Financial Report

2024

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Annual Financial Report 2024

Contents

Hume Bank Limited

ABN 85 051 868 556 | AFSL and Australian Credit Licence 244248

Directors' Report
for the year ended 30 June 2024

The directors of Hume Bank Limited present their report, together with the financial statements of the consolidated entity, being Hume Bank Limited ('the Company') and its controlled entity ('the Group') for the financial year ended 30 June 2024.

1. Directors

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

Name and Qualifications	
Kerry Merle Grigg BCom, MCom (Hons) with Distinction, PhD, GAICD	**Independent:** Yes **Term of office:** Non-executive director since July 2017 and Chairperson of the Board since November 2023 **Skills, experience and expertise:** Kerry is the Managing Director at Multiple, a global consulting firm supporting organisations drive transformation and change through their people strategy. In previous roles, she held senior global roles across a diverse range of sectors including pharmaceuticals, global shipping and logistics and fast-moving consumer goods. Kerry is a former member of the Wodonga Institute of TAFE Board and is a former academic at Charles Sturt University (Albury Campus) and Monash University (Caulfield Campus) in the disciplines of strategy, management and human resource management. She has studied, worked, and raised a family in Albury for over forty years and has strong connections with the Hume Bank region. **Hume Bank Board Committee Membership:** • Member of the Remuneration and Succession Committee • Member of the Risk Committee
Michael Conrad Gobel BSc, MAppFin, GAICD	**Independent:** Yes **Term of office:** Non-executive director since November 2012, Chairperson of the Board from November 2013 to October 2016 and December 2020 to November 2023, Deputy Chairperson from November 2012 to November 2013 and November 2016 to December 2020 **Skills, experience and expertise:** Michael is an experienced equity funds manager and has provided strategic financial advice to the private business sector, major domestic and international investment funds. Michael also has extensive experience working in capital markets where he has advised and structured numerous debt and equity issues for government and semi government agencies, ASX listed companies including banks and financial institutions. Michael plays an active role in North East Victoria regional development, having been on a number of regional, commonwealth, state government, educational and private sector boards and advisory committees. **Hume Bank Board Committee Membership:** • Member of the Audit Committee from November 2023 • Member of the Remuneration and Succession Committee • Member of the Risk Committee until August 2023

Name and Qualifications	
Kent Bernard Griffin BEc (Actuarial Studies), FIAA, GAICD	**Independent:** Yes **Term of office:** Non-executive director since November 2018 **Skills, experience and expertise:** Kent is the Chief Executive Officer and Managing Director at MLC Life Insurance and brings both corporate leadership and consulting experience within the financial services sector across Australia, Europe, and Asia. Kent comes to Hume Bank with a broad-ranging skillset and strengths in leadership, strategy, actuarial, risk, treasury, investor relations and regulatory and capital management in the life insurance, wealth management and banking sectors. Kent is currently a director of the Council of Australian Life Insurers. **Hume Bank Board Committee Membership:** • Chairperson of the Risk Committee • Member of the Audit Committee
Paul Carrington McGill BSc (Melb), (Biotechnology & Economics), GAICD	**Independent:** Yes **Term of office:** Non-executive director since July 2016 **Skills, experience and expertise:** Paul has worked for or advised ASX200 listed companies, small to medium private enterprises, not for profits and social enterprises and advised government at a local, state and federal level. He has worked across a range of private and public sectors including energy, telecommunications, technology, biotechnology, banking, wealth management, arts, culture and tourism. His career began in the energy and fast moving goods sectors, before transitioning to management consulting and advisory roles with PwC and Deloitte and then setting up in private practice. Paul has advised boards and executives on a broad range of areas including purpose and impact, strategy, business transformation and governance. Paul has a deep and enduring connection to Hume Bank's home markets. In 2009 he moved with his partner from Melbourne to North East Victoria to be closer to family. Together they raised their two children, living and working in the region until early 2024 before relocating to Adelaide to support Paul's ageing mother. **Hume Bank Board Committee Membership:** • Member of the Audit Committee • Member of the Remuneration and Succession Committee
Patricia Montague BA (Pure Math and Economics), Dip. Marketing, GAICD, GAIST	**Independent:** Yes **Term of office:** Non-executive director since November 2023 **Skills, experience and expertise:** Patricia has over 30 years senior management experience in financial services, with significant depth in retail and business banking. Patricia brings transformational leadership, risk governance and commercial acumen gained from working in ASX100 companies. Her affinity with regional and local communities means she understands the importance local banking plays in serving the needs of the community. Patricia is also the Chair of TRM, trustee board for Russell Investments Group. **Hume Bank Board Committee Membership:** • Chairperson of the Remuneration and Succession Committee • Member of the Risk Committee

Name and Qualifications	
Dagmar Gisela Neumann Equiv. BSc, GAICD	**Independent:** Yes **Term of office:** Non-executive director since March 2022 **Skills, experience and expertise:** Dagmar is an experienced non-executive director, consultant and former C-Suite technology executive, with deep expertise in digital transformation and operational excellence. She has worked across geographies and various industry sectors, including financial services, with a focus on optimising digital investments to build new business capability and enabling revenue growth. She is passionate about being an authentic people leader, supporting new operating models and environments that foster collaboration, innovation, and lateral thinking. Dagmar is currently on the board of the Australian Bridge Federation and Chair of the Bridge NSW People and Governance Committee. **Hume Bank Board Committee Membership:** • Member of the Risk Committee • Member of the Audit Committee
Kay Denise Thawley BBus, GAICD	**Independent:** Yes **Term of office:** Non-executive director from August 2014 until September 2023 **Skills, experience and expertise:** Kay is a professional company director after an executive career in financial services. Kay previously held senior executive roles with National Australia Bank domestically and offshore, was a partner with Deloitte in financial services and risk and was Chief Executive Officer of Industry Fund Services. In addition to financial services, Kay's board experience includes local government and tertiary education. **Hume Bank Board Committee Membership:** • Member of the Audit Committee to September 2023 • Member of the Risk Committee to September 2023
Tina Wyer BCom Acct & IS, Chartered Accountant, GAICD	**Independent:** Yes **Term of office:** Non-executive director since August 2022 **Skills, experience and expertise:** Tina is a seasoned data and technology strategy advisor with over two decades of international C-suite experience, specialising in driving and implementing significant change and transformation initiatives across business, technology, and data domains. In her roles as a non-executive director and chair, Tina is dedicated to 'future-proofing' commercial, non-profit, and start-up boards. She applies insights from her extensive experience in international financial services, gained in the United States, Australia, and Singapore, offering a uniquely valuable perspective on business functions, regulatory environments, control frameworks, and opportunities across diverse disciplines, geographies, and cultures. Additionally, Tina is the founder of Unbeatable You, an organisation with a dual focus on supporting next-generation leaders and promoting the sustainability of our planet. She draws on her successes in the international corporate arena to inspire, guide, and advise the change-makers of tomorrow. **Hume Bank Board Committee Membership:** • Chair of the Audit Committee • Member of the Risk Committee

2. Meetings of directors

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Director	Board		Risk Committee		Audit Committee		Remuneration & Succession Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Kerry Grigg	11	11	3	3	3	3	5	5
Michael Gobel	9	11	1	1	3	3	4	5
Kent Griffin	10	11	4	4	5	5	-	-
Paul McGill	11	11	-	-	5	5	5	5
Patricia Montague	7	7	2	3	-	-	4	4
Dagmar Neumann	10	11	4	4	2	2	1	1
Kay Thawley	3	3	-	-	2	2	-	-
Tina Wyer	11	11	4	4	5	5	-	-

A - Number attended **B –** Number eligible to attend

3. Company secretary

Ms Ruth McClelland Ruth was appointed joint Company Secretary effective 15 July 2024.

Mr Akbar Shah Akbar was appointed Company Secretary effective 5 April 2024.

Ms Stacey Hogarth Stacey was appointed Company Secretary effective 12 February 2024 to 5 April 2024.

Mr Richard Hobson Richard was appointed Company Secretary effective 16 October 2023 to 12 February 2024.

Ms Janelle Stein Janelle was appointed Company Secretary effective 26 July 2023 to 17 October 2023.

Mr Joshua Wolff Joshua was appointed Company Secretary effective 24 June 2022 to 2 August 2023.

4. Corporate governance statement

The Board's primary responsibility is to the members of the Company to maintain the Company's success. It sets the strategic direction for the Group, participates in the development of the strategic plan and has authority for its approval.

It also approves the annual budget and has responsibility for the appointment, remuneration and performance appraisal of the Chief Executive Officer. The Board delegates responsibility for the management of the Group to the Chief Executive Officer and senior management.

The Board generally meets on a monthly basis and conducts an annual evaluation of its own performance and that of individual directors. An allowance is made for professional development of all directors and, to assist the Board in the execution of its responsibilities, the Board has established committees as noted below.

5. Committees of directors

Audit Committee

The Audit Committee is a Board appointed committee comprising of five non-executive directors. Its principal responsibility is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Group's financial reporting, internal control system, risk management framework and internal and external audit functions. The Chief Executive Officer, Chief Financial Officer, Internal Auditor and External Auditors are invited to attend meetings however the committee may meet without them. The Audit Committee is chaired by Tina Wyer.

Risk Committee

The Risk Committee is a Board appointed committee comprising of four non-executive directors. Its principal responsibilities are to assist the Board to fulfil its oversight responsibilities in relation to the implementation and operation of the Group's risk management framework and the review of policies which are required under the Group's risk management framework. The Risk Committee also makes recommendations to the Board based on the Group's risk appetite. The Chief Executive Officer will generally attend meetings and the Chief Risk Officer must attend relevant sections of meetings; however, the committee may meet without management. The Risk Committee is chaired by Kent Griffin.

Remuneration & Succession Committee

The Remuneration and Succession Committee is a Board appointed committee operating with up to four non-executive directors. It is responsible for reviewing the performance of the Chief Executive Officer and making recommendations to the Board regarding their remuneration. It reviews appraisals and remuneration recommendations for executive management submitted by the Chief Executive Officer and the Remuneration and Reward Policy which establishes staff remuneration structures. It also develops board succession planning for consideration by the Board. The Remuneration and Succession Committee is chaired by Patricia Montague.

6. Principal activities

The principal activities of the Group during the course of the financial year were those of an Authorised Deposit-taking Institution (ADI) providing financial products and services to its members.

There were no significant changes in the nature of these activities during the period.

7. State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

8. Review and results of operations

The Group achieved a profit before income tax of $10.557 million for the year (2023 - $11.539 million). Net profit after income tax was $7.033 million (2023 - $7.989 million). The result was supported by strong business performance which was highlighted by an increase in gross lending assets of $170 million. The result was also favourably impacted by increased margins as a result of higher interest rates. Gross loans and advances outstanding at 30 June 2024 were $1.591 billion (2023 - $1.421 billion) and deposits were $1.816 billion (2023 - $1.614 billion).

9. Events subsequent to reporting date

The Group entered into a binding agreement to sell its commercial property located at 79 Sanger St, Corowa as shown in note 27 of the financial statements.

10. Likely developments

There are no known likely developments at the date of this report that will impact on the operations of the Group in a material way.

11. Directors' benefits

During or since the end of the financial year, no director of the Group has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of compensation paid or payable to key management personnel as shown in note 22 of the financial statements) by reason of a contract entered into by the Group (or an entity that the Group controlled, or a body corporate that was related to the Group when the contract was made, or when the director received, or became entitled to receive, the benefit) with:

- a director,
- a firm of which a director is a member, or
- an entity in which a director has a substantial financial interest except those outlined in note 22 to the financial statements.

12. Lead auditor's independence declaration

The auditor's independence declaration is set out on page 10 and forms part of the Directors' report for the financial year ended 30 June 2024.

13. Indemnification and insurance of Officers and Auditors

The Company has agreed to indemnify any past, present, or future director, secretary or officer of the Company in respect of liabilities to other persons (other than the Company) that may arise from their position as director, secretary or officer of the Company, except where the liability arises out of conduct involving a lack of good faith, negligent or fraudulent behaviour. The Company has entered into an insurance policy to cover the Company's liability under the indemnity. The insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

The Company has not indemnified its auditors, Crowe Albury.

14. Rounding

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

Signed in accordance with a resolution of the directors:

Kerry Grigg

Kerry Grigg
Board Chairperson
Signed on 18 September 2024

Tina Wyer

Tina Wyer
Audit Committee Chairperson
Signed on 18 September 2024

Crowe Albury
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PO Box 500
Albury NSW 2640 Australia
Main 02 6021 1111
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Auditor Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Hume Bank Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2024 there have been no contraventions of:

(1) The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(2) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hume Bank Limited and the entities it controlled during the financial year ended 30 June 2024.

Crowe Albury

Crowe Albury

Alison Flakemore,
Partner

18 September 2024, Albury

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Income			
Interest income	3	**90,922**	58,596
Interest expense	3	**(50,752)**	(18,644)
Net interest income		**40,170**	39,952
Other revenue	3	**5,961**	5,205
Total income		**46,131**	45,157
Expenses			
Operating expenses	4	**(35,541)**	(33,422)
Credit impairment write-back/(charge)	10	**(33)**	(196)
Total expenses		**(35,574)**	(33,618)
Profit before income tax expense		**10,557**	11,539
Income tax expense	5	**(3,524)**	(3,550)
Net profit attributable to members		**7,033**	7,989
Other comprehensive income			
Items that will not be classified to profit or loss			
Revaluation of property		**223**	132
Income tax attributable to this item		**(20)**	(34)
Changes in fair value of equity instruments		**(11)**	36
Income tax attributable to this item		**3**	(20)
Total other comprehensive income net of tax		**195**	114
Total comprehensive income attributable to members		**7,228**	8,103

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

Statement of financial position

as at 30 June 2024

	Note	2024 $'000	2023 $'000
Assets			
Cash and cash equivalents	6	**68,875**	82,105
Investment securities	7	**345,058**	240,204
Other assets	8	**2,803**	8,447
Income tax receivable	5	**904**	-
Net loans and advances	9	**1,593,093**	1,422,650
Other investments	11	**418**	430
Derivatives	12	**61**	-
Property, plant and equipment	13	**7,409**	9,365
Investment property	13	**2,200**	2,170
Intangible assets	14	**3,503**	1,648
Deferred tax assets	5	**677**	663
Total assets		**2,025,001**	1,767,682
Liabilities			
Deposits	15	**1,816,059**	1,614,312
Other liabilities	16	**38,314**	30,798
Income tax payable	5	**-**	862
Provisions	16	**2,893**	2,687
Borrowings	17	**56,484**	15,000
Total liabilities		**1,913,750**	1,663,659
Net assets		**111,251**	104,023
Members' funds			
Reserves	18	**2,943**	3,868
Retained earnings		**108,308**	100,155
Total members' funds		**111,251**	104,023

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

Statement of changes in members' funds

for the year ended 30 June 2024

	Note	Retained earnings $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Financial asset reserve $'000	General reserve for credit losses $'000	Total reserves $'000	Total member funds $'000
For the year ended 30 June 2024								
Opening balance as at 1 July 2023		**100,155**	**594**	**3,116**	**158**	**-**	**3,868**	**104,023**
Net profit for the year		**7,033**	**-**	**-**	**-**	**-**	**-**	**7,033**
Other comprehensive income		**-**	**-**	**203**	**(8)**	**-**	**195**	**195**
Transfers to/(from) reserves		**1,120**	**(594)**	**(526)**	**-**	**-**	**(1,120)**	**-**
As at 30 June 2024	18	**108,308**	**-**	**2,793**	**150**	**-**	**2,943**	**111,251**
For the year ended 30 June 2023								
Opening balance as at 1 July 2022		90,137	594	3,018	142	2,029	5,783	95,920
Net profit for the year		7,989	-	-	-	-	-	7,989
Other comprehensive income		-	-	98	16	-	114	114
Transfers to/(from) reserves		2,029	-	-	-	(2,029)	(2,029)	-
As at 30 June 3023	18	100,155	594	3,116	158	-	3,868	104,023

The statement of statement of changes in members' funds is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Interest received		**90,612**	57,501
Interest paid		**(48,711)**	(13,028)
Other revenue received		**11,578**	3,070
Payments to suppliers and employees		**(27,369)**	(22,846)
Fees and commissions paid		**(673)**	(399)
Income tax paid		**(5,365)**	(2,505)
Cash flows from operating activities before changes in operating assets and liabilities		**20,072**	21,793
(Increase)/decrease in operating assets			
Net increase in balance of loans and advances		**(170,476)**	(228,507)
Net decrease/(increase) in balance of investment securities		**(104,915)**	68,412
Increase in operating liabilities			
Net increase in balance of deposits		**201,747**	126,883
Net increase in balance of borrowings		**41,484**	-
Net cash flows used in operating activities	19	**(12,088)**	(11,419)
Cash flows from investing activities			
Cash paid for property, plant and equipment		**(114)**	(308)
Cash proceeds from sale of property, plant and equipment		**2,376**	34
Cash paid for intangible assets		**(2,884)**	(1,621)
Net cash flows used in investing activities		**(622)**	(1,895)
Cash flows from financing activities			
Repayment of lease liabilities		**(520)**	(529)
Net cash flows used in financing activities		**(520)**	(529)
Net decrease in cash held		**(13,230)**	(13,843)
Cash at the beginning of the year		**82,105**	95,948
Cash at the end of the year	6	**68,875**	82,105

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

Notes to the financial statements (continued)

for the year ended 30 June 2024

Notes to the financial statements (continued)

for the year ended 30 June 2024

1 Reporting entity

Hume Bank Limited (the 'Company') is a company limited by shares and guarantee domiciled in Australia. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards. No shares have been issued. The address of the Company's registered office is 492 Olive Street, Albury, NSW, 2640.

These consolidated financial statements ('financial statements') comprise Hume Bank Limited, the ultimate parent Company, and its subsidiary (together, the 'Group'). The Group is primarily involved in retail banking.

2 Basis of preparation

1. Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 18 September 2024.

2. Basis of measurement

The financial statements are presented in Australian dollars.

The financial statements are prepared on an accruals basis, and are based on historical costs, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Refer to paragraph 6 of this note for new standards applicable for the current year.

3. Use of estimates and judgements

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Notes 10 and 13 – Impairment of assets
- Notes 13 – Fair value of land and buildings
- Note 14 – Estimation of useful life and assessment of future economic benefit of intangible assets; and
- Note 25 - Fair value of financial instruments

Appropriate judgement has been exercised in considering the impacts the economic environment has had, or may have, on the Group based on known information. The consideration extends to the nature of the products and service offered, customers, staffing and geographic regions in which the Group operates. The key estimates and judgements are detailed in note 13 (regarding fair value of land and buildings) and note 10 (regarding expected credit loss on loans to members).

4. Going concern

The Group continues to undertake a significant amount of scenario testing and forecasting to provide comfort that there is no material uncertainty in terms of the Group as a "going concern". The scenario testing undertaken indicates that key metrics such as capital adequacy and liquidity are able to be maintained at levels above both statutory requirements and internal targets over the forecast period.

5. Consolidation of RBA repurchase securitisation trust

Hume Bank Limited is the beneficiary of a trust which holds rights to a portfolio of residential mortgage secured loans to enable the Company to secure funds from the Reserve Bank of Australia (RBA), if required, to meet emergency liquidity requirements. The Company continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly:

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

Notes to the financial statements (continued)

for the year ended 30 June 2024

2 Basis of preparation (continued)

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

The subsidiary member of the Group is known as the Murray Trust Repo Series No. 1.

6. New standards applicable for the current year

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. There has been no material impact resulting.

The Group has adopted the amendments to AASB 101 Presentation of Financial Statements which require only the disclosure of material accounting policy information rather than significant accounting policies and therefore policy information which does not satisfy one of the following requirements has been removed from these financial statements:

- Relates to change in accounting policy.
- Policy has been developed in the absence of an explicit accounting standard requirement.
- Documents an accounting policy choice.
- Relates to an area of significant judgement of estimation
- Relates to a complex transaction and is required to explain the treatment to the user

7. New accounting standards and interpretations not yet adopted

There are no new accounting standards or interpretations expected to have any significant impact on the Group's financial report that are issued and not yet applicable.

3 Income

Recognition and measurement

Income is recognised when it is likely that the economic benefits will be received by the Group and the amount can be measured reliably. Revenue is reported net of goods and services tax (GST). Revenue is not recognised if there are significant uncertainties about the recovery of the consideration or if the costs incurred or to be incurred cannot be measured reliably.

Interest income

Interest income on loans is calculated based on the daily outstanding balance and charged monthly in arrears to the customer's account. This interest income is recognised in the statement of profit or loss as it accrues, utilising the effective interest rate method. Loan establishment fees and costs, including upfront broker commissions, are also factored into the effective interest rate and amortised over the average loan term.

For revolving credit facilities, due to their short-term nature and reviewability, all related fees and costs, including establishment fees, are recognised when the service is rendered.

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

Interest expense

Interest payable on customer deposits is calculated daily on the outstanding balance and credited periodically in arrears. This interest expense is recognised in the statement of profit or loss as it accrues, employing the effective interest rate method. Interest on borrowings is also calculated on an accrual basis using the effective interest method.

	2024 $'000	2023 $'000
Interest income		
Deposits with other financial institutions	**2,172**	3,807
Investment securities	**13,603**	7,422
Loans and advances	**75,147**	47,367
Total interest income	**90,922**	58,596
Interest expense		
Borrowings from other financial institutions	**1,492**	867
Deposits	**49,209**	17,724
Leases	**51**	53
Total interest expense	**50,752**	18,644
Total net interest income	**40,170**	39,952
Other revenue		
Fees	**2,795**	2,836
Commissions	**1,990**	2,102
Net gain from sale of assets	**307**	-
Other income	**869**	267
Total other revenue	**5,961**	5,205
Total income	**46,131**	45,157

Notes to the financial statements (continued)

for the year ended 30 June 2024

4 Operating expenses

Recognition and measurement

Operating expenses

Operating expenses are costs incurred by the Group during its normal course of operations to generate revenue. Operating expenses are recognised when the related economic benefits are consumed, in accordance with the principles of accrual accounting. Operating expenses are measured at fair value at the time they are incurred and are recorded in the statement of profit or loss.

Wages, salaries and related staff expenses

Wages, salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of the employees providing the service are measured at their nominal amounts, using the remuneration rates the Group anticipates paying when the liabilities are settled.

For long-term service benefits, the Group's net obligation is the future benefit employees have earned for their service in the current and previous periods. The Group accrues these employee entitlements, such as long service leave, using an actuarial calculation. This calculation includes assumptions about staff turnover, leave usage, and future salary increases, and the resulting amount is discounted using market yields as of the reporting date.

	2024 $'000	2023 $'000
Staff expenses		
Salaries and related costs	**15,735**	14,249
Other staff related costs	**2,465**	2,101
Total staff expenses	**18,200**	16,350
Customer services		
Fees and commissions	**673**	399
Other product and service delivery expenses	**4,497**	4,568
Total customer services	**5,170**	4,967
Information technology services		
Information technology expenses	**3,320**	2,555
Depreciation and amortisation	**417**	409
Total information technology services	**3,737**	2,964
Occupancy expenses		
Depreciation of property, plant and equipment	**816**	837
Depreciation of right-of-use assets	**505**	507
Amortisation of leasehold improvements	**112**	116
Loss on disposal of assets	**-**	222
Other occupancy expenses	**1,000**	941
Total occupancy expenses	**2,433**	2,623
Other expenses		
Marketing expenses	**988**	1,205
Other administrative expenses	**5,013**	5,313
Total other expenses	**6,001**	6,518
Total operating expenses	**35,541**	33,422

5 Taxation

Recognition and measurement

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are 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.

Good and services tax (GST)

As a financial institution the Group is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guideline 2017/15 from 1 July 2017. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements (continued)

for the year ended 30 June 2024

5 Taxation (continued)

	2024 $'000	2023 $'000
Income tax expense		
Accounting profit before income tax	**10,557**	11,539
Prima facie tax on accounting profit before tax	**3,167**	3,461
Increase/(decrease) income tax expense due to:		
Non-deductible expenses	**1,500**	1,276
Other deductible expenses	**(1,124)**	(1,450)
Adjustment to deferred tax assets	**(29)**	270
Prior period under/(over) provision	**10**	(7)
Income tax expense attributable to profit	**3,524**	3,550
Franking credits held at balance date	**48,143**	42,823
Income tax payable/(receivable)		
Balance at the beginning of the year	**862**	87
Income tax payable – current year	**3,543**	3,287
Increase/(decrease) income tax expense due to:		
Income tax paid – current year	**(4,447)**	(2,425)
Income tax paid – prior year	**(872)**	(80)
Prior period under/(over) provision	**10**	(7)
Balance at the end of the year	**(904)**	862
Deferred tax assets		
Other investments	**(64)**	(67)
Property, plant, equipment and intangible assets	**(1,045)**	(755)
Fair value adjustment on property, plant and equipment	**112**	33
Investment property	**(69)**	(59)
Provisions for employee entitlements	**868**	806
Provision for impairment of loans and advances	**502**	528
Leased assets	**15**	18
Fair value derivatives	**(18)**	-
Expenses not currently deductible	**376**	159
Net deferred tax assets	**677**	663

6 Cash and cash equivalents

Recognition and measurement

Cash and cash equivalents include cash on hand, cash at bank and deposits at call with other financial institutions. Cash and cash equivalents are measured at amortised cost with interest brought to account using the effective interest rate method. Cash equivalents are readily convertible to cash and are subject to an insignificant risk of change in value.

	2024 $'000	2023 $'000
Cash and cash equivalents		
Cash on hand	**61,844**	75,424
Cash at bank	**7,031**	6,681
Total cash and cash equivalents	**68,875**	82,105

7 Investment securities

Recognition and measurement

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

These are initially measured at fair value and subsequently measured at amortised cost. These have been assessed for impairment under AASB 9 'expected credit loss' (ECL) and no impairment is recognised.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of other assets in the statement of financial position.

	2024 $'000	2023 $'000
Investment securities		
Bank bills and certificates of deposit	**222,940**	105,929
Floating rate notes	**90,104**	113,264
Term deposits	**16,000**	13,011
Fixed rate bonds	**16,014**	8,000
Total investment securities	**345,058**	240,204

8 Other assets

Recognition and measurement

Sundry debtors are recognised initially at fair value and then subsequently measured at amortised cost using the effective interest rate method. Collectability of sundry debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified.

	2024 $'000	2023 $'000
Other assets		
Interest receivable	**1,864**	1,494
Sundry debtors	**939**	6,953
Total other assets	**2,803**	8,447

9 Net loans and advances

Recognition and measurement

Loans and advances

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

Loans and advances are measured at amortised cost using the effective interest rate method, after assessing required provisions for impairment.

The effective interest rate method requires origination fees and associated transaction costs to be capitalised as part of the loan balance and amortised over the expected life of the loan as part of the loan's effective interest rate. The expected life of the loan has been determined based on an analysis of the Group's loan portfolio.

The interest on loans and overdrafts is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. The interest on revolving credit cards is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the 15th day of each month. Purchases are granted up to 55 days interest free until the due date for payment.

Fees charged on loans after origination of the loan are recognised as income when the service are provided or costs are incurred.

All loans and advances are reviewed and graded according to the determined level of credit risk. The classification adopted is described below:

- Impaired loans – are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are made.
- Assets acquired through the enforcement of security – are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past-due loans – are loans where payments of principal and/or interest are at least 1 day or more in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in impaired loans.

Securitisation

The Company enters into securitisation transactions in which it transfers financial assets that are recognised on its statement of financial position. When the Company retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the statement of financial position; however, if substantially all the risks and rewards are transferred, the Company de-recognises the asset. Securitisation is the process of taking an illiquid asset, or group of assets, such as residential mortgages, and transforming it (or them) into a liquid security. The Company uses securitisation for funding and liquidity purposes. Details of the securitisation entered into by the Company are summarised in the following sections.

	2024 $'000	2023 $'000
Loans and advances		
Home loans	**1,493,682**	1,324,223
Commercial lending	**78,057**	76,772
Credit cards and revolving credit	**9,728**	9,238
Personal loans	**9,362**	11,090
Gross loans and advances	**1,590,829**	1,421,323
Less provision for impairment	**(1,674)**	(1,761)
Add net deferred loan fees	**3,938**	3,088
Net loans and advances	**1,593,093**	1,422,650

9 Net loans and advances (continued)

The Group established the Murray Trust Repo Series No.1 in 2014, an internal securitisation entity for the purpose of emergency liquidity support in the event of a systemic liquidity crisis. The Class A notes are currently eligible for repurchase by the Reserve Bank of Australia should the need arise. From time to time, the Company will top up the Murray Trust Repo Series No. 1 notes by securitising additional residential mortgages as existing loans pay down.

As there has been no transfer of the risks or rewards of ownership of the securitised loans and other relevant assets or liabilities, the Murray Trust Repo Series No.1 is consolidated within the Company, forming the Group.

	2024 $'000	2023 $'000
Securitised loans		
Securitised loans that do not qualify for derecognition	**372,545**	240,097

10 Impairment of loans and advances

Recognition and measurement

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

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'),
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Key assumptions in determining the ECL

Measurement of ECL

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

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)
- Discounting

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2024

10 Impairment of loans and advances (continued)

- LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.
- EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.
- Where appropriate, in calculating the ECL, future cash flows are discounted at the original effective interest rate of the exposure.

Grouping of similar assets

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

- Instrument type
- Collateral type
- LVR ratio for retail mortgages

The Group has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment models:

- Residential owner-occupied mortgages
- Residential investment mortgages
- Commercial loans
- Personal loans
- Credit cards and revolving credit

Stage 3 of the impairment model is assessed on an individual basis.

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

Significant increase in credit risk

In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in the Group's current model.

- Loans more than 30 days past due (excluding credit cards and overdrafts).
- Loans with more than 2 instances of arrears experience in the previous 12 months.
- Loans with approved hardship or modified terms.

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

10 Impairment of loans and advances (continued)

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

In determining whether the risk of default has increased significantly since recognition, the Group considers both quantitative and qualitative factors. These include when a loan has been past due more than 2 times within the last 12 months, when there has been a declaration of hardship and/or or the loan has been restructured, and when a loan is more than 30 days past due. Any declaration of hardship has also been considered for any significant increase in credit risk.

Incorporation of forward-looking information and sensitivity analysis

The uncertainty in the current environment introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses which could result in an understatement or overstatement.

Given the inherent difficulty of estimating the various impacts, the Group prepares a sensitivity analysis over the allowance for expected credit losses taking into consideration the following scenarios across the Group's loan portfolio. The scenarios, including its underlying indicators, have been developed using a combination of publicly available data, internal forecasts, and third-party information to form the base case scenario. These comprise:

- Base Case — this scenario is prepared using reasonable and supportable information that is relevant and available without undue cost or effort at balance date. The Group takes into consideration high-risk industry exposures and segmented these in the ECL overlay. Exposures take into consideration discounted security values. PD & LGD default rates for these segments in the overlay take into consideration expectations and possibilities regarding unemployment rates and property price declines.
- Downside Case — this scenario considers higher unemployment rates and consequent negative impacts to PD, along with additional high-risk industry inclusions.
- Upside Case – this scenario considers the currently stronger macro-economic conditions remain throughout the period with less impacted industries and consequent positive impacts to PD.

The results of the sensitivity analysis performed, taking into consideration a probability weighted average of each different scenario eventuating, show that the effect was material compared to the Group's Base Case allowance for expected credit losses. The Group has elected to use the Base Case to determine its expected credit loss allowance at 30 June 2024.

Given the economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possibilities. Government, business, and consumer responses could result in adjustments to the allowance in future periods.

	2024 $'000	2023 $'000
Credit expenses		
Expected credit loss allowance	**(79)**	65
Bad debts written off	**118**	140
Bad debts recovered	**(7)**	(9)
Total credit expenses	**33**	196

Notes to the financial statements (continued)

for the year ended 30 June 2024

10 Impairment of loans and advances (continued)

	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Movements in provisions and reserves				
Balance as at 1 July 2023	**1,164**	**217**	**380**	**1,761**
Transfers to/(from) during the year:				
Movement in Stages	**(4)**	**(23)**	**(74)**	**(101)**
New/increased provisions	**-**	**-**	**-**	**-**
Write-back of provisions no longer required	**-**	**-**	**-**	**-**
Changes in balances	**-**	**7**	**125**	**132**
Bad debts written off previously provided for	**-**	**-**	**(118)**	**(118)**
Balance as at 30 June 2024	**1,160**	**201**	**313**	**1,674**

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Movements in provisions and reserves				
Balance as at 1 July 2022	446	261	988	1,695
Transfers to/(from) during the year:				
Movement in Stages	-	(135)	(327)	(462)
New/increased provisions	197	24	12	233
Write-back of provisions no longer required	-	-	-	-
Changes in balances	521	67	(156)	432
Bad debts written off previously provided for	-	-	(137)	(137)
Balance as at 30 June 2023	1,164	217	380	1,761

11 Other investments

	2024 $'000	2023 $'000
Other investments		
Unlisted shares – Australian Settlements Limited	**317**	329
Subordinated debt – Australian Settlements Limited	**101**	101
Total other investments	**418**	430

12 Derivatives

Recognition and measurement

The Group may use derivatives such as interest rate swaps to manage its exposure to interest rate risk. Interest rate swaps relate to contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate. The Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Derivatives are recognised at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of derivatives is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

As at 30 June 2024 no cash flow hedging relationships existed and all derivatives were held for trading at fair value as described below.

	2024 $'000	2023 $'000
Fair Value of derivative financial assets		
Interest rate swaps – held for trading	**1,618**	-
Interest rate swaps - held as cash flow hedges	**-**	-
Total derivative financial assets	**1,618**	
Fair value of derivative financial liabilities		
Interest rate swaps – held for trading	**1,557**	-
Interest rate swaps - held as cash flow hedges	**-**	-
Total derivative financial liabilities	**1,557**	
Net fair value of derivatives held	**61**	-

	2024 $'000	2023 $'000
Notional amount of derivative financial assets		
Interest rate swaps – held for trading	**20,000**	-
Interest rate swaps - held as cash flow hedges	**-**	-
Total notional amount of derivatives held	**20,000**	**-**

	2024 $'000	2023 $'000
Maturity Period		
Less than one year	**-**	-
More than one year but less than two years	**10,000**	-
More than two years but less than five years	**10,000**	-
Five years or more	**-**	-
Total notional amount of derivatives held	**20,000**	-

Notes to the financial statements (continued)

for the year ended 30 June 2024

13 Property, plant and equipment

Recognition and measurement

Land and buildings

Land and buildings are initially measured at cost. The cost includes the purchase price, directly attributable costs, and, for buildings, the costs of bringing the asset to the location and condition necessary for its intended use. Directly attributable costs may include legal fees, survey costs, and transfer taxes.

Subsequent to initial recognition, land and buildings are revalued periodically by external independent valuers, less subsequent accumulated depreciation for buildings.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Assets with a purchase price less than $1,000 are not capitalised.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

Revaluation

Independent valuations for all land, buildings and investment properties were conducted in June 2024 by IPN Valuers Albury Wodonga Pty Ltd, accredited independent valuers. The valuers do not believe there has been a material movement in fair value since the previous valuation conducted in June 2023.

The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that could not reasonably have been aware of as at the date of valuation).

Refer to note 25 for further information on fair value measurement.

Land and buildings

Any revaluation increment is credited to the asset revaluation reserve in equity (refer note 18), except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

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

Investment property

Any gains or losses arising from a revaluation of an investment property are recognised in the profit or loss for the period in which it arises.

Depreciation

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

13 Property, plant and equipment (continued)

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

Category	Depreciation period
Buildings	40 years
Leasehold improvement	lease term
Plant and equipment	3 to 10 years
Right-of-use assets	lease term

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

Disposal

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and are recognised within non-interest income in profit or loss.

	Land and buildings[1] $'000	**Investment property[2] $'000**	**Leasehold improvement $'000**	**Plant and equipment $'000**	**Right-of-use assets $'000**	**Total $'000**
2024						
At cost / fair value	**5,620**	**2,200**	**1,540**	**5,710**	**2,064**	**17,134**
Accumulated depreciation	**-**	**-**	**(1,411)**	**(4,868)**	**(1,246)**	**(7,525)**
Carrying amount	**5,620**	**2,200**	**129**	**842**	**818**	**9,609**

	Land and buildings $'000	Investment property $'000	Leasehold improvement $'000	Plant and equipment $'000	Right-of-use assets $'000	Total $'000
2023						
At cost / fair value	6,850	2,170	1,540	8,235	2,330	21,125
Accumulated depreciation	-	-	(1,299)	(6,738)	(1,553)	(9,590)
Carrying amount	6,850	2,170	241	1,497	777	11,535

1 Includes land and building classified as held for sale at Corowa. Information relating to the subsequent sale of can be found in note 27.
2 Includes investment property held for sale at Rutherglen. The land and building is expected to be sold in the next financial year.

Notes to the financial statements (continued)

for the year ended 30 June 2024

14 Intangible assets

	Software $'000	Software under development $'000	Other intangibles $'000	Total $'000
2024				
At cost / fair value	**4,535**	**2,246**	**6**	**6,787**
Accumulated amortisation	**(3,284)**	**-**	**-**	**(3,284)**
Carrying amount	**1,251**	**2,246**	**6**	**3,503**

	Software $'000	Software under development $'000	Other intangibles $'000	Total $'000
2023				
At cost / fair value	5,613	-	4	5,617
Accumulated amortisation	(3,969)	-	-	(3,969)
Carrying amount	1,644	-	4	1,648

15 Deposits

Recognition and measurement

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

Interest is calculated daily on the deposit balance and is paid to the account periodically, or in the case of a term deposits, on maturity. Interest on deposits is calculated on an accrual balance. The amount of the interest accrual is shown as part of trade creditors and accruals.

	2024 $'000	2023 $'000
Deposits		
Call deposits	**1,144,611**	1,050,405
Term deposits	**671,448**	563,907
Total deposits	**1,816,059**	1,614,312

16 Other liabilities

Recognition and measurement

Trade creditors

Trade creditors and accruals are on contractual terms and are generally payable within one to three months. Trade creditors are recognised when the Group becomes a party to the contractual provisions of the purchase agreement.

Trade creditors are initially measured at fair value, which is typically the invoice amount. After initial recognition, trade creditors are measured at amortised cost using the effective interest method. If the payment terms are within the normal credit period, trade creditors are measured at their nominal amounts, as the impact of discounting is usually immaterial.

Accruals

Accruals are recognised when the Group has incurred an expense as of the reporting date, but the related invoice has not yet been received or processed.

Notes to the financial statements (continued)

for the year ended 30 June 2024

Accruals are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. This involves considering all relevant information, including past experience, contracts, and agreements. The amounts are recognised at their nominal values, as the time value of money is generally not significant for short-term obligations.

	2024 $'000	2023 $'000
Other liabilities		
Trade creditors and accruals	**29,376**	23,933
Interest payable	**8,070**	6,029
Leases	**868**	836
Total other liabilities	**38,314**	30,798
Provisions		
Provision for employee entitlements	**2,893**	2,687
Total provisions	**2,893**	2,687

17 Borrowings

Recognition and measurement

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as an expense in the period in which it is incurred. Interest payable is included in the amount of other liabilities in the statement of financial position.

	2024 $'000	2023 $'000
Borrowings		
Subordinated debt	**15,000**	15,000
Negotiable certificates of deposit	**41,484**	-
Total borrowings	**56,484**	15,000

18 Reserves

	2024 $'000	2023 $'000
Reserves		
Capital profits reserve[1]	**-**	594
Asset revaluation reserve[2]	**2,793**	3,116
General reserve for credit losses	**-**	-
Financial asset reserve[3]	**150**	158
Total reserves	**2,943**	3,868

1 The capital profits reserve includes the cumulative capital profits made on the disposal of properties previously held and has been transferred to retained earnings.
2 The asset revaluation reserve includes gains made on property when a revaluation is carried out in line with Group policy.
3 The financial asset reserve includes gains made on financial assets when a revaluation is carried out in line with Group policy

Notes to the financial statements (continued)

for the year ended 30 June 2024

19 Cash flow statement reconciliation

	2024 $'000	2023 $'000
Profit after tax	**7,033**	7,989
Adjustments for non-cash items		
Impairment of loans and advances	**33**	196
Depreciation (including leasehold improvements)	**1,433**	1,460
Amortisation of intangible assets	**417**	409
Provision of employee benefits	**243**	37
(Profit)/loss on disposal of plant and equipment	**(210)**	100
(Profit)/loss on disposal of other investments	**(159)**	122
Fair value adjustments	**(30)**	-
Changes in assets and liabilities		
Increase in interest payable	**(370)**	(1,096)
(Increase)/decrease in other receivables	**6,015**	(2,135)
Increase in interest payable	**2,041**	5,616
Increase/(decrease) in income tax payable	**(1,766)**	775
Increase in other payables	**5,443**	7,736
Increase/(decrease) in accrued salaries and wages	**(37)**	313
Decrease in deferred tax assets	**(14)**	271
Cash flows from operating activities before changes in operating assets and liabilities	**20,072**	21,793
(Increase)/decrease in operating assets		
Net increase in balance of loans and advances	**(170,476)**	(228,507)
Net (increase)/decrease in investment securities	**(104,915)**	68,412
Increase in operating liabilities		
Net increase in balance of deposits	**201,747**	126,883
Net increase in borrowings	**41,484**	-
Net cash flows used in operating activities	**(12,088)**	(11,419)

20 Auditor's remuneration

	2024 $'000	2023 $'000
Auditor's remuneration		
Audit of financial reports	**115**	108
Other services	**15**	56
Total auditor's remuneration	**130**	164

21 Commitments and contingencies

	2024 $'000	2023 $'000
Outstanding loan commitments		
Loans approved but not fully funded	**60,632**	92,144
Undrawn credit commitments	**32,209**	34,970
Loans available for redraw	**202,404**	184,902
Total outstanding loan commitments	**295,245**	312,016
Financial guarantees		
Nominal value of financial guarantees	**2,375**	2,215
Total financial guarantees	**2,375**	2,215
Capital expenditure commitments		
Within one year	**180**	717
1-2 years	**-**	261
Total capital expenditure commitments	**180**	978
Lease commitments		
Within one year	**379**	423
1-5 years	**571**	461
Greater than 5 years	**7**	25
Total lease commitments	**957**	909

22 Key management personnel

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly and has been taken to comprise the directors and the members of the executive management team who are responsible for the day to day financial and operational management of the Group.

The aggregate compensation of key management personnel during the year comprising amounts paid, payable or provided for was as follows:

	2024 $'000	2023 $'000
Key management personnel compensation		
Short-term employee benefits	**2,773**	2,556
Long-term employee benefits	**255**	237
Post-employment benefits	**37**	15
Total key management personnel compensation	**3,065**	2,808

Notes to the financial statements (continued)

for the year ended 30 June 2024

22 Key management personnel (continued)

Short-term employee benefits

Includes (where applicable) wages, salaries, paid annual and sick leave, bonuses and the value of fringe benefits received but excludes out of pocket expense reimbursements.

Post-employment benefits

Include superannuation contributions and salary sacrificed superannuation amounts.

Long-term benefits

Include accrued long service leave.

Loans to key management personnel and other related parties

Details of loans with key management personnel and related parties as at reporting date are as follows:

	2024 $'000	2023 $'000
Loans to key management personnel		
Aggregate value of loans	**3,392**	3,486

All loans to key management personnel and related parties are approved on the same terms and conditions which apply to members for each class of loan.

There are no loans to key management personnel or related parties that are impaired in relation to the loan balances or interest.

Deposits from key management personnel and their related parties

Details of deposits from key management personnel and related parties as at reporting date are as follows:

	2024 $'000	2023 $'000
Deposits from key management personnel		
Aggregate value of call and term deposits	**401**	605

The Group's policy on deposit accounts from key management personnel and related parties is that all transactions are on the same terms and conditions as those entered by other Members.

Other transactions with related parties

There are no benefits paid or payable to close family members or other related parties of key management personnel other than those disclosed in this note.

There are no service contracts to which key management personnel, their close family members or other related parties are an interested party other than those disclosed in this note.

23 Transfer of financial assets

The Group has established arrangements for the transfer of loan contractual benefits of interest, fees and repayments to support ongoing liquidity facilities. These arrangements are with the Murray Trust Repo Series No. 1 (the 'Trust') for securing the ability to obtain liquid funds from the Reserve Bank in the event of a liquidity crisis. These loans are not de-recognised as the Group retains the benefits of the Trust until such time as a drawing is required.

Only residential mortgages that meet specified criteria, are eligible to be transferred into the Trust.

	2024 $'000	2023 $'000
Transfer of financial assets		
Fair value of transferred assets	**372,245**	239,892
Fair value of associated liabilities	**(372,245)**	(239,892)
Net position	**-**	-

Repurchase obligations Murray Trust Repo Series No. 1

The Murray Trust Repo Series No. 1 is a trust established by the Group to facilitate liquidity requirements of APRA's prudential standards. The trust has an independent Trustee. In the case of the Murray Trust Repo Series No. 1, the Group receives A Notes eligible to be sold to the Reserve Bank Australia should the liquidity needs not be satisfied by normal operational liquidity and unsecured B Notes. The A Notes are secured by residential mortgages.

The Group has financed the loans and receives the net income from the Trust after expenses. The Group has an obligation to manage and maintain the portfolio of loans in the Trust. The Group retains the credit risk of losses arising from loan default or security decline and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Murray Trust Repo Series No. 1 fails to meet the Trust's criteria, the Group is obliged to repurchase those loans and may substitute equivalent qualifying loans into the Trust.

24 Risk management

(a) Overview

The Board is ultimately responsible for the Group's risk management framework and the oversight of it.

The Board is directly responsible for the Group's strategy and has adopted a risk appetite statement, business plan and risk management strategy.

The Risk Committee on an annual basis (or more frequently where required) reviews the Group's risk appetite statement and risk management strategy.

The Group adopts a Three Lines of Defence approach to risk management which reinforces a risk culture where all employees are responsible for identifying and managing risk and operating within the Group's risk appetite. The Group embeds risk culture and maintains an awareness of risk management responsibilities through regular communication, training and other targeted approaches that support the risk management framework.

Senior management are responsible for implementing the Group's risk management strategy and risk management framework and for developing policies, controls, processes and procedures for identifying and managing risk in all of the Group's activities.

The Risk Committee assists the Board to fulfil its oversight of the implementation and operation of the Group's risk management framework and the review and approval of associated policies. The Chief Risk Officer assists the Risk Committee and senior management to develop and maintain best practice risk management frameworks whilst promoting a sustainable risk and compliance culture. As part of their participation in the decision-making process, the Chief Risk Officer provides effective challenge to ensure that material decisions are risk-based.

The Audit Committee oversees management's compliance with the Group's risk management policies and procedures. The Audit Committee 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 Audit Committee.

24 Risk management (continued)

(b) Objectives and policies

Managing the risks that affect the Group is a fundamental activity and the success of risk management involves taking an integrated balanced approach to risk and return and assists in mitigating potential loss or damage while optimising growth opportunity.

The Group's risk appetite statement defines the level of risk that the Group is willing to accept to meet its strategic objectives and outlines the desire to minimise the impact of incidents that may have a material impact on the results. The risk appetite statement sets the context for the Group's strategy, financial and capital forecasting processes and is further defined by the identification of key risk types applicable to the Group.

The Group's activities expose it to a variety of risks: credit risk, operational risk, liquidity risk, market risk and capital risk. The Group's overall financial risk system focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group manages these risks on a daily basis through the operational responsibility of the executive and senior management and the functioning Risk Management Committee (RMC) and the Asset and Liability Committee (ALCO).

The Board or delegated board committee approves key policies and processes including the internal capital adequacy assessment process, the internal liquidity assessment process and reviews the outcomes of stress testing completed.

An overview of risk management approaches to the Group's key financial risk types are detailed below.

Further quantitative disclosures are included throughout these financial statements.

(c) Credit risk

Credit risk is the risk of failure by a counterparty to perform according to a contractual arrangement. This risk applies to loans and advances, off balance sheet exposures (such as guarantees), acceptances, and liquid investments.

Credit risk arises principally from the Group's loans, advances and liquid investments.

Maximum exposure to credit risk

The following tables display the maximum credit risk exposure from both on-balance sheet and off-balance sheet financial instruments. The exposure amounts are presented in gross terms, without considering any master netting arrangements, collateral agreements, or other credit risk mitigations.

		2024		
Gross maximum exposure	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Credit risk exposure relating to on balance sheet assets				
Cash and cash equivalents	**68,875**	**-**	**-**	**68,875**
Investment securities	**345,058**	**-**	**-**	**345,058**
Gross loans and advances	**1,519,578**	**67,939**	**3,312**	**1,590,829**
Other investments	**418**	**-**	**-**	**418**
Derivative assets	**61**	**-**	**-**	**61**
Other assets	**2,803**	**-**	**-**	**2,803**
Total financial assets	**1,936,793**	**67,939**	**3,312**	**2,008,044**
Credit risk exposure relating to off balance sheet assets				
Commitments and contingencies	**297,620**	**-**	**-**	**297,620**
Total credit risk exposure	**2,234,413**	**67,939**	**3,312**	**2,305,664**

24 Risk management (continued)

Gross maximum exposure	2023 Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Credit risk exposure relating to on balance sheet assets				
Cash and cash equivalents	82,105	-	-	82,105
Investment securities	240,204	-	-	240,204
Gross loans and advances	1,360,751	58,150	2,422	1,421,323
Other investments	430	-	-	430
Derivative assets	-	-	-	-
Other assets	8,447	-	-	8,447
Total financial assets	1,691,937	58,150	2,422	1,752,509
Credit risk exposure relating to off balance sheet assets				
Commitments and contingencies	314,231	-	-	314,231
Total credit risk exposure	2,006,168	58,150	2,422	2,066,740

Credit risk – loans and advances

Credit risk on loans and advances is the risk of losses from loans and advances which is reduced by assessing the character of borrowers, their capacity to service the debt and the nature and quality of security taken.

The method of managing credit risk on loans and advances is by way of strict adherence to the credit assessment policies before the loan is approved and continued monitoring of loan repayments thereafter.

The Group has established policies over:

Credit assessment and approval of loans and facilities including acceptable assessment and security requirements. Credit assessment includes ensuring borrowers are creditworthy and capable of meeting the loan repayments.

Requirements for lenders' mortgage insurance:

- Acceptable exposure limits to individual borrowers, non-mortgage secured loans and advances, commercial lending and industry groups considered at high risk of default.
- Reassessment and review of credit exposures on certain loans and advances.
- Establishment of appropriate provisions to recognise the impairment of loans and facilities.
- Debt recovery procedures.
- Review of compliance with the above policies.
- A regular review of compliance with these policies is conducted by Internal Audit.

Notes to the financial statements (continued)

for the year ended 30 June 2024

24 Risk management (continued)

Loans and advances – exposure by segment and stage

The following tables display the credit risk exposure of loans and advances by product segment and stage as defined in note 9.

	2024 Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loans and advances				
Home loans	**1,426,788**	**63,770**	**3,124**	**1,493,682**
Commercial loans	**74,368**	**3,689**	**-**	**78,057**
Credit cards and revolving credit	**9,563**	**86**	**79**	**9,728**
Personal loans	**8,859**	**394**	**109**	**9,362**
Total loans and advances	**1,519,578**	**67,939**	**3,312**	**1,590,829**

	2023 Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loans and advances				
Home loans	1,267,760	54,432	2,031	1,324,223
Commercial loans	73,535	3,151	86	76,772
Credit cards and revolving credit	9,083	83	72	9,238
Personal loans	10,373	484	233	11,090
Total loans and advances	1,360,751	58,150	2,422	1,421,323

Credit concentration risk

Credit concentration risk is the risk of losses from large exposures and/or high correlation between exposures that increase the potential or actual losses that are sustained because of adverse circumstances. Exposures to individual large borrowers, industry sectors, geographic location, customer demographics and certain products can increase the chance of loss.

The Group minimises concentrations of credit risk in relation to loans and advances receivable by lending to a large number of customers within each specified category. The majority of customers are concentrated in the Victoria and New South Wales regions. Details of concentrations of credit risk on loans and advances receivable are set out in the notes. For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount. Credit risk also includes off balance sheet exposures such as approved but undrawn loans and credit limits that are disclosed in note 21 commitments and contingencies.

24 Risk management (continued)

Loans and advances – exposure by customer location

The following table displays the credit risk exposure of loans and advances by customer location.

	Carrying amount $'000	Off balance sheet $'000	Total credit exposure $'000	Carrying amount $'000	Off balance sheet $'000	Total credit exposure $'000
Geographic areas						
Victoria	**800,236**	**31,323**	**831,559**	674,340	47,110	721,450
New South Wales	**675,010**	**27,471**	**702,481**	658,656	38,139	696,795
Queensland	**53,920**	**825**	**54,745**	42,335	2,258	44,593
Western Australia	**20,296**	**55**	**20,350**	14,878	1,257	16,135
Australian Capital Territory	**19,477**	**-**	**19,477**	15,466	1,197	16,663
South Australia	**13,029**	**221**	**13,250**	10,481	1,440	11,921
Tasmania	**6,420**	**200**	**6,620**	3,140	713	3,853
Northern Territory	**2,441**	**537**	**2,978**	2,027	-	2,027
Total loans and advances exposure	**1,590,829**	**60,632**	**1,651,461**	1,421,323	92,114	1,513,437

Loans and advances – exposure by security location

The following table displays the credit risk exposure of loans and advances by security location.

	Carrying amount $'000	Off balance sheet $'000	Total credit exposure $'000	Carrying amount $'000	Off balance sheet $'000	Total credit exposure $'000
Geographic areas						
Victoria	**792,921**	**31,226**	**824,147**	671,360	47,281	718,641
New South Wales	**663,526**	**25,836**	**689,362**	640,149	37,968	678,117
Queensland	**53,431**	**2,557**	**55,988**	42,071	2,482	44,553
Western Australia	**20,257**	**55**	**20,312**	14,864	1,257	16,121
Australian Capital Territory	**19,418**	**-**	**19,418**	15,445	973	16,418
South Australia	**12,936**	**220**	**13,156**	10,436	1,440	11,876
Tasmania	**6,374**	**200**	**6,574**	3,137	713	3,850
Northern Territory	**2,409**	**538**	**2,947**	2,020	-	2,020
Unsecured	**19,557**	**-**	**19,557**	21,841	-	21,841
Total loans and advances exposure	**1,590,829**	**60,632**	**1,651,461**	1,421,323	92,114	1,513,437

Credit risk - liquid investments

Liquid investments risk is the risk of financial loss from liquid investments held and is reduced by the nature and credit rating of the investee and the limits of concentration to each entity. The Board's appetite is to maintain counterparty limits with Authorised Deposit-taking Institutions, Australian Settlements Limited, Federal and State Governments to a maximum of 50% of capital. Given the high quality and/or relatively short duration of these investments, the Group does not expect any counterparty to fail to meet its obligations. Details of exposures to liquid investments are set out in the notes.

24 Risk management (continued)

Investment securities - exposure by external credit rating

The following table displays the concentration of credit risk for investment securities by rating grades.

	2024 Rated $'000	2024 Unrated $'000	2024 Total $'000	2023 Rated $'000	2023 Unrated $'000	2023 Total $'000
Investment securities						
Authorised deposit-taking institutions	**299,607**	**13,000**	**312,607**	229,199	3,005	232,204
Government investments	**32,451**	**-**	**32,451**	8,000	-	8,000
Total investments securities at amortised cost	**332,058**	**13,000**	**345,058**	237,199	3,005	240,204

(d) Market risk and hedging policy

Market risk is the risk that fluctuating interest rates lead to a change in underlying value of assets and liabilities as well as an increase/decrease in profit.

Market risk comprises:

- General market risk in relation to interest rates, equities, foreign exchange, and commodities
- Specific risk in relation to the impact of interest rates or equity positions on the value of securities.

The Group does not have any trading activities or hold any foreign exchange or commodity positions.

Market risk arising from movements in interest rates is addressed separately under interest rate risk in the banking book.

Interest rate risk in the banking book

Interest rate risk in the banking book arises due to movements in interest rates where there is a mismatch in asset and liability maturities.

The Group maintains a balanced 'on book' hedging strategy by ensuring the net difference between asset and liability maturities are not excessive. The Group does not trade the financial instruments it holds and is not exposed to currency risk.

The difference between asset and liability maturities is monitored monthly to identify any large exposure to interest rate movements. This monitoring will also seek to address excess to within acceptable levels via existing products. Interest rate swaps can also be used to reduce the gaps between assets and liabilities.

Value at Risk (VaR) and Earnings at Risk (EaR) are calculated monthly using an externally supplied interest rate risk model and managed within established limits.

The Board monitors these risks through management reports on a monthly basis.

The Group's VaR measure as at 30 June 2024 using a 20-day holding period, 99% confidence level and a 250-day observation period, was 1.38% of capital. VaR as at 30 June 2023 was 5.12% of capital, using the same parameters.

The Group's EaR measure as at 30 June 2024 using a shift in interest rates of 200 basis points for one year, EaR was a $5.19 million variation or 9.31% from the base case. EaR as at 30 June 2023 was a $5.05 million variation or 9.38% from the base case, using the same parameters.

The following table outlines the key measures for non-traded market risk (IRRBB). Economic value (EV) sensitivity and net interest income (NII) sensitivity are based on a static representation of the balance sheet and the impact of instantaneous 200 basis point parallel increase in rates.

24 Risk management (continued)

	June 2024 Exposure at year end $'000	June 2024 Avg during the year $'000	June 2023 Exposure at year end $'000	June 2023 Avg during the year $'000
Value at risk	**1,417**	**2,678**	5,014	2,635
Economic value sensitivity	**4,095**	**3,956**	4,271	975
Net interest income sensitivity	**5,190**	**5,176**	5,050	4,127

Effective interest rates and repricing analysis

For income-generating financial assets and interest-bearing financial liabilities, the tables below show their effective interest rates as of the reporting date and the periods in which they are subject to repricing. Investments are shown at amortised cost plus accrued interest. Accordingly, these values will not agree to the statement of financial position.

2024	0-3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Non-interest sensitive	Carrying amount $'000	Weighted average effective interest rate %
Income earning assets							
Cash and cash equivalents	**47,162**	**-**	**-**	**-**	**21,713**	**68,875**	**3.78**
Investment securities	**286,229**	**43,249**	**10,731**	**4,849**	**-**	**345,058**	**4.95**
Gross loans and advances	**1,272,527**	**137,881**	**180,331**	**90**	**2,264**	**1,593,092**	**5.30**
Other investments	**-**	**-**	**-**	**-**	**418**	**418**	**n/a**
Total income earning assets	**1,605,918**	**181,130**	**191,062**	**4,939**	**24,395**	**2,007,444**	
Interest bearing liabilities							
Deposits	**1,345,571**	**327,626**	**142,862**	**-**	**-**	**1,816,059**	**2.93**
Borrowings	**56,484**	**-**	**-**	**-**	**-**	**56,484**	**5.71**
Total interest-bearing liabilities	**1,402,055**	**327,626**	**142,862**	**-**	**-**	**1,872,543**	
Derivatives							
Interest rate swaps – notional principal	**2,500**	**7,500**	**9,600**	**-**	**-**	**-**	**n/a**

24 Risk management (continued)

2023	0-3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Non-interest sensitive	Carrying amount $'000	Weighted average effective interest rate %
Income earning assets							
Cash and cash equivalents	67,576	-	-	-	14,529	82,105	3.85
Investment securities	197,014	40,190	3,000	-	-	240,204	4.30
Gross loans and advances	894,981	245,132	280,583	627	1,327	1,422,650	4.54
Total income earning assets	1,159,571	285,322	283,583	627	15,856	1,744,959	
Interest bearing liabilities							
Deposits	1,300,976	288,581	24,755	-	-	1,614,312	1.77
Borrowings	15,000	-	-	-	-	15,000	4.10
Total interest-bearing liabilities	1,315,976	288,581	24,755	-	-	1,629,312	
Derivatives							
Interest rate swaps – notional principal	-	-	-	-		-	-

(e) Liquidity risk

Liquidity risk is the risk that there is insufficient funds in a given period to meet the operational and funding needs of the Group in both normal and an adverse operating environment.

The Group manages liquidity risk by:

- Monitoring actual daily cash flows and longer term forecasted cash flows.
- Monitoring the maturity profiles of financial assets and liabilities.
- Maintaining adequate cash reserves.
- Monitoring the prudential and other liquidity ratios daily.

The Group is required to maintain at least 9% of total adjusted liabilities as highly liquid assets capable of being converted to cash within 24 hours to satisfy APRA's prudential standards to qualify as Minimum Liquid Holdings asset (MLH). However, the Group's policy requires a minimum of 12% of liabilities to be held in MLH qualifying assets to maintain adequate funds to meet customer withdrawal requests. Should the liquidity ratio fall below the Group's trigger levels, management and the Board are to address the matter and ensure that more liquid funds are obtained from new deposits and borrowing facilities available.

As at 30 June 2024, the Group held 16.46% of total adjusted liabilities as MLH qualifying assets (2023 – 15.06%). The average during the financial year was 15.93% (2023 – 18.33%).

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the notes.

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

24 Risk management (continued)

2024	0-3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total cash flows $'000	Total carrying amount $'000
Financial liabilities						
Deposits	**1,512,701**	**308,825**	**14,363**	**-**	**1,835,889**	**1,816,059**
Other liabilities	**29,376**	**-**	**-**	**-**	**29,376**	**38,314**
Borrowings	**42,270**	**-**	**-**	**15,000**	**57,270**	**56,484**
Total financial liabilities	**1,584,347**	**308,825**	**14,363**	**15,000**	**1,922,535**	**1,910,857**
Derivatives						
Interest rate swaps (assets & liabilities)	**11**	**54**	**18**	**-**	**83**	**61**
Total cash flows	**1,584,358**	**308,879**	**14,381**	**15,000**	**1,922,618**	**1,910,918**

2023	0-3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total cash flows $'000	Total Carrying amount $'000
Financial liabilities						
Deposits	1,120,182	341,535	167,731	-	1,629,448	1,614,312
Other liabilities	23,933	-	-	-	22,933	30,798
Borrowings	158	-	-	15,000	15,158	15,000
Total financial liabilities	1,144,273	341,535	167,731	15,000	1,667,539	1,660,110
Derivatives						
Interest rate swaps (assets & liabilities)	-	-	-	-	-	
Total cash flows	1,144,273	341,535	167,731	15,000	1,667,539	1,659,274

Internal securitisation and RBA repurchase

Securitisation risk is the risk of potential loss associated with securitisation activities.

The Group maintains an internal securitisation facility to enable it to secure funds from the Reserve Bank of Australia, if required, to meet emergency liquidity requirements. As at 30 June 2024, the Group held $376.4m (2023 – $234.3 million) of securities available to be used for RBA repurchase to meet emergency liquidity requirements.

In accordance with APS 120 - Securitisation, no additional capital will be held for the risks posed by the securitisation activity, as this is an internal securitisation activity. The Group remains exposed to the credit risk arising from the assets (securitised loans).

(f) Operational risk

Operational risk is the risk of direct or indirect loss from inadequate or failed internal processes, systems, human error, inadequate staff resourcing, or from external events. The definition includes legal risk and reputational risk.

The Group's objective is to manage operational risk to balance the avoidance of both financial losses through implementation of controls and avoidance of procedures that inhibit innovation, creativity and service. These risks are managed and monitored through internal controls that are based on written programs, methodologies, policies, procedures, guidelines and a

24 Risk management (continued)

governance structure that provides an appropriate segregation of duties, and the implementation of policies and systems to reduce the likelihood of incidents occurring and minimise the consequences of them if they do occur.

The Group has an economic dependency on ANZ Bank for cheque clearing services, CUSCAL Limited for payments solutions, Ultradata Australia Pty Ltd for computer software services and Lextech Pty Ltd for settlement services.

The Group manages these risks on a daily basis through the operational responsibilities of senior management under policies approved by the Board covering specific areas, such as outsourcing risk, fraud risk and business continuity risk and the functioning Risk Management Committee.

(g) Regulatory and compliance risk

Regulatory & compliance risk is the risk of failing to comply with regulatory requirements.

The Group's compliance program identifies the key legislative and regulatory obligations that impact the Group and identifies the measures in place to ensure compliance with them.

(h) Strategic risk

Strategic risk is the risk to current or prospective earnings and capital and the long-term performance and viability of the Group resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social mores, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy sessions and, where applicable, is monitored via a quarterly risk report.

(i) Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss.

The Group policy is to maintain a strong capital base and to maintain a balance between profitability and benefits provided to customers by way of better interest rates, lower fees, convenient locations and superior service.

The Group's capital management objectives are to:

- Ensure there is sufficient capital to support the Group's operational requirements.
- Maintain sufficient capital to exceed internal and externally imposed capital requirements.
- Safeguard the Group's ability to continue as a going concern in all types of market conditions.

The Group is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The Group reports to APRA under Basel III capital requirements and uses the standardised approach for credit and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADI specific minimum capital ratios which may be higher than these levels.

The Board approved internal capital assessment process requires capital to be well above the regulatory required level.

The Group's capital contains tier 1 and tier 2 capital. Tier 1 capital can contain both common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following characteristics:

- Provide a permanent and unrestricted commitment of funds.
- Are freely available to absorb losses.
- Do not impose any unavoidable servicing charge against earnings.
- Rank behind the claims of depositors and other creditors in the event of winding-up of the issuer.

24 Risk management (continued)

Common equity tier 1 capital consists of retained earnings and reserves. Deductions from tier 1 capital are made for intangible assets, certain capitalised expenses, deferred tax assets and equity investments in other ADIs.

Tier 2 capital includes the reserve for credit losses and tier 2 capital instruments including subordinated debt. Tier 2 capital instruments combine the features of debt and equity in that they are structured as debt instruments but exhibit some of the loss absorption features of equity.

Risk-weighted assets are calculated based on specific requirements designed to account for the different levels of risk associated with assets and off-balance sheet exposures, including an allowance for operational risk, as outlined by APRA.

	2024 $'000	2023 $'000
Capital management		
Tier 1 capital (net of deductions)	**102,715**	98,193
Tier 2 capital (net of deductions)	**15,684**	16,295
Total regulatory capital	**118,399**	114,488
Risk weighted assets	**710,509**	649,958
Capital adequacy ratio	**16.66%**	17.61%

25 Fair value of financial instruments

The Group measures financial instruments, such as, derivatives, equity instruments and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Hierarchy	**Observable market input**
Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

25 Fair value of financial instruments (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Fair value			
2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets measured at fair value				
Land and buildings	**-**	**7,820**	**-**	**7,820**
Derivatives	**-**	**61**	**-**	**61**
Other investments	**-**	**-**	**418**	**418**
Total assets measured at fair value	**-**	**7,881**	**418**	**8,299**

	Fair value			
2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Land and buildings	-	9,020	-	9,020
Derivatives	-	-	-	-
Other investments	-	-	430	430
Total assets measured at fair value	-	9,020	430	9,450

26 Parent entity disclosures

As at, and throughout the financial year, the parent of the Group was Hume Bank Limited.

On the basis that the securitised loans are not derecognised, there is no difference between the reported results on a consolidated basis and the results of the parent entity.

	2024 $'000	2023 $'000
Results for the parent entity		
Profit for the year	**7,033**	7,989
Other comprehensive income	**195**	114
Total comprehensive income for the year	**7,228**	8,103
Financial position of the parent entity		
Total assets	**2,025,001**	1,767,682
Total liabilities	**1,913,750**	1,663,659
Retained earnings	**108,308**	100,155
Reserves	**2,943**	3,868

Notes to the financial statements (continued)

for the year ended 30 June 2024

27 Events subsequent to balance date

On 7 August 2024, the Group entered into a binding agreement to sell its commercial property located at 79 Sanger St, Corowa, for a total consideration of $0.4m. The sale is expected to be completed on 30 September 2024.

This transaction is considered a non-adjusting event after the reporting period as it reflects a condition that arose after the reporting date. The carrying amount of the property as of 30 June 2024, was $0.4m.

The financial impact of this transaction will be recognised in the financial statements for the year ending 30 June 2025. The expected profit from the sale, net of transaction costs, is approximately $0.2m.

Consolidated entity disclosure statement

as at 30 June 2024

Entity name	Entity type	Place formed	Ownership interest	Tax residency
Murray Trust Repo Series No. 1	Trust	Australia	100%	Australia

* Hume Bank Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Directors' declaration

for the year ended 30 June 2024

In the opinion of the directors of Hume Bank Limited:

1) the financial statements and notes of the Company and the Hume Bank Group are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Company and the Hume Bank Group's financial position as at 30 June 2024 and of their performance, for the financial year ended on that date; and

    b) complying with Australia Accounting Standards and the Corporations Regulations 2001; and

2) the financial statements and notes also comply with International Financial Reporting Standards; and

3) there are reasonable grounds to believe that the Company and Hume Bank Group will be able to pay its debts as and when they become due and payable; and

4) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Kerry Grigg

Kerry Grigg

Board Chairperson

Signed on 18 September 2024

Tina Wyer

Tina Wyer

Audit Committee Chairperson

Signed on 18 September 2024

Albury

18 September 2024

Independent auditor's report

for the year ended 30 June 2024

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To the Members of Hume Bank Ltd

Opinion

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

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

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of

- the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and
- the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001; and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

CROWE ALBURY Crowe Albury

ALISON FLAKEMORE
Partner

18 SEPTEMBER 2024
ALBURY


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Hume Bank

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