been paid on terms and conditions no more favorable than those available on similar transactions to customers of the Bank. KMP may receive discounts on premiums for private health insurance that are available to all Bank employees.

### (b) Controlled entities and other related parties

Controlled entities are entities where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

(i) Particulars in relation to controlled entities

The Group financial statements include the financial statements of the Bank and the subsidiaries listed in the following table:

| | Equity interest | | Investment | |
|---|---|---|---|---|
| Name of entity | **2024 %** | 2023 % | **2024 $'000** | 2023 $'000 |
| Credicorp Finance Pty Ltd[1] | **100%** | 100% | **800.0** | 1,500.0 |
| Credicorp Insurance Pty Ltd | **100%** | 100% | **-** | - |
| CUA Management Pty Ltd | **100%** | 100% | **-** | - |
| | | | **800.0** | 1,500.0 |

[1]During the year, there was a reduction of capital for $0.7 million of ordinary shares held.

Investments in controlled entities are carried at cost and eliminated on consolidation.

All entities are incorporated in Australia.

All the above entities are members of a tax consolidated group for the full year, refer to Note 2.3 for further details.

(ii) Securitisation

The Bank conducts an asset securitisation program through which it packages and sells asset-backed securities to investors and borrows from lenders through special purpose entities (SPE). The Bank is entitled to any residual income of the SPE after all payments to investors and lenders and costs of the programs have been met. These SPEs are consolidated as the Bank has the power to govern directly or indirectly decision making in relation to financial and operating policies and receives the majority of the residual income or is exposed to the majority of the residual risk associated with the SPEs.

The following securitisation trusts are controlled by the Bank:

- Series 2012-1R Harvey Trust
- Series 2013-1 Harvey Trust (closed on 7 July 2023)
- Series 2015-1 Harvey Trust
- Series 2017-1 Harvey Trust
- Series 2018-1 Harvey Trust
- Series 2021-1 Harvey Trust
- Series 2023-1 Harvey Trust
- Harvey Warehouse Trust No. 4
- Harvey Warehouse Trust No. 5

## 4.9 Related parties (continued)

### (b) Controlled entities and other related parties (continued)

(ii) Securitisation (continued)

*Transfer of financial assets*

The following table sets out the financial assets transferred to the above Trusts that did not qualify for derecognition and associated liabilities from conducting the securitisation program.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $'000** | 2023 $'000 | **2024 $'000** | 2023 $'000 |
| **Transferred financial assets** | | | | |
| Loans and advances at amortised cost | **6,175,259.9** | 5,266,261.5 | **6,175,259.9** | 5,266,261.5 |
| **Associated financial liabilities** | | | | |
| Securitisation liabilities - external investors | **2,478,079.0** | 2,196,684.1 | **2,478,079.0** | 2,196,684.1 |
| Amounts due to the Bank | **-** | - | **3,911,620.1** | 3,313,865.7 |
| | **2,478,079.0** | 2,196,684.1 | **6,389,699.1** | 5,510,549.8 |
| **For those liabilities that have recourse only to transferred assets:** | | | | |
| Fair value of transferred assets | **6,145,246.6** | 5,205,757.0 | **6,145,246.6** | 5,205,757.0 |
| Fair value of associated liabilities | **(2,482,537.7)** | (2,185,535.2) | **(6,341,346.6)** | (5,377,085.7) |
| Net position | **3,662,708.9** | 3,020,221.8 | **(196,100.0)** | (171,328.7) |

*Collateral*

The Bank has advanced $1,781.0 thousand (2023: $6,450.0 thousand) as cash collateral in relation to interest rate swaps for securitisation trusts. The funds are held in restricted interest earning accounts and will be returned at maturity of the interest rate swap contracts.

(iii) Significant restrictions

Cash and cash equivalents include restricted balances of $233,104.4 thousand (2023: $257,341.5 thousand) in the Group which represent deposits held in securitisation trust collection accounts which are not available to the Group.

The regulatory frameworks within which the general insurance subsidiary operate, require the subsidiary to keep certain levels of regulatory capital and liquid assets, limit its exposure to other parts of the Group and comply with various ratio requirements. The significant restrictions imposed by the regulatory frameworks are the only restrictions on the Bank transferring the cash or other assets of the subsidiary. The net carrying amount of the subsidiary's assets and liabilities are $9,165.4 thousand and $309.4 thousand, respectively (2023: $9,482.6 thousand and $655.5 thousand, respectively).

(iv) Particulars in relation to a joint venture entity

The Group has a 50% interest in Mutual Marketplace Pty Ltd (2023: 50%). For more details, refer to Note 4.10.





## 4.9 Related parties (continued)

### (b) Controlled entities and other related parties (continued)

(v) Transactions with controlled and joint venture entities

The following table provides the total amount of transactions that were entered into by the Bank with controlled and joint venture entities for the relevant financial year. These transactions were all carried out under normal commercial terms and where possible are benchmarked against industry averages.

Transactions with controlled and joint venture entities:

| | Bank | |
|---|---|---|
| | **2024 $'000** | 2023 $'000 |
| Dividend revenue | **360.0** | 480.0 |
| Commission revenue | **3.4** | 20.0 |
| Net management fees expense | **(474.9)** | (468.6) |
| Net interest expense | **(97.8)** | (73.1) |
| Net expense Mutual Marketplace Pty Ltd[1] | **(119,108.3)** | (146,373.7) |

[1]Spend in ordinary course of business that would otherwise flow through the Bank.

The net amounts payable to controlled and joint venture entities as at 30 June were:

| | Bank | |
|---|---|---|
| | **2024 $'000** | 2023 $'000 |
| Credicorp Finance Pty Ltd | **91.7** | 91.9 |
| Credicorp Insurance Pty Ltd | **1,899.2** | 1,407.2 |
| CUA Management Pty Ltd | **570.2** | 1,278.9 |

The intercompany payable to the controlled and joint venture entities is unsecured, repayable on demand and bears interest at the BBSW 3 month rate (2023: BBSW 3 month rate).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The details of this agreement are set out in Note 2.3. All transactions between Group entities are eliminated on consolidation.

(vi) Indemnity arrangements

At 30 June 2024, there is a deed of indemnity between the Bank and CUA Management, and the Bank and Credicorp Insurance relating to remediation activities which have been completed.

## 4.10 Joint venture

The Bank has an interest in a joint venture known as Mutual Marketplace Pty Ltd which provides procurement and procurement related services to the joint venture owners and other Australian mutuals. The country of incorporation and principal place of business of the joint operation is Australia.

### (a) Interest in joint venture

Set out below are details of this joint venture.

| Name of entity | Place of business/country of incorporation | % Ownership interest 2024 | 2023 | Nature of relationship | Measurement | Carrying amount 2024 $m | 2023 $m |
|---|---|---|---|---|---|---|---|
| Mutual Marketplace Pty Ltd | Australia | **50%** | 50% | Joint Venture | Equity Method | **3.7** | 3.8 |

Mutual Marketplace Pty Ltd has share capital consisting solely of ordinary shares, which are held directly by the Group and ownership interest is in the same proportion as the voting rights held.

*(i) Commitments and contingent liabilities in respect of joint venture*

| | **2024 $m** | 2023 $m |
|---|---|---|
| Commitments to operating expenditure | **1.2** | 1.9 |
| | **1.2** | 1.9 |

The Group has no commitments relating to non-cancellable operating lease contracts entered into by the Group's interest in the joint venture.

*(ii) Summarised financial information for joint venture*

The table below provides summarised financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Bank's share of those amounts. They have been amended to reflect adjustments made by the Bank when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

| **Summarised income statement** | **2024 $m** | 2023 $m |
|---|---|---|
| Revenue | **202.6** | 222.3 |
| Cost of sales | **(194.4)** | (213.5) |
| **Gross profit** | **8.2** | 8.8 |
| | | |
| Operating expenses | **(7.1)** | (6.3) |
| **Profit before income tax** | **1.1** | 2.5 |
| | | |
| Income tax expense | **(0.3)** | (0.8) |
| **Profit for the year** | **0.8** | 1.7 |





## 4.10 Joint venture (continued)

### (a) Interest in joint venture (continued)

*(ii) Summarised financial information for joint venture (continued)*

| **Summarised balance sheet** | **2024 $m** | 2023 $m |
|---|---|---|
| Total assets | **15.4** | 14.0 |
| Total liabilities | **(8.0)** | (6.5) |
| **Net assets** | **7.4** | 7.5 |
| | | |
| **Reconciliation to carrying amounts:** | | |
| Opening net assets | **7.5** | 6.8 |
| Profit for the period | **0.8** | 1.7 |
| Dividends paid | **(0.9)** | (1.0) |
| **Closing net assets** | **7.4** | 7.5 |
| | | |
| Group's share in % | **50%** | 50% |
| Group's share in $ | **3.7** | 3.8 |
| **Carrying amount** | **3.7** | 3.8 |

Investment in the joint venture at 30 June 2024 and 30 June 2023 is non-current.

*Recognition and measurement*

The Group's investment in the joint venture is accounted for under the equity method in the Group financial statements as it has joint control over all operational decisions and activities.

Under the equity method, the investment in the joint venture is initially recognised at cost and the carrying value is subsequently increased or decreased by the Group's share of the joint venture entity's profits or losses. The Group ceases to recognise its share of losses when its share of net assets and amounts due from the joint venture entity has been reduced to nil, unless it has incurred further obligations.

Share of gains or losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Dividends received or receivable from the joint venture entity are recognised as a reduction to the carrying amount of the investment.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and it's carrying value.

## 4.11 Commitments and contingent liabilities

### (a) Outstanding loan and credit facility commitments not provided for

Loans approved but not advanced and credit facilities undrawn at the end of the financial year were as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $m** | 2023 $m | **2024 $m** | 2023 $m |
| Loans approved not advanced[1] | **527.8** | 435.9 | **527.8** | 435.9 |
| Undrawn overdrafts and credit facilities at call | **204.1** | 212.2 | **204.1** | 212.2 |
| | **731.9** | 648.1 | **731.9** | 648.1 |

[1]The prior year balances have been adjusted for consistency with the current year disclosures that reflected updated information.

### (b) Capital commitments

At 30 June 2024 and 30 June 2023, the Group had no commitments relating to plant and equipment acquisitions.

### (c) Superannuation commitments

The Bank contributes to a number of defined contribution superannuation funds, which provide benefits for employees on retirement, death or disability. Employees may contribute additional amounts of their gross income to their respective superannuation fund. The Bank has no financial interest in any of the funds and is not liable for their performance or their obligations.

## 4.12 Remuneration of auditor

The auditor of the Group is KPMG.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2024 $'000** | 2023 $'000 | **2024 $'000** | 2023 $'000 |
| Amounts received or due and receivable by KPMG for: | | | | |
| *Audit services* | | | | |
| Audit of financial statements | **535.2** | 497.3 | **501.1** | 461.6 |
| Other regulatory and audit services | **204.6** | 172.3 | **181.1** | 147.0 |
| Total audit services | **739.8** | 669.6 | **682.2** | 608.6 |
| *Audit related services* | **165.9** | 245.2 | **165.9** | 245.2 |
| *Non-audit services* | | | | |
| Environmental, social and governance (ESG) advisory support | **-** | 77.1 | **-** | 77.1 |
| Total non-audit services | **-** | 77.1 | **-** | 77.1 |
| Total auditor's remuneration | **905.7** | 991.9 | **848.1** | 930.9 |

Other regulatory and audit services include costs related to breach reporting obligations.




# Notes to the financial statements
For the year ended 30 June 2024


## 4.13 Insurance governance and capital management

**Credicorp Insurance Pty Ltd**

*Insurance governance*

General insurance contracts are defined as contracts under which Credicorp Insurance accepts significant insurance risk from another party by agreeing to compensate the party insured from a specified uncertain event.

On 17 September 2019, the Credicorp Insurance Board approved the decision of Credicorp Insurance to stop selling consumer credit insurance products.

The business continues to be in run-off and as at 30 June 2024, the financial position and performance is not significant to the Group.

## 4.14 Events subsequent to reporting date

*New securitisation trust*

On 18 July 2024, the Bank established a new securitisation trust: Series 2024-1 Harvey Trust. The Series 2024-1 Harvey Trust was formed acquiring loans from the Bank and Harvey Warehouse Trust No.4 amounting to $285.5 million and $714.2 million, respectively. The acquisition of these loans was funded through the issuance of floating rate notes. Securitisation transactions of this nature are ordinary in the course of business for the Bank.

The Group has not identified any subsequent events that would require adjustments to the amounts or disclosures in the financial statements.

## 5. Accounting policies and new accounting standards

### 5.1 Other accounting policies

#### (a) Basis of consolidation

These financial statements comprise the financial statements of the Bank and all of its controlled entities (the Group). Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All inter-company balances and transactions between entities in the Group, including any unrealised profit or losses, have been eliminated on consolidation. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same accounting period as the Bank.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

#### (b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### (c) Impairment of non-financial assets (intangible assets, property, plant and equipment and right-of-use assets)

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### (d) Loyalty program

The Bank participates in a Customer Loyalty Program operated by a third party. The program allows credit card holders to accumulate points when they transact with their credit card. The third party is paid for points redeemed by the credit card holders in exchange for rewards supplied. The Bank has fulfilled its obligations to the credit card holders when the points are granted and recognises revenue from the points for fees arising from the card transactions. Revenue is measured gross of the amount payable to the third party as the Bank is collecting the revenue on its own account. The amount payable to the third party is measured based on the fair value of the points and the redemption rate estimated.



Notes to the financial statements
For the year ended 30 June 2024

### 5.2 New accounting standards

#### (a) New Australian Accounting Standards and amendments to accounting standards that were effective as of 1 July 2023

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2023:

- AASB 17: *Insurance Contracts*
- AASB 2020-1/ AASB 2020-6 Amendments to Australian Accounting Standards: *Classification of Liabilities as Current or Non-current - Deferral of Effective Date*
- AASB 2021-2: *Disclosure of accounting policies and definition of accounting estimates*
- AASB 2021-5 Amendments to Australian Accounting Standards: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2021-6 Amendments to Australian Accounting Standards: *Disclosure of Accounting Policies: Tier 2 and other accounting standards*
- AASB 2022-1 Amendments to Australian Accounting Standards: *Initial Application of AASB 17 and AASB 9 - Comparative Information*
- AASB 2023-2 Amendments to Australian Accounting Standards: *International Tax Reform - Pillar Two Model Rules*

The application of these standards and amendments do not materially impact the annual consolidated financial statements.

#### (b) New accounting standards and amendments to accounting standards and interpretations that are yet to be effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been early adopted by the Group for the annual reporting period ended 30 June 2024 are outlined below. Based on preliminary assessments and other than as disclosed below, management does not expect significant impacts to arise from these standards and interpretations subject to the Group's further detailed analysis and assessment process.

| Standard Reference: AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements | Application Date: 1 January 2024*<br>Application Date for the Group: 1 July 2024* |
|---|---|
| **Nature of Change**<br>• The standard amends AASB 107 Statement of Cash Flows and AASB 7 Financial Instruments: Disclosures to provide additional information about an entity's supplier finance arrangements and how they affect its liabilities, cash flows and exposure to liquidity risk.<br>**Impact to the Group**<br>• Management are not expecting any material impacts on the Group. | |

## 5.2 New accounting standards (continued)

### (b) New accounting standards and amendments to accounting standards and interpretations that are not yet effective (continued)

| Standard Reference: AASB 2023-3 Amendments to Australian Accounting Standards - Disclosure of Non-current Liabilities with Covenants: Tier 2 | Application Date: 1 January 2024*<br>Application Date for the Group: 1 July 2024* |
|---|---|

**Nature of Change**

- The standard amends AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities to improvement information about liabilities arising from loan arrangements which may be deferred subject to covenants in loan arrangements.

**Impact to the Group**

- Management are not expecting any material impacts on the Group.

| Standard Reference: AASB 2021-7 Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections | Application Date: 1 January 2025*<br>Application Date for the Group: 1 July 2025* |
|---|---|

**Nature of Change**

- The amendments defer the mandatory effective date of amendments to AASB 10 and AASB 128 originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures so that the amendments are required to be applied on or after 1 January 2025 instead of 1 January 2022.

**Impact to the Group**

- Management are not expecting any material impacts on the Group.

| Standard Reference: AASB 18: Presentation and Disclosure in the Financial Statements | Application Date: 1 January 2027*<br>Application Date for the Group: 30 June 2028* |
|---|---|

**Nature of Change**

- The new standard on presentation and disclosure in financial statements focuses on significant updates to the statement of profit or loss and greater disaggregation of information to enable greater transparency, comparability and consistency on how financial measures are communicated.

- The new key concepts relate to the structure of the statement, required disclosures for certain profit or loss performance measures that are reported outside an entity's financial statements (management-defined performance measures) and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

**Impact to the Group**

- Management will analyse the requirements of AASB 18, and evaluate data, systems, process, control and reporting considerations in order to transition to the new standard.

*Designates the beginning of the applicable annual reporting period unless the Group opt for early adoption where permitted by the standard.



# Consolidated entity disclosure statements
For the year ended 30 June 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001* (s.295(3A)(a)).

| Name of entity | Type of entity | Country of Incorporation | % of share capital held directly or indirectly by the Company in the body corporate | Australian or foreign tax resident | Jurisdiction for Foreign tax resident |
|---|---|---|---|---|---|
| Credicorp Finance Pty Ltd | Body corporate | Australia | 100% | Australian | n/a |
| Credicorp Insurance Pty Ltd | Body corporate | Australia | 100% | Australian | n/a |
| CUA Management Pty Ltd | Body corporate | Australia | 100% | Australian | n/a |
| Series 2012-1R Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2013-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2015-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2017-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2018-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2021-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Series 2023-1 Harvey Trust | Trust | Australia | N/A | Australian | n/a |
| Harvey Warehouse Trust No. 4 | Trust | Australia | N/A | Australian | n/a |
| Harvey Warehouse Trust No. 5 | Trust | Australia | N/A | Australian | n/a |

### Key assumptions and judgements

Determination of Tax Residency

Section 295 (3A) of the *Corporations Act 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the *Income Tax Assessment Act 1997*.

In determining that all entities have Australian tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency
  The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in *Tax Ruling TR 2018/5*.

  All entities within the disclosure statement have been incorporated (where applicable) in Australia, operate their business within Australia, and have their central management and control within Australia.

## Directors' declaration

In the opinion of the Directors of Credit Union Australia Ltd (trading as Great Southern Bank) (the Bank):

(a) the financial statements and notes of the Bank and of the Group as set out on pages 75 to 142, are in accordance with the *Corporations Act 2001*, including:

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

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

(b) the consolidated entity disclosure statement as at 30 June 2024 set out on page 143 is true and correct; and

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

The Directors draw attention to Note 1.2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

| | |
|---|---|
| Nigel Ampherlaw<br>Chairman | Mark Hand<br>Director |

Brisbane
28 August 2024



# Independent Auditor's Report

## To the Members of Credit Union Australia Limited (trading as Great Southern Bank) (the Bank)

### Opinion

We have audited the consolidated ***Financial Report*** of Credit Union Australia Limited (trading as Great Southern Bank) (the ***Group Financial Report***). We have also audited the Financial Report of Great Southern Bank (the ***Bank Financial Report***).

In our opinion, each of the accompanying Group Financial Report and Bank Financial Report gives a true and fair view, including of the ***Group's and the Bank's*** financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective ***Financial Reports*** of the ***Group*** and the ***Bank*** comprises:

- Balance Sheets as at 30 June 2024;
- Income statements, Statements of comprehensive income, Statements of changes in members' funds and Statements of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Credit Union Australia Limited (trading as Great Southern Bank) (the ***Bank***) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

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

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

We are independent of the Group and Bank 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 fulfilled our other ethical responsibilities in accordance with these requirements.

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## Other Information

Other Information is financial and non-financial information in Great Southern Bank's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the



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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

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.

KPMG

KPMG

Scott Guse

*Partner*

Brisbane

28 August 2024

## Credit Union Australia Ltd (trading as Great Southern Bank)

ABN: 44 087 650 959
AFSL: 238 317
Registered office:
Level 27, 300 George Street,
Brisbane QLD 4000

## Credicorp Insurance Pty Ltd

ABN: 50 069 196 756
AFSL: 238 335
Registered office:
Level 27, 300 George Street,
Brisbane QLD 4000

## CUA Management Pty Ltd

ABN: 60 010 003 853
AFSL: 221 896
Registered office:
Level 27, 300 George Street,
Brisbane QLD 4000

Great Southern Bank

greatsouthernbank.com.au