Gateway Bank

# Annual Report and Financial Statement 2024

For your pocket & your planet


VISA
Debit

# Contents

# AWARDS

**FINDER GREEN AWARDS**
*Green Home Loan of the Year*

**FINDER BANKING AWARDS**
*Highly Commended 12 Month Term Deposit*

**FINDER PERSONAL LOAN AWARDS**
*Highly Commended Used Car Loan*

**MOZO EXPERT CHOICE AWARDS**
*Used Car Loan*

**MOZO EXPERT CHOICE AWARDS**
*Green Personal Loan*

**AUSTRALIAN BROKER 5-STAR SUSTAINABLE PROGRAM**
*Recognised by Australian Broker as a sustainable lender as part of their 2024 Australian Broker 5-Star Sustainable Program*

# NEW PRODUCTS AND SERVICES

- Green Car Loan for low emission vehicles
- Goal Saver Account to support members build their savings
- Faster consumer loan application approvals and processing
- New Gateway website

## POCKET & PLANET

**RIAA accreditation of green home loans**

**Green home loans now over 5% of the portfolio**

**Climate Active Carbon Neutral certification**

## CULTURE

**88%**

Gateway ranked in the top decile against over 130 other organisations for **Employee engagement**

**100%**

100% of employees agreed **"I know the contribution I make to the business."**

100% said **"I know the contribution I make to the customer."**

Awarded **'Best Employer'** status by Insync

## CUSTOMER

**5%** — 5% increase in Membership

**+47** — Net promoter score +47

**59%** — 59% of members have recommended Gateway Bank to their friends or family

**86%** — Customer Satisfaction increased to 86%

## FINANCIAL METRICS / GROWTH

**$1B**

Reached over $1bn in broker loans for the first time

**81%**

Reverse mortgage growth

**16.26%**

A strong capital position

**15%**

Deposit growth

*A message from the*

# Chair + CEO

### *Welcome to the Gateway Bank Annual Report*

It has been another big year for Gateway, one in which we have continued to grow and improve our products and services, continually looking for better ways to serve our members. As we reflect on our achievements, we look forward to our 70th year in February 2025.

## HIGHLIGHTS OF THE YEAR

The 2024 financial year was another year of milestones. Gateway continued to grow, with membership up 5% year on year. Its retail deposits increased 15% and reverse mortgages 81%. Its broker loan portfolio reached $1bn for the first time. Green home loans reached 5% of the portfolio, in a small but growing Australian market.

Gateway continued to improve services and introduce new products to meet member needs. Over the course of the year we received product awards and commendations for our personal loans and term deposits. We were also recognised by Australian Broker magazine as one of Australia's most sustainable lenders through their 5-Star Sustainable Program.

Gateway's customer and employee metrics remained high, with customer satisfaction rising from 84% to 86%.

At 88%, Gateway's externally measured Employee Engagement results were again in the top decile against over 130 financial institutions. Gateway was delighted to be awarded 'Best Employer Award' status from Insync, a leading employee experience consultancy.

Gateway also contributed to the community, donating time and resources to organisations that contribute to the circular economy.

We continue to assist our members wherever we can when hardship requests are made. Our portfolio of loans is operating well, with non-performing loans at year end at 0.49% of total loans and over 90% of hardship requests approved.

We look forward to the year ahead, when in February 2025 Gateway turns 70. We thank, you, the members, some of whom have been with us for the whole journey, for your continued support.

# FOCUSING ON PRODUCTS AND SERVICES THAT SUPPORT MEMBERS TO MEET THEIR EVERYDAY NEEDS

Gateway is constantly evolving, improving and launching new products and services that anticipate and respond to member needs.

This year, Gateway received the following product awards and commendations:

**Finder 2024 Green Awards**
Green Home Loan of the Year

**Finder 2024 Banking Awards**
Highly Commended 12 Month Term Deposit

**Finder 2024 Personal Loan Awards**
Highly Commended Used Car Loan

Recognised by **Australian Broker** as a sustainable lender as part of their **2024 Australian Broker 5-Star Sustainable Program**

**Mozo Expert Choice Awards 2024**
Used Car Loan

**Mozo Expert Choice Awards 2024**
Green Personal Loan

Gateway's Reverse Mortgage portfolio grew 81%, providing an alternative funding option in retirement as the cost of living grows. The Reverse Mortgage allows members to access the value in their property without having to sell or move out of their home, giving them the flexibility to draw down funds when they need them. Thus, helping to give the peace of mind of having approved funds available when required, while only being charged interest on the money they use.

New products introduced include a Green Car Loan for electric vehicles and low emissions vehicles. Gateway's new Goal Saver savings product is designed to help members achieve their saving goals by rewarding good saving habits.

Customer service improvements include new identification and anti-money laundering features to enable safer and more secure transactions without the addition of needless friction in the process. Gateway launched a new website and continued to add improvements to its Mobile Banking App, with enhanced ability to manage accounts and improved security settings. Gateway also launched quicker decisioning for personal loan applications, providing conditional approval in 60 seconds, giving confidence that when funds are needed Gateway will be able to help quickly.

Gateway also continued to support members ease the upfront costs of buying a home with the Australian first, Monthly Lenders Mortgage Insurance (LMI). This product provides the option to pay the LMI premium by the month over time until the property's loan to value ratio reaches 80%. Gateway also supported first home buyers through its position as a panellist on the Home Guarantee Scheme. The Scheme is an Australian Government initiative, administered by Housing Australia, to support eligible first home buyers in purchasing their first home sooner.

The latest statistics show that almost three quarters of all new home loans in Australia were written by mortgage brokers*. Brokers are a key channel for Gateway. In November 2023 Gateway added the aggregator, Purple Circle Financial Services, to its trusted distribution network. Over the full year, 96% of brokers surveyed said that Gateway got it right first time when dealing with them. Repeat business is the true test of service, and during FY24 the average number of loan submissions per broker doubled.

*MFAA: 74.1% of all home loans written between Jan-Mar 2024 were through brokers.

## GATEWAY'S POCKET AND PLANET OFFERING

Gateway's purpose is to help members save both money and the planet. Pocket and Planet recognises that although many people would like to be greener in their everyday lives, sometimes this option is more expensive. Gateway aims to help customers go greener quicker and save money at the same time. It shouldn't cost the earth to save the earth.

Gateway's Green Home Loans offer discounted interest rates for the life of the loan driven by the home's energy efficiency and environmental features. These loans, which form part of a small but growing market, now represent over 5% of Gateway's home loan portfolio.

Gateway's Green Home Loan and Green Plus Home Loan also have Responsible Investment Certification from Responsible Investment Association Australasia (RIAA). RIAA is the world's longest running Responsible Investment Certification program and champions responsible investing and a sustainable financial system in Australia and New Zealand. Gateway maintains ethical investment and lending policies, stating how Gateway uses members' money in an ethical and responsible manner, and the industries or activities it will not directly invest in or lend to.

## Other Pocket and Planet products in the Gateway portfolio include:

Australian banking first, Gateway's plant-based **Eco Debit Card**. Manufacturing our eco-card uses 65% less energy than a conventional plastic card and produces 68% fewer greenhouse gases while containing no toxins. At the end of your card's life, it will degrade up to 20 times faster than a traditional PVC card and releases no toxins into the environment.

Gateway' **Green Commercial Property Loan** rewards borrowers with a 4 Star or higher NABERS or GBCA certification with at least a 0.15% discount off our standard Commercial Property Loan rate.

Gateway's cheapest personal loan, the **Eco Personal Loan**, for customers wanting to purchase or install environmental upgrades to their home.

Gateway's **Investor Green Plus Home Loan** is a discounted investor home loan for certified energy efficient homes.

New in FY24 Gateway's **Green Car Loan** for electric and hybrid vehicles.

Gateway has again been certified as Carbon Neutral by Climate Active, a partnership between the Australian government and the business community that drives voluntary climate action. Climate Active certification is awarded to organisations that have credibly reached a state of carbon neutrality against the requirements of the Climate Active Carbon Neutral Standard. Gateway has continued to focus on internal education around reduction of carbon. Additionally, where possible, the bank is using Carbon Neutral suppliers or services such as our electricity plan which has halved our carbon emissions for electricity usage. We also continue to opt for digital communications with members when we can to reduce carbon impact of both printing and delivery supply chains. We encourage all members to opt for digital communications, statements and notices.

In FY24 Gateway introduced salary packaging of electric vehicles to aid and encourage employees to adopt green in their personal lives.

# POCKET AND PLANET – GIVING BACK TO THE COMMUNITY

During FY24 Gateway was able to give back to the community with donations that support its Pocket and Planet purpose and support a circular economy. In the circular economy materials never become waste but are kept in circulation through activities such as repair, reuse, and repurposing.

### Circular Economy


# REVERSE GARBAGE

Reverse Garbage is a co-operative established in 1975 by a group of teachers and community workers determined to ease pressure on the environment. Every year Reverse Garbage accept donations from businesses and individuals of around 35,000 cubic metres of items that would otherwise end up in landfill. That's around 100 football fields' worth of industrial off-cuts, over-runs, art and craft materials, stage props, knick-knacks, furniture and other odds and ends. They make those materials available to the public at low cost through their warehouse and online. They manage a program of educational workshops for little kids and schools across a range of ages, abilities and needs. Adults don't miss out; they also hold workshops that give community members the skills and inspiration they need to make the most of the resources they find at Reverse Garbage.

As well as making a charitable donation to Reverse Garbage, Gateway employees took part in volunteering activities which included helping prepare materials for student sessions and painting and putting their handyman skills to good use.

The Gateway team really appreciate this opportunity to get involved, and for Reverse Garbage's continued contribution to helping educate our younger members through their contribution to Gateway's Dollaroo newsletter.

## THE AUSTRALIAN LIBRARY OF THINGS NETWORK

In FY24 Gateway donated to The Australian Library of Things Network, advocates for local community sharing via Libraries of Things. These libraries enable members to borrow hundreds of practical items at a very low cost, reducing waste going to landfill and reducing carbon emissions too.

With libraries across six states and the ACT, more than 19,000 items were borrowed in 2023, including tools, kitchen items, gardening equipment, even a few kayaks and party kits. Our CEO, Lexi joined her local tool library in Launceston and borrowed their wood-chipper for a weekend.

## GOOD360

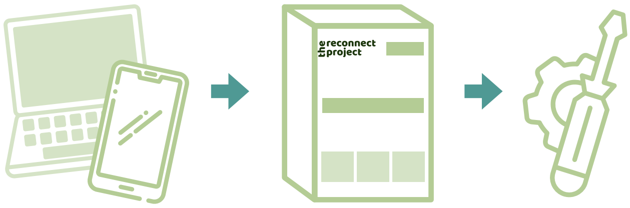
During FY24 Gateway donated to Good360. Good360's mission is to ensure the excess goods businesses produce every year flow to people in need rather than going to waste. They ensure the goods get a 'first life'. There is great focus in eco-labelling how our products made it to you or the store, but not so much focus on what happens when they do not sell. The unfortunate truth is most items are destroyed rather than put to good use. Good360 connect businesses and charities to get these goods to disaster relief areas, schools and the vulnerable that need help.

Gateway's donation had an impact of helping provide $200,000 of goods, including education items, homewares, hygiene products and more, to the communities who need them most.


# THE RECONNECT PROJECT

During FY24 Gateway donated to The Reconnect Project. The Reconnect Project provides refurbished mobile devices to people in need. They take donations of unwanted mobile phones, tablets and laptops in any age or condition. They train young people with neurodiverse or psychosocial conditions in the art of repair. Through a network of caseworkers at women's shelters, homelessness agencies, refugee and mental health support groups they get working devices straight into the hands of people in need. The charity addresses the Pocket and Planet values through preventing increased landfill and by teaching the repair skillset.

Gateway now have a drop-off donation box in our office should you want to donate your old devices.



# POCKET AND PLANET ADVISORY COUNCIL

Gateway Bank created the Pocket and Planet Advisory Council to assist the Gateway Bank Board and Management Team in the development and implementation of its Pocket and Planet purpose.

The council consists of passionate experts committed to helping Gateway increase its impact. They bring with them a wealth of knowledge across sustainability including design, community and investment.

The Council is voluntary, and we are incredibly grateful for the commitment and input of its members.

**Kirsten Junor**

Chief Executive Officer, Reverse Garbage

**Dr Kate Ringvall**

Research Fellow Circular Economy | Curtin University
Co-founder + Governing Fellow of the Galactic Cooperative (WA)
Co-founder of Ringvall Circularity.

**Digby Hall**

Climate Adaptation Architect

**Dr Kar Mei Tang**

Head of Oceania for the UN Principles for Responsible Investment

**Richard Lovell**

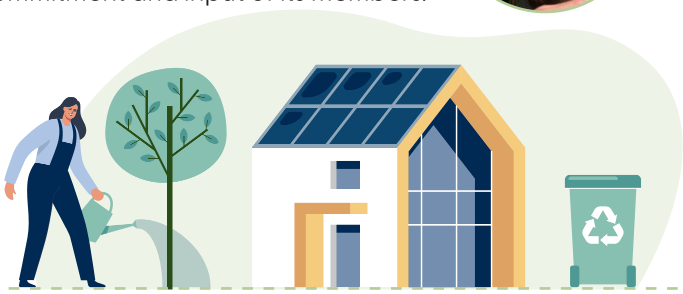
Executive Director, Clean Energy Finance Corporation

**Amy Croucher**

Nature Lead, Sustainability Advantage, NSW Government AND Founder of the Inner West Tool Library Sydney

**Greg Hodgson**

Head of Design (Enterprise) for Atlassian



# MEMBER SATISFACTION

Member satisfaction improved to 86%. Net Promoter Score, which measures how likely a member is to recommend Gateway is +47, this is above the average of many other larger banks. Gateway also asks members whether they have recommended our products and services. Over half (59%) of members surveyed said they had. We are grateful for our members for recommending us and proud of our Gateway team for the care and understanding they demonstrate every day.

*"If you compare the service with the big banks, Gateway comes out on top every time!"*

*"I really appreciate that whenever I call Gateway I get someone on the other end of the phone in a timely manner and they are always happy to help."*


*"Have to say that Gateway has done a fantastic job for me since 1976. Almost 50 years. I'm very grateful for the great service and first rate experience I've had all along the way. Thank you."*

# GATEWAY CULTURE

Gateway's externally measured Employee Engagement result of 88% (up 1% from last year), is in the top 10% measured against over 130 financial institutions.

As a Mutual Bank, knowing that Gateway is working for the benefit of members, and not external shareholders, is a great motivator for Gateway staff.

Equally important is staff feeling valued and knowing exactly how they are helping members when they come to work each day, which ultimately benefits both the member and the staff member. Gateway's value of "*not 'work' but making a difference*", ensures that staff understand their important role, where they fit in, and the valuable difference they make to the member and each other. All employees take part in our Business and Customer Understanding program in which they educate each other on their areas. Everyone at Gateway, has the opportunity to learn about and experience how the business works, from lending assessments, to pricing, to risk meetings, sessions with the treasury function, to the role of a director. Board directors are also given the opportunity to take part and share their knowledge. This year 100% of employees agreed "*I know the contribution I make to the business*", 100% also said "*I know the contribution I make to the customer*".

## BOARD CHANGES

In August 2024 Gateway said goodbye and thank you to Chair Peter Schiller. Peter joined the Board in July 2018 bringing nearly 40 years banking experience in Executive Management roles in Risk, Relationship Management, IT and Audit with both the Commonwealth Bank of Australia and the ANZ Banking Group. He became Chair in October 2021 and handed over the Chair position in May 2024, remaining on the board to August 2024 to ensure a smooth transition. During his time, Peter oversaw the bedding down and stability of the board post the refresh that took place between 2018 and 2021. Gateway Bank continues to be strongly governed during a challenging time of regulatory change, whilst maintaining the flexibility and nimbleness members have come to expect.

Peter is replaced as Chair by Andrew Black. Andrew joined the Gateway board in August 2019, bringing over 35 years financial services experience in banking including Head of St. George Bank Private Bank. During his time on the Gateway Board Andrew has served as Chair of the Audit committee and as a member of both the Risk and Nominations and Remunerations committees.

Board renewal is key to ensuring the right diversity and mix of board members to ensure the best governance for the bank. Other changes include Lianne Bolton joining in August 2023 and Janet Torney in September 2024. Lianne brings over 30 years in banking and finance experience predominantly in CFO roles in both public and privately owned finance companies and banks, across Australia, South Africa and the United Kingdom. Janet brings broad experience in the financial services sector, notably in superannuation, investments and markets, and in the engineering sector. Janet's business management expertise covers governance, strategy, risk management and change, both operational and cultural.

## FINAL THOUGHTS

We thank, you, the members, for your continued support of Gateway Bank. We also thank the entire Gateway team for the dedication they bring, going the extra mile every day.

With thanks.

Andrew Black

**Andrew Black**
Chair

**Lexi Airey**
Chief Executive Officer

# Board of Directors

**Andrew B. Black**
Chair

Grad Dip. Financial Planning, Dip. Financial Services (Finance & Mortgage Broking), MAICD

**Peter M. Binetter**
Non-Executive Director

B.D.S, M.Comm (Finance), GAICD

**Lianne Bolton**
Non-Executive Director

GAICD

**Robyn L. FitzRoy**
Non-Executive Director

BA, MA, FAICD

**Christine (Chris) Franks AM FAICD**
Non-Executive Director

BA (Statistics, Sociology), M.Mgmt (Community), FAICD

**Dr Hilangwa Maimbo**
Non-Executive Director

PHD (IS), MCom (IS), Post Grad Dip. (IS), BTech (Hons), MAICD, MIITPSA, MIoDSA, MAIPM

**Peter M. Schiller**
Non-Executive Director (Retired 31 August 2024)

MBA, Grad Dip. Banking & Finance, MAICD

**Thomas Lyons**
Company Secretary

BCom, CA

# Executive Team

**Lexi Airey**
Chief Executive Officer
BA (Hons), MSc, GAICD

**Gerald Nicholls**
Chief Risk Officer
B Bus

**Doug Gordon**
Chief Financial Officer
CA (SA)

**Zeb Drummond**
Chief Operating Officer

**Adam Norman**
Chief Marketing Officer
BA (Hons)

**Peter Buzek**
Chief Technology Officer
BSc, MBT, CISM, CRISC, CISA

# Values

- Not "work" but making a difference
- Stumble don't fall
- Passion
- Do the right thing
- "Small up" do more with less


12:37
•••• 1234
VISA
Hold Near Reader

Gateway Bank

# General Purpose Financial Report for the year ended 30 June 2024

Gateway Bank Limited and its Controlled Entities ABN 47 087 650 093

Gateway bank | For your pocket & your planet

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# CONTENTS

## Gateway Bank General Purpose Financial Report for the year ended 30 June 2024

# Directors' Report

The directors present their report together with the consolidated financial statements of the Group comprising of Gateway Bank Ltd and its subsidiaries for the financial year ended 30 June 2024 and the auditor's report thereon.

## DIRECTORS

The names and details of Gateway Bank's directors in office during the financial year and until the date of this report are as follows.

Directors were in office for this entire period unless otherwise stated.

Andrew B Black (Chair)

Peter M Binetter

Lianne Bolton

Robyn L FitzRoy

Christine Franks AM

Dr Hilangwa Maimbo

Peter M Schiller – retired 31 August 2024

Janet A Torney – appointed 25 September 2024

## Director Profiles

### Andrew B Black

**CHAIR**

**Qualifications**

Grad Dip. Financial Planning, Dip. Financial Services (Finance & Mortgage Broking), MAICD

**Experience and Special Responsibilities**

Andrew joined the Board in August 2019 and has over 35 years' financial services experience in banking, wealth, insurance, and investments with Citibank (United Kingdom and Australia), Commonwealth Bank of Australia, St. George Bank, Skandia Australia, and Plan B Group Holdings. Andrew has held other non-executive director and advisory board roles in business coaching and personal insurances and is currently a responsible manager for the personal insurance comparison website lifeinsurancecomparison.com.au owned by Alternative Media.

Chair (May 2024 to present)

**Committee Memberships**

- Nominations and Remuneration (May 2024 to present)
- Audit (May 2024 to present)
- Audit Chair (November 2020 to May 2024)
- Risk (October 2021 to May 2024)

### Peter M Binetter

**NON-EXECUTIVE DIRECTOR**

**Qualifications**

B.D.S, M.Comm (Finance), GAICD

**Experience and Special Responsibilities**

Peter joined the Board in May 2023 and has over 30 years experience as a senior executive in risk management, treasury and funds management with Investec, ANZ Funds Management, Citibank and Westpac. He is currently the Chair of the Audit and Risk Committee of the Australian Dental Association, an External Member of the Safety and Risk Committee of the University of New South Wales, and is a former Executive Director and Chief Risk Officer for the Investec Group in Australia.

**Committee Memberships**

- Risk Chair (June 2023 to present)
- Audit (May 2024 to present)

### Lianne Bolton

**NON-EXECUTIVE DIRECTOR**

**Qualifications**

GAICD

**Experience and Special Responsibilities**

Lianne joined the Board in August 2023 and brings over 30 years' experience in financial services. Lianne is currently Chief Financial Officer with financial advisory and accounting services business Findex. Lianne is experienced in capital raising, securitisation, balance sheet management and risk management. Lianne's diverse background spans executive roles in public and privately owned companies across Australia, South Africa and the UK where she successfully navigated organisations through significant change and ongoing regulatory reform while driving growth in top and bottom-line performance.

**Committee Memberships**

- Audit Chair (May 2024 to present)
- Risk (August 2023 to present)

### Robyn L FitzRoy

**NON-EXECUTIVE DIRECTOR**

**Qualifications**

BA, MA, FAICD

**Experience and Special Responsibilities**

Robyn joined the Board in January 2015. She has over 20 years' experience in the financial services industry and is a former Executive Director of Macquarie Bank.

# Directors' Report

Robyn is a management consultant specialising in governance and is a former non-executive director of CUSCAL. She is also an accredited facilitator and author of courses for the Australian Institute of Company Directors.

**Committee Memberships**

- Nominations and Remuneration (January 2024 to present)
- Nominations and Remuneration Chair (December 2015 to January 2024)
- Audit (January 2020 to present)

## Christine Franks AM

### NON-EXECUTIVE DIRECTOR

**Qualifications**

BA (Statistics, Sociology), M.Mgmt (Community), FAICD

**Experience and Special Responsibilities**

Christine joined the Board in August 2019. She is a director with 20 years' governance experience in financial services, health, Not-For-Profit (NFP) and government, and is also a director of the Self-Managed Super Fund Association and founder and CEO/Chair of Women in Aid & Development and the Chairs Circle. She is a strong advocate of customer-owned banking with significant experience as a mutual banking director. Christine has an executive background in sales, marketing, customer research and customer service across commercial and NFP sectors and was awarded the Member of the Order of Australia in 2020.

**Committee Memberships**

- Risk (August 2019 to present)
- Nominations and Remuneration Chair (January 2024 to present)
- Nominations and Remuneration (August 2019 to January 2024)

## Dr Hilangwa Maimbo

### NON-EXECUTIVE DIRECTOR

**Qualifications**

PHD (IS), MCom (IS), Post Grad Dip. (IS), BTech (Hons), MAICD, MIITPSA, MIoDSA, MAIPM

**Experience and Special Responsibilities**

Hilangwa joined the Board in April 2021. He is an Information Technology professional with over 20 years' experience in several senior and executive management roles, both locally and internationally, predominantly in the financial services industry. In addition, to his non-executive director roles, Hilangwa works with organisations to deliver complex Information Technology solutions through his expertise in Digital Transformation, IT Strategy, IT Operations and Service Delivery.

**Committee Memberships**

- Audit (April 2021 to present)
- Risk (November 2021 to present)

## Peter M Schiller (Retired 31 August 2024)

### NON-EXECUTIVE DIRECTOR

**Qualifications**

MBA, Grad Dip. Banking & Finance, MAICD

**Experience and Special Responsibilities**

Peter joined the Board in July 2018 and has nearly 40 years' banking experience in executive management roles in Risk, Relationship Management, IT and Audit with both the Commonwealth Bank of Australia and the ANZ Banking Group.

- Chair (October 2021 to May 2024)

**Committee Memberships**

- Risk (May 2024 to August 2024)
- Audit (July 2018 to May 2024)
- Nominations and Remuneration (October 2021 to May 2024)

## Janet A Torney (Appointed 25 September 2024)

### NON-EXECUTIVE DIRECTOR

**Qualifications**

B Econ, FAICD

**Experience and Special Responsibilities**

Janet joined the Board in September 2024. She is a professional chairman and non-executive director with deep experience in the financial services sector (superannuation, mutual banking, asset management and investments) and in the member-focussed sector, notably female and sport related. Her expertise covers governance, strategy, risk and business management, investments, and change management - both cultural and operational. She is actively involved in mentoring both executives and young women.

**Committee Memberships**

- Risk (September 2024 to present)

### COMPANY SECRETARY

## Thomas C Lyons

Senior Manager, Finance & Treasury

Appointed Company Secretary July 2020

BCOM, CA.

# Directors' Report (continued)

## DIRECTORS' MEETINGS

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 were as follows:

| | | Board Meetings | Nominations and Remuneration Committee Meetings | Audit Committee Meetings | Risk Committee Meetings |
|---|---|---|---|---|---|
| Andrew B Black | A | 8 | | 5 | 6 |
| | B | 8 | | 5 | 6 |
| Peter M Binetter | A | 8 | | | 6 |
| | B | 8 | | | 6 |
| Lianne Bolton | A | 8 | | | 5 |
| | B | 8 | | | 5 |
| Robyn L FitzRoy | A | 7 | 6 | 5 | |
| | B | 8 | 6 | 5 | |
| Christine Franks AM | A | 8 | 6 | | 6 |
| | B | 8 | 6 | | 6 |
| Dr Hilangwa Maimbo | A | 8 | | 5 | 6 |
| | B | 8 | | 5 | 6 |
| Peter M Schiller | A | 8 | 6 | 5 | |
| | B | 8 | 6 | 5 | |

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year.

All directors requested and were granted leave for meetings they were unable to attend.

# Directors' Report (continued)

## DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend.

## CORPORATE INFORMATION

Gateway is a public company limited by shares incorporated and domiciled in Australia. As at 30 June 2024, the Consolidated Entity comprises of the Bank, the Portavia Trust No.1 Westpac Warehouse ("Portavia Trust No.1") and Portavia Trust No.2 Series 2013-1R ("Portavia Trust No.2"). The Bank holds nine residual income units in each of the Portavia Trust No.1 and Portavia Trust No.2, which are both controlled entities of the Bank.

The Consolidated Entity employed 70 employees at 30 June 2024 (2023: 69).

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the provision of financial and associated services to Members of the Bank. There have been no significant changes in the nature of these activities during the year.

## OPERATING AND FINANCIAL REVIEW

The Consolidated Entity results comprise of the full 12 months to 30 June 2024 for Gateway Bank Limited, and its controlled entities, Portavia Trust No.1 and Portavia Trust No.2.

The Consolidated Entity recorded a profit after income tax for the financial year ended 30 June 2024 of $2.476 million (2023: $4.573 million).

As at 30 June 2024, the Consolidated Entity's total assets increased to $1.612 billion (2023: $1.492 billion), representing an increase of $120 million (8.1%) from the prior financial year. Total loans increased by $113 million (9.4%) to $1.316 billion (2023: $1.203 billion), with total deposits of $1.365 billion (2023: $1.184 billion), having increased $181 million (15.3%) from the prior financial year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the financial year.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Directors are not aware of any other matter or circumstance that has occurred since 30 June 2024, that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

There have been no significant changes in the operations and services of the Consolidated Entity.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

## SHARE OPTIONS

No option to acquire shares in the Bank has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

## DIRECTORS BENEFITS

No director has received or become entitled to receive, during or since the financial year, a benefit of a contract made by Gateway Bank with a director, a firm which a director is a member, or an entity on which a director has a substantial financial interest other than disclosed in Note 21 of the financial statements.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, a premium was paid in respect of a contract insuring directors and officers (including executive officers, secretary, and employees) of the Bank against liability.

In accordance with normal commercial practice, disclosure of the total amount of premium payable and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Bank under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Bank is an entity to which the Class Order applies.

# Directors' Report (continued)

## AUDITOR INDEPENDENCE

As required under Section 307C of the *Corporations Act* the directors received an independence declaration from the auditor, KPMG. A copy has been included on the following page.

## PRUDENTIAL DISCLOSURES

Prudential disclosures made in accordance with APS 330 *Public Disclosures* can be located under Important Information on Gateway Bank's website at https://www.gatewaybank.com.au/important-information.

Signed in accordance with a resolution of the directors.

Andrew Black

A Black
Chair
Sydney, 25 September 2024

# Auditor's Independence Declaration

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

### To the Directors of Gateway Bank Limited

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

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

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

KPMG

KPMG

Nic Buchanan

Partner

Sydney

25 September 2024

# Statements of Comprehensive Income

## For the year ended 30 June 2024

| | | Consolidated | | Bank | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Interest income | 3(a) | **80,283** | 56,887 | **81,312** | 57,663 |
| Interest expense | 3(a) | **(58,124)** | (32,653) | **(59,324)** | (33,568) |
| **Net interest income** | | **22,159** | **24,234** | **21,988** | **24,095** |
| Non-interest income | 3(b) | **2,987** | 2,269 | **2,896** | 2,177 |
| **Operating income** | | **25,146** | **26,503** | **24,884** | **26,272** |
| Occupancy expenses | | **(154)** | (139) | **(154)** | (139) |
| Marketing expenses | | **(617)** | (793) | **(617)** | (793) |
| IT expenses | | **(2,397)** | (2,313) | **(2,397)** | (2,313) |
| Administration expenses | 3(c) | **(6,470)** | (5,735) | **(6,208)** | (5,504) |
| Employee expenses | 3(d) | **(10,031)** | (9,251) | **(10,031)** | (9,251) |
| Depreciation and amortisation expense | 3(e) | **(1,764)** | (1,666) | **(1,764)** | (1,666) |
| **Operating expenses** | | **(21,433)** | **(19,897)** | **(21,171)** | **(19,666)** |
| **Net profit before impairment and income tax expense** | | **3,713** | 6,606 | **3,713** | 6,606 |
| Impairment expense | 3(f) | **(189)** | (358) | **(189)** | (358) |
| **Net profit before tax** | | **3,524** | **6,248** | **3,524** | **6,248** |
| Income tax expense | 4(a) | **(1,048)** | (1,675) | **(1,048)** | (1,675) |
| **Net profit after tax attributable to Members** | | **2,476** | **4,573** | **2,476** | **4,573** |
| **Total comprehensive income attributable to Members** | | **2,476** | **4,573** | **2,476** | **4,573** |

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statements of Financial Position

## As at 30 June 2024

| | | Consolidated | | Bank | |
|---|---|---|---|---|---|
| | Note | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Assets** | | | | | |
| Cash and cash equivalents | 5 | **45,856** | 59,125 | **43,249** | 54,028 |
| Investments | 6 | **239,656** | 220,231 | **260,209** | 240,784 |
| Loans and advances | 7,8 | **1,315,678** | 1,203,190 | **1,315,678** | 1,203,190 |
| Other assets | 9 | **1,039** | 841 | **3,883** | 3,715 |
| Current tax assets | | **3,807** | 1,268 | **3,807** | 1,268 |
| Net deferred tax assets | 4(c) | **1,576** | 1,555 | **1,576** | 1,555 |
| Property, plant and equipment | 10 | **3,326** | 4,608 | **3,326** | 4,608 |
| Intangible assets | 11 | **1,347** | 734 | **1,347** | 734 |
| **Total assets** | | **1,612,285** | **1,491,552** | **1,633,075** | **1,509,882** |
| **Liabilities** | | | | | |
| Deposits | 12 | **1,365,122** | 1,184,332 | **1,365,122** | 1,184,332 |
| Trade payables | 13 | **6,642** | 4,154 | **5,847** | 3,392 |
| Borrowings | 14(a) | **115,439** | 180,815 | **2,833** | 39,888 |
| Inter-entity borrowings | 14(b) | **-** | - | **134,191** | 160,019 |
| Provisions | 15 | **1,718** | 1,530 | **1,718** | 1,530 |
| Other liabilities | 16 | **167** | - | **167** | - |
| **Total liabilities** | | **1,489,088** | **1,370,831** | **1,509,878** | **1,389,161** |
| **Net assets** | | **123,197** | **120,721** | **123,197** | **120,721** |
| **Members' equity** | | | | | |
| Retained earnings | | **123,197** | 120,721 | **123,197** | 120,721 |
| **Total members' equity** | | **123,197** | **120,721** | **123,197** | **120,721** |

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity

## For the year ended 30 June 2024

| Consolidated | Note | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|
| **At 30 June 2022** | | **116,148** | **116,148** |
| **Total comprehensive income** | | | |
| Profit for the year | | 4,573 | 4,573 |
| **Total comprehensive income** | | **4,573** | **4,573** |
| **At 30 June 2023** | | **120,721** | **120,721** |
| **Total comprehensive income** | | | |
| Profit for the year | | 2,476 | 2,476 |
| **Total comprehensive income** | | **2,476** | **2,476** |
| **At 30 June 2024** | | **123,197** | **123,197** |

| Bank | Note | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|
| **At 30 June 2022** | | **116,148** | **116,148** |
| **Total comprehensive income** | | | |
| Profit for the year | | 4,573 | 4,573 |
| **Total comprehensive income** | | **4,573** | **4,573** |
| **At 30 June 2023** | | **120,721** | **120,721** |
| **Total comprehensive income** | | | |
| Profit for the year | | 2,476 | 2,476 |
| **Total comprehensive income** | | **2,476** | **2,476** |
| **At 30 June 2024** | | **123,197** | **123,197** |

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

# Statements of Cash Flows

## For the year ended 30 June 2024

| | | Consolidated | | Bank | |
|---|---|---|---|---|---|
| | Note | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Cash flows from operating activities** | | | | | |
| Interest received | | **65,894** | 59,395 | **66,922** | 60,171 |
| Bad debts recovered | | **201** | 196 | **201** | 196 |
| Commissions and fees paid | | **(4,550)** | (4,358) | **(4,550)** | (4,358) |
| Other non-interest income received | | **2,555** | 1,778 | **2,465** | 1,687 |
| Interest paid | | **(52,976)** | (24,699) | **(54,176)** | (25,614) |
| Net funds advanced to members for loans and advances | | **(96,178)** | (110,775) | **(96,178)** | (110,775) |
| Payments to suppliers and employees | | **(15,284)** | (15,498) | **(15,026)** | (15,277) |
| Income tax paid | | **(3,608)** | (2,650) | **(3,608)** | (2,650) |
| Net acceptance from deposits | | **175,976** | 119,780 | **175,976** | 119,780 |
| **Net cash flows from operating activities** | 18(a) | **72,030** | **23,169** | **72,026** | **23,160** |
| **Cash flows used/(from) investing activities** | | | | | |
| Proceeds from redemption of investments | | **695,309** | 620,448 | **695,309** | 620,448 |
| Payments for investments | | **(714,308)** | (615,751) | **(714,307)** | (615,751) |
| Purchase of intangible assets | | **(962)** | (431) | **(962)** | (431) |
| Purchase of property, plant and equipment | | **(112)** | (98) | **(112)** | (98) |
| **Net cash flows (used in)/from investing activities** | | **(20,073)** | **4,168** | **(20,072)** | **4,168** |
| **Cash flows used in financing activities** | | | | | |
| Proceeds from debt securities issuance | | **-** | 84,062 | **-** | - |
| Proceeds from borrowings | | **-** | - | **-** | 84,062 |
| Repayment of debt securities | | **(28,322)** | (95,667) | **-** | - |
| Repayment of borrowings | | **(35,824)** | (10,100) | **(61,653)** | (104,601) |
| Payment of lease liabilities | | **(1,080)** | (998) | **(1,080)** | (998) |
| **Net cash flows used in financing activities** | 18(b) | **(65,226)** | **(22,703)** | **(62,733)** | **(21,537)** |
| Net (decrease)/increase in cash and cash equivalents | | **(13,269)** | 4,634 | **(10,779)** | 5,791 |
| Cash and cash equivalents at beginning of year | | **59,125** | 54,491 | **54,028** | 48,237 |
| **Cash and cash equivalents at end of year** | 5 | **45,856** | **59,125** | **43,249** | **54,028** |

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

It should be noted that the Consolidated Entity does not use the Statements of Cash Flows in the internal management of its liquidity positions.

# Notes to the Financial Statements

## For the year ended 30 June 2024

### 1 FINANCIAL STATEMENTS PREPARATION

The financial report of Gateway Bank Limited (the Bank), together with its controlled entities (the Consolidated Entity), for the year ended 30 June 2024, was authorised for issue by the Board of Directors on 25 September 2024. The directors have the power to amend and reissue the financial statements.

The Bank is a for-profit entity incorporated and domiciled in Australia. It is a public company limited by shares. The registered office is Level 10, 68 York Street, Sydney, New South Wales, 2000.

The financial report includes the consolidated and standalone financial statements of the Consolidated Entity and the Bank. Controlled entities are all those entities over which the parent entity, the Bank, has the power to govern the financial and operating policies to obtain the benefits from their activities. As the Bank holds all the participating residual income units of Portavia Trust No.1 and Portavia Trust No.2 in its ownership structure, both these special purpose entities are deemed to be controlled entities of the Bank.

The principal accounting policies are set out below and in the relevant notes to the financial statements. These accounting policies provide details of the accounting treatments adopted and where accounting standards provide policy choices. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation and accounting

The consolidated financial statements:

- is a general purpose financial statement
- has been prepared in accordance with the Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- has been prepared in accordance with the requirements of the Corporations Act 2001
- is presented in Australian Dollars, which is the Consolidated Entity's functional and presentation currency
- is presented with all values rounded to the nearest thousand dollars ($'000) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise indicated
- has been prepared on a going concern basis using an historical cost basis, as modified by applying fair value accounting to financial assets and financial liabilities measured at fair value through profit and loss (FVTPL) for Reverse Mortgages or in other comprehensive income (OCI) for derivative instruments; and
- presents assets and liabilities on the face of the Statements of Financial Position in decreasing order of liquidity.

The Consolidated Entity has adopted ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195 permitting entities to continue to include parent entity financial statements in their financial reports. Entities taking advantage of the relief are not required to present the summary parent entity information otherwise required by Regulation 2M.3.01 of the Corporations Regulations 2001.

### (b) Changes in material accounting policies

#### Material accounting policy information

The Consolidated Entity adopted *Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)* from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The amendments did not result in any changes to the disclosures and are not expected to significantly affect the current or future periods.

### (c) Future developments in accounting standards

The AASB has issued *AASB 18 Presentation and Disclosure in Financial Statements* which sets out requirements for the presentation and disclosure of information in general purpose financial statements. AASB 18 is effective for annual reporting periods beginning on or after 1 January 2027. The transition provisions of AASB 18 requires retrospective application. The Consolidated Entity is continuing to assess the full impact of adopting AASB 18.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 1 FINANCIAL STATEMENTS PREPARATION (continued)

Aside from the above there are no other new standards and interpretations that may have a material impact on the Consolidated Entity that have been issued but are not yet effective, and unless otherwise stated, have not been early adopted by the Consolidated Entity.

### (d) Critical accounting assumptions and estimates

The preparation of the financial statements requires the use of judgement, assumptions and estimates which impact the financial information. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, income, and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Further details of the key judgements and estimates may be found in the relevant notes to the financial statements.

#### Provisions for Expected Credit Losses (ECL)

Details on specific judgements in relation to emerging risks on the calculation of provisions for ECL are included in Note 8.

#### Reverse Mortgages

Under AASB 17, reverse mortgages meet the definition of insurance contracts. However, the insurance risk associated with these lending arrangements is limited by the mortgage security held against these facilities. Accordingly, the Consolidated Entity has elected to continue to apply AASB 9 Financial Instruments in accounting for the reverse mortgage portfolio.

### 2 RISK MANAGEMENT

Financial instruments are fundamental to the Consolidated Entity’s business of providing financial and associated services to Members. The associated financial risks include market risk, credit risk, liquidity and funding risk and operational risk. These risks are managed through a continuous process of identification, analysis, measurement and monitoring, setting of appropriate risk limits and other controls. This risk management process is critical to the Consolidated Entity's sustained profitability and each individual within the Consolidated Entity is accountable for the risk exposures relating to his or her role and responsibilities.

#### Risk Management Framework (RMF)

The Consolidated Entity's RMF is embedded throughout its operations and governance process and is subject to ongoing development and enhancement to reflect changes in strategy, market conditions, and products and services offered. It incorporates the following core components:

- a ‘three lines of defence’ model clearly defining risk ownership responsibilities with functionally independent levels of oversight and independent assurance
- a suite of policies, procedures and systems documenting the Consolidated Entity's Board-approved Risk Appetite Statement (RAS) and risk management systems descriptions, establishing specific limits and other measures to restrict particular risk exposures, ensuring that all categories of risk are actively monitored by the Board and managed by Executive Management and providing for regular review of the Consolidated Entity's risk tolerance
- human resources practices designed to recruit, train, and retain employees with required specialist skills
- clearly documented delegations of responsibility and accountability of risk management throughout the organisation
- internal control processes including structured Board and Executive Management reporting, a system of independent review (by internal and external audit) and regular Board oversight; and

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

- an operational philosophy that seeks to anticipate and minimise risks before they occur and that fully investigates, and learns from, any unexpected consequences that should arise.

#### Roles and responsibilities

**Board of Directors (Board)**

The Board has an overall responsibility for the establishment and oversight of the Consolidated Entity's RMF.

**Risk Committee**

The Risk Committee is responsible for monitoring compliance with the Consolidated Entity's risk management policies and procedures, and for reviewing the adequacy of the RMF in relation to the risks faced by the Consolidated Entity. The Risk Committee reports regularly to the Board on its activities, and it is a requirement that at least one member of the Audit Committee is also a member of the Risk Committee.

**Audit Committee**

The Audit Committee provides assurance to the Board on the appropriateness, effectiveness, and adequacy of the RMF. It is responsible for the internal and external auditor relationships.

**Internal Audit**

From 7 November 2018, Grant Thornton has been engaged by the Board to review risk management and internal controls in the capacity of independent internal auditor. Grant Thornton has provided reports to the Chair of the Audit Committee and has full access to staff and information when conducting its reviews.

**Chief Executive Officer (CEO)**

The CEO is responsible for the ongoing management of the RMF including its periodic review and renewal, subject to requisite Board direction and approvals.

**Chief Risk Officer (CRO) and Executive Management**

The CRO and Executive Management team are responsible for implementing the Board-approved risk management strategy and for developing policies, procedures, processes, and controls for identifying and managing risks in all areas of activity.

**Executive Risk and Compliance Committee (ERCC)**

The ERCC, convened by the CEO, oversees the Consolidated Entity's effectiveness in meeting all relevant risk and compliance obligations, as well as developing and reviewing the policy framework for recommendation and approval by the relevant Board Committees and endorsement by the Board.

#### Risk governance and reporting

Monitoring and controlling risk is primarily conducted using the limits established in the RAS by the Board. These limits reflect the Consolidated Entity's business strategy and market environment as well as the level of risk it is willing to accept.

The Board identifies several discrete material risk categories and the risk appetite and tolerance parameters for each of these. The RAS qualifies the appetite or tolerance level for business risks and summarises the limits and management controls that apply to manage the impact of a particular risk. These parameters are reviewed annually.

Information is compiled, processed, and understood to analyse, identify, and manage risks early. This information is presented to the Executive Management Committees, the Risk Committee, and the Board. The reporting includes aggregate credit exposures, delinquency summary, loan security summary, loan type summary, liquidity ratios, Value at Risk (VaR), sensitivity analysis and material changes. Detailed reporting occurs monthly. Executive Management assesses the appropriateness of the inputs and assumptions used in determining the provision for impairment on an annual basis or more frequently where market conditions dictate it. The Board receives

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

summarised risk reporting on key risk measures monthly. More detailed analysis and review of risks is undertaken on a periodic basis by the Risk Committee with reporting of outcomes to the Board.

**Risk mitigation**

The Consolidated Entity actively manages risk through a framework that includes the use of collateral, delegations, limit frameworks, review of loan concentrations, lending and funding portfolio diversification and interest rate hedging.

### (a) Interest rate risk

Interest rate risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Consolidated Entity. The Consolidated Entity is only exposed to Interest Rate Risk in the Banking Book (IRRBB).

**Fair value interest rate risk**

Fair value interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in interest rates.

**Cash flow interest rate risk**

Cash flow interest rate risk is the risk that changes in interest rates will affect future cash flows of financial instruments. The Board has established limits on VaR and interest rate gaps for stipulated periods. Positions are monitored monthly and managed using interest rate swaps and adjusting fixed rate pricing.

**Key controls and risk management strategies**

- Defined VaR indicators set in the RAS
- Pricing appropriately for risk
- Monthly monitoring of VaR; and
- Using interest rate swaps to manage exposure in variability in future cash flows resulting from fluctuations in interest rates, which could affect profit or loss.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**VaR assumptions**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The main tool used to measure and control market risk exposure within the Consolidated Entity’s non-trading portfolio is VaR. The VaR of the non-trading portfolio is the estimated loss that will arise on the portfolio over a specified period (holding period) from an adverse market movement with a specified probability (confidence level).

The VaR that the Consolidated Entity measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within twenty days' horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Since VaR is an integral part of the Consolidated Entity's interest rate risk management, VaR limits have been established and exposures are reviewed monthly against the limits by Executive Management and the Board.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 20-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- A 250-day observation period. The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Consolidated Entity’s position and volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

A summary of the VaR position of the Consolidated Entity's non-trading portfolio as at 30 June is as follows:

| | % of Capital | |
|---|---|---|
| | 2024 | 2023 |
| As at 30 June | **0.69** | **0.60** |
| Average for the period | **0.65** | **1.00** |
| Highest for the period | **0.87** | **1.37** |
| Lowest for the period | **0.46** | **0.60** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Consolidated Entity**

| 2024 | Floating interest rate $'000 | Fixed interest rate: 1 year or less $'000 | Fixed interest rate: 1 to 5 years $'000 | Fixed interest rate: More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | | |
| Cash and cash equivalents | 45,855 | - | - | - | 1 | 45,856 |
| Investments | 47,642 | 192,014 | - | - | - | 239,656 |
| Loans and advances | 870,633 | 163,990 | 19,411 | - | - | 1,054,034 |
| **Financial assets measured at fair value through profit and loss** | | | | | | |
| Loans and advances | 261,644 | - | - | - | - | 261,644 |
| **Total financial assets** | **1,225,774** | **356,004** | **19,411** | **-** | **1** | **1,601,190** |
| **Financial liabilities** | | | | | | |
| Deposits | 324,159 | 1,037,418 | 3,492 | - | 53 | 1,365,122 |
| Borrowings (1) | 112,606 | - | 2,833 | - | - | 115,439 |
| **Total financial liabilities** | **436,765** | **1,037,418** | **6,325** | **-** | **53** | **1,480,561** |
| **Total interest rate repricing gap** | **789,009** | **(681,414)** | **13,086** | **-** | **(52)** | **120,629** |
| **Cumulative interest rate repricing gap** | **789,009** | **107,595** | **120,681** | **120,681** | **120,629** | |

(1) Borrowings relate to funding provided to Portavia Trust No.1 from Westpac Banking Corporation and lease liability.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Consolidated Entity**

| 2023 | Floating interest rate $'000 | Fixed interest rate: 1 year or less $'000 | Fixed interest rate: 1 to 5 years $'000 | Fixed interest rate: More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | | |
| Cash and cash equivalents | 59,124 | - | - | - | 1 | 59,125 |
| Investments | 56,729 | 163,502 | - | - | - | 220,231 |
| Loans and advances | 753,068 | 130,564 | 175,059 | - | - | 1,058,691 |
| **Financial assets measured at fair value through profit and loss** | | | | | | |
| Loans and advances | 144,499 | - | - | - | - | 144,499 |
| **Total financial assets** | **1,013,420** | **294,066** | **175,059** | **-** | **1** | **1,482,546** |
| **Financial liabilities** | | | | | | |
| Deposits | 316,966 | 861,972 | 5,343 | - | 51 | 1,184,332 |
| Borrowings (1) | 140,927 | 35,996 | 3,892 | - | - | 180,815 |
| **Total financial liabilities** | **457,893** | **897,968** | **9,235** | **-** | **51** | **1,365,147** |
| **Total interest rate repricing gap** | **555,527** | **(603,902)** | **165,824** | **-** | **(50)** | **117,399** |
| **Cumulative interest rate repricing gap** | **555,527** | **(48,375)** | **117,449** | **117,449** | **117,399** | |

(1) Borrowings relate to funding provided to Portavia Trust No.1 from Westpac Banking Corporation, the lease liability, and the Reserve Bank of Australia's Term Funding Facility.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Bank**

| 2024 | Floating interest rate $'000 | Fixed interest rate: 1 year or less $'000 | Fixed interest rate: 1 to 5 years $'000 | Fixed interest rate: More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | | |
| Cash and cash equivalents | 43,248 | - | - | - | 1 | 43,249 |
| Investments | 68,195 | 192,014 | - | - | - | 260,209 |
| Loans and advances | 870,633 | 163,990 | 19,411 | - | - | 1,054,034 |
| **Financial assets measured at fair value through profit and loss** | | | | | | |
| Loans and advances | 261,644 | - | - | - | - | 261,644 |
| **Total financial assets** | **1,243,720** | **356,004** | **19,411** | **-** | **1** | **1,619,136** |
| **Financial liabilities** | | | | | | |
| Deposits | 324,159 | 1,037,418 | 3,492 | - | 53 | 1,365,122 |
| Borrowings (1) | - | - | 2,833 | - | - | 2,833 |
| Inter-entity borrowings | 133,829 | 362 | - | - | - | 134,191 |
| **Total financial liabilities** | **457,988** | **1,037,780** | **6,325** | **-** | **53** | **1,502,146** |
| **Total interest rate repricing gap** | **785,732** | **(681,776)** | **13,086** | **-** | **(52)** | **116,990** |
| **Cumulative interest rate repricing gap** | **785,732** | **103,956** | **117,042** | **117,042** | **116,990** | |

(1) Borrowings relate to funding provided to the lease liability.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Bank**

| 2023 | Floating interest rate $'000 | Fixed interest rate: 1 year or less $'000 | Fixed interest rate: 1 to 5 years $'000 | Fixed interest rate: More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | | |
| Cash and cash equivalents | 54,027 | - | - | - | 1 | 54,028 |
| Investments | 77,282 | 163,502 | - | - | - | 240,784 |
| Loans and advances | 753,068 | 130,564 | 175,059 | - | - | 1,058,691 |
| **Financial assets measured at fair value through profit and loss** | | | | | | |
| Loans and advances | 144,499 | - | - | - | - | 144,499 |
| **Total financial assets** | **1,028,876** | **294,066** | **175,059** | **-** | **1** | **1,498,002** |
| **Financial liabilities** | | | | | | |
| Deposits | 316,966 | 861,972 | 5,343 | - | 51 | 1,184,332 |
| Borrowings (1) | - | 35,996 | 3,892 | - | - | 39,888 |
| Inter-entity borrowings | 153,386 | 3,797 | 2,836 | - | - | 160,019 |
| **Total financial liabilities** | **470,352** | **901,765** | **12,071** | **-** | **51** | **1,384,239** |
| **Total interest rate repricing gap** | **558,524** | **(607,699)** | **162,988** | **-** | **(50)** | **113,763** |
| **Cumulative interest rate repricing gap** | **558,524** | **(49,175)** | **113,813** | **113,813** | **113,763** | |

(1) Borrowings relate to funding provided to the lease liability and the Reserve Bank of Australia's Term Funding Facility.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk

Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Consolidated Entity. It arises primarily from loans and advances.

#### Key controls and risk mitigation strategies

- Defined credit risk indicators set in the RAS.
- Transacting with counterparties that demonstrate the ability and willingness to service their obligations through performance of due diligence and thorough credit assessments.
- Applications manually assessed by qualified, approved credit authority holders within the Consolidated Entity using clearly defined credit policies, with more complex or higher risk applications referred to more senior and experienced credit authority holders with a higher delegated lending authority.
- Taking collateral where appropriate, such as mortgage interests over property, other registered securities over assets, and guarantees.
- For residential mortgages, where the Loan to Value Ratio (LVR) is greater than 80%, Lenders Mortgage Insurance (LMI) is required.
- Pricing appropriately for risk – particularly unsecured loans and advances.
- Credit concentration frameworks that set exposure limits to the introduction source, repayment type (interest-only vs. principal and interest), borrower type (investor vs. owner-occupier), LVR, security risk category, counterparties, or groups of related counterparties.
- Regular monitoring of credit quality, concentration arrears, policy exceptions and policy breaches.
- Working with impaired counterparties, or those in danger of becoming so, to help rehabilitate their financial positions.
- Stress testing, either at a counterparty or portfolio level.
- Frequent independent credit reviews to assess business compliance with credit policies and frameworks, application of credit risk ratings and other key practices; and
- Regular review of credit policies, and prompt implementations of amendments where required.

#### Maximum exposure to credit risk

The Consolidated Entity's maximum credit risk exposure equals the drawn-down portion on the Statements of Financial Position and the undrawn portion of all committed facilities of loans and receivables, and is shown in the following table:

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024<br>$'000 | 2023<br>$'000 | 2024<br>$'000 | 2023<br>$'000 |
| Bank balances | **45,856** | 59,125 | **43,249** | 54,028 |
| Investments | **239,656** | 220,231 | **260,209** | 240,784 |
| Loans and advances | **1,315,678** | 1,203,190 | **1,315,678** | 1,203,190 |
| Unused committed loan facilities | **27,074** | 32,604 | **27,074** | 32,604 |
| Redraw facilities on mortgages | **60,681** | 58,566 | **60,681** | 58,566 |
| Loans approved but not funded | **32,943** | 55,347 | **32,943** | 55,347 |
| Undrawn reverse mortgage loans | **225,076** | 131,245 | **225,076** | 131,245 |
| **Maximum credit risk exposure** | **1,946,964** | **1,760,308** | **1,964,910** | **1,775,764** |

Refer to Notes 5, 6 and 7 for information regarding the carrying value of financial assets measured at amortised cost.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

The following tables summarise the exposures to credit risk under AASB 9.

| 2024 | Consolidated Entity<br>Loans and advances $'000 | Deposits with other ADIs $'000 | Investment debt securities $'000 | Cash and cash equivalents $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Carrying amount of financial assets measured at amortised cost** | | | | | |
| **Stage 1: Collectively assessed** | | | | | |
| Secured by mortgage: current | 997,674 | - | - | - | 997,674 |
| Secured by mortgage: <= 30 days arrears | 10,455 | - | - | - | 10,455 |
| Investment grade | - | 683 | 238,973 | 30,041 | 269,697 |
| Unrated | - | - | - | 15,815 | 15,815 |
| Other | 34,831 | - | - | - | 34,831 |
| Net deferred income and expenses | 2,197 | - | - | - | 2,197 |
| Carrying amount | 1,045,157 | 683 | 238,973 | 45,856 | 1,330,669 |
| **Stage 2: Collectively assessed** | | | | | |
| Secured by mortgage | 5,536 | - | - | - | 5,536 |
| Other | 41 | - | - | - | 41 |
| Carrying amount | 5,577 | - | - | - | 5,577 |
| **Stage 3: Collectively assessed** | | | | | |
| Secured by mortgage | - | - | - | - | - |
| Other | - | - | - | - | - |
| Carrying amount | - | - | - | - | - |
| **Stage 3: Individually assessed** | | | | | |
| Secured by mortgage | 5,069 | - | - | - | 5,069 |
| Other | 51 | - | - | - | 51 |
| Carrying amount | 5,120 | - | - | - | 5,120 |
| **Expected credit loss** | (1,820) | - | - | - | (1,820) |
| **Total carrying amount of financial assets measured at amortised cost** | **1,054,034** | **683** | **238,973** | **45,856** | **1,339,546** |
| Includes restructured loans | - | - | - | - | - |
| **Carrying amount of financial assets measured at fair value through profit and loss** | | | | | |
| Secured by mortgage: current | 261,644 | - | - | - | 261,644 |
| **Total carrying amount of financial assets measured at fair value through profit and loss** | **261,644** | **-** | **-** | **-** | **261,644** |
| **Total carrying amount** | **1,315,678** | **683** | **238,973** | **45,856** | **1,601,190** |

For a definition of Stage 1, 2 and 3 refer to Note 8.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

| 2023 | Consolidated Entity | | | | |
|---|---|---|---|---|---|
| | Loans and advances $'000 | Deposits with other ADIs $'000 | Investment debt securities $'000 | Cash and cash equivalents $'000 | Total $'000 |
| **Carrying amount of financial assets measured at amortised cost** | | | | | |
| **Stage 1: Collectively assessed** | | | | | |
| Secured by mortgage: current | 1,007,449 | - | - | - | 1,007,449 |
| Secured by mortgage: <= 30 days arrears | 11,202 | - | - | - | 11,202 |
| Investment grade | - | 682 | 219,549 | 51,662 | 271,893 |
| Unrated | - | - | - | 7,463 | 7,463 |
| Other | 30,054 | - | - | - | 30,054 |
| Net deferred income and expenses | 2,757 | - | - | - | 2,757 |
| Carrying amount | 1,051,462 | 682 | 219,549 | 59,125 | 1,330,818 |
| **Stage 2: Collectively assessed** | | | | | |
| Secured by mortgage | 5,755 | - | - | - | 5,755 |
| Other | 145 | - | - | - | 145 |
| Carrying amount | 5,900 | - | - | - | 5,900 |
| **Stage 3: Collectively assessed** | | | | | |
| Secured by mortgage | - | - | - | - | - |
| Other | - | - | - | - | - |
| Carrying amount | - | - | - | - | - |
| **Stage 3: Individually assessed** | | | | | |
| Secured by mortgage | 3,114 | - | - | - | 3,114 |
| Other | 73 | - | - | - | 73 |
| Carrying amount | 3,187 | - | - | - | 3,187 |
| **Expected credit loss** | (1,858) | - | - | - | (1,858) |
| **Total carrying amount of financial assets measured at amortised cost** | **1,058,691** | **682** | **219,549** | **59,125** | **1,338,047** |
| Includes restructured loans | 682 | - | - | - | 682 |
| | | | | | |
| **Carrying amount of financial assets measured at fair value through profit and loss** | | | | | |
| Secured by mortgage: current | 144,499 | - | - | - | 144,499 |
| **Total carrying amount of financial assets measured at fair value through profit and loss** | **144,499** | **-** | **-** | **-** | **144,499** |
| **Total carrying amount** | **1,203,190** | **682** | **219,549** | **59,125** | **1,482,546** |

For a definition of Stage 1, 2 and 3 refer to Note 8.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

| | Bank | | | | |
|---|---|---|---|---|---|
| **2024** | **Loans and advances $'000** | **Deposits with other ADIs $'000** | **Investment debt securities $'000** | **Cash and cash equivalents $'000** | **Total $'000** |
| **Carrying amount of financial assets measured at amortised cost** | | | | | |
| **Stage 1: Collectively assessed** | | | | | |
| Secured by mortgage: current | 997,674 | - | - | - | 997,674 |
| Secured by mortgage: <= 30 days arrears | 10,455 | - | - | - | 10,455 |
| Investment grade | - | 683 | 259,526 | 27,434 | 287,643 |
| Unrated | - | - | - | 15,815 | 15,815 |
| Other | 34,831 | - | - | - | 34,831 |
| Net deferred income and expenses | 2,197 | - | - | - | 2,197 |
| Carrying amount | 1,045,157 | 683 | 259,526 | 43,249 | 1,348,615 |
| **Stage 2: Collectively assessed** | | | | | |
| Secured by mortgage | 5,536 | - | - | - | 5,536 |
| Other | 41 | - | - | - | 41 |
| Carrying amount | 5,577 | - | - | - | 5,577 |
| **Stage 3: Collectively assessed** | | | | | |
| Secured by mortgage | - | - | - | - | - |
| Other | - | - | - | - | - |
| Carrying amount | - | - | - | - | - |
| **Stage 3: Individually assessed** | | | | | |
| Secured by mortgage | 5,069 | - | - | - | 5,069 |
| Other | 51 | - | - | - | 51 |
| Carrying amount | 5,120 | - | - | - | 5,120 |
| **Expected credit loss** | (1,820) | - | - | - | (1,820) |
| **Total carrying amount of financial assets measured at amortised cost** | **1,054,034** | **683** | **259,526** | **43,249** | **1,357,492** |
| Includes restructured loans | - | - | - | - | - |
| **Carrying amount of financial assets measured at fair value through profit and loss** | | | | | |
| Secured by mortgage: current | 261,644 | - | - | - | 261,644 |
| **Total carrying amount of financial assets measured at fair value through profit and loss** | **261,644** | **-** | **-** | **-** | **261,644** |
| **Total carrying amount** | **1,315,678** | **683** | **259,526** | **43,249** | **1,619,136** |

For a definition of Stage 1, 2 and 3 refer to Note 8.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

| | Bank | | | | |
|---|---|---|---|---|---|
| **2023** | **Loans and advances $'000** | **Deposits with other ADIs $'000** | **Investment debt securities $'000** | **Cash and cash equivalents $'000** | **Total $'000** |
| **Carrying amount of financial assets measured at amortised cost** | | | | | |
| **Stage 1: Collectively assessed** | | | | | |
| Secured by mortgage: current | 1,007,449 | - | - | - | 1,007,449 |
| Secured by mortgage: <= 30 days arrears | 11,202 | - | - | - | 11,202 |
| Investment grade | - | 682 | 240,102 | 46,565 | 287,349 |
| Unrated | - | - | - | 7,463 | 7,463 |
| Other | 30,054 | - | - | - | 30,054 |
| Net deferred income and expenses | 2,757 | - | - | - | 2,757 |
| Carrying amount | 1,051,462 | 682 | 240,102 | 54,028 | 1,346,274 |
| **Stage 2: Collectively assessed** | | | | | |
| Secured by mortgage | 5,755 | - | - | - | 5,755 |
| Other | 145 | - | - | - | 145 |
| Carrying amount | 5,900 | - | - | - | 5,900 |
| **Stage 3: Collectively assessed** | | | | | |
| Secured by mortgage | - | - | - | - | - |
| Other | - | - | - | - | - |
| Carrying amount | - | - | - | - | - |
| **Stage 3: Individually assessed** | | | | | |
| Secured by mortgage | 3,114 | - | - | - | 3,114 |
| Other | 73 | - | - | - | 73 |
| Carrying amount | 3,187 | - | - | - | 3,187 |
| **Expected credit loss** | (1,858) | - | - | - | (1,858) |
| **Total carrying amount of financial assets measured at amortised cost** | **1,058,691** | **682** | **240,102** | **54,028** | **1,353,503** |
| Includes restructured loans | 682 | - | - | - | 682 |
| **Carrying amount of financial assets measured at fair value through profit and loss** | | | | | |
| Secured by mortgage: current | 144,499 | - | - | - | 144,499 |
| **Total carrying amount of financial assets measured at fair value through profit and loss** | **144,499** | **-** | **-** | **-** | **144,499** |
| **Total carrying amount** | **1,203,190** | **682** | **240,102** | **54,028** | **1,498,002** |

For a definition of Stage 1, 2 and 3 refer to Note 8.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### Concentration of credit risk

The Consolidated Entity minimises the concentration of geographic credit risk by undertaking transactions with counterparties across a range of geographic areas. Customers located in New South Wales comprise the largest segment.

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 % | 2023 % | 2024 % | 2023 % |
| New South Wales | **51.7** | **52.7** | **51.7** | **52.7** |
| Victoria | **20.3** | **20.0** | **20.3** | **20.0** |
| Queensland | **16.4** | **16.6** | **16.4** | **16.6** |
| Western Australia | **4.0** | **3.9** | **4.0** | **3.9** |
| South Australia | **4.2** | **3.6** | **4.2** | **3.6** |
| Tasmania | **0.6** | **0.5** | **0.6** | **0.5** |
| Northern Territory | **0.1** | **0.0** | **0.1** | **0.0** |
| Australian Capital Territory | **2.7** | **2.7** | **2.7** | **2.7** |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

The Consolidated Entity further minimises concentration risk by monitoring credit risk by postcode, as certain postcodes have higher credit risk than others and therefore limits are applied to lending to postcodes identified as high risk.

#### Collateral and other credit enhancements

The Consolidated Entity holds collateral against loans to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. The following tables provide information on credit exposures from residential and commercial mortgage lending by stratifications of LVRs. The LVR is calculated as the ratio of the current balance of the loan to the most recent valuation of the collateral.

#### *Residential mortgages*

| | Consolidated | | Bank | |
|---|---|---|---|---|
| **LVRs** | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| <= 25% | **139,284** | 95,722 | **139,284** | 95,722 |
| >25% <=50% | **344,445** | 256,856 | **344,445** | 256,856 |
| >50% <=70% | **295,490** | 273,103 | **295,490** | 273,103 |
| >70% <=80% | **207,841** | 185,390 | **207,841** | 185,390 |
| >80% <=90% (1) | **170,078** | 137,920 | **170,078** | 137,920 |
| >90% <=100% (1) | **99,961** | 195,158 | **99,961** | 195,158 |
| >100% (1) | **253** | - | **253** | - |
| **Total residential mortgages** | **1,257,352** | **1,144,149** | **1,257,352** | **1,144,149** |

(1) For the residential mortgages with an LVR of >80%, >90% and >100%, $121.7 million, $75.9 million, and $0.3m (2023: $86.0 million, $148.0 million, and $nil) respectively, is attributable to participants of the Federal Government's First Home Loan Deposit Scheme (FHLDS). Under the FHLDS the Federal Government acts as a guarantor for up to 15% of the home loan.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

***Commercial mortgages***

| LVRs | Consolidated 2024 $'000 | Consolidated 2023 $'000 | Bank 2024 $'000 | Bank 2023 $'000 |
|---|---|---|---|---|
| <= 25% | **34** | 31 | **34** | 31 |
| >25% <=50% | **1,813** | 1,511 | **1,813** | 1,511 |
| >50% <=70% | **10,790** | 25,872 | **10,790** | 25,872 |
| >70% <=80% | **3,516** | 457 | **3,516** | 457 |
| >80% <=90% | **6,874** | - | **6,874** | - |
| >90% <=100% | **-** | - | **-** | - |
| >100% | **-** | - | **-** | - |
| **Total commercial mortgages** | **23,027** | **27,871** | **23,027** | **27,871** |

### (c) Liquidity and funding risk

Liquidity risk is the combined risk of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk). The Consolidated Entity is exposed to liquidity risk primarily through the funding mismatch between the Consolidated Entity's loans, investments, and sources of funding.

**Key controls and risk mitigation strategies**

- Defined liquidity risk indicators in RAS.
- Preparation of an annual Funding Plan based on the Budget for the next financial year and a further 4-year outlook.
- Maintaining a diverse, yet stable, pool of potential funding sources across different entities and products.
- Maintaining sufficient liquidity buffers and funding capacity to withstand periods of disruption in wholesale funding markets and unanticipated changes in the Balance Sheet funding gap.
- Conservatively managing the mismatch between asset and liability maturities.
- Maintaining a portfolio of High-Quality Liquid Assets (HQLA) readily saleable or repo-eligible liquid assets.
- Maintaining minimum regulatory limits on the ratio of net liquid assets (cash, short-term bank negotiable certificates of deposits/bills and floating rate notes) to customer liabilities, set to reflect market conditions.
- Daily monitoring of liquidity risk exposures, incorporating an assessment of expected future cash flows; and
- Maintaining a Contingency Funding Plan that provides strategies for addressing liquidity shortfalls in a crisis situation.

The closing Minimum Liquid Holdings (MLH) ratio for the year ended 30 June 2024 was 17.87% (2023: 18.39%) versus an APRA prudential minimum of 15%. The Board approved policies addressing liquidity risk management ensure that adequate buffers, trigger points and contingency arrangements are in place.

Refer to Notes 12 and 14 for maturity analysis of financial liabilities.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Consolidated Entity**

| 2024 | Note | Carrying amount $'000 | Gross nominal inflow / (outflow) $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | 1-5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | |
| Deposits | 12 | **1,365,122** | **(1,380,569)** | (473,589) | (400,102) | (503,304) | (3,574) | - |
| Bank borrowings | 14 | **112,606** | **(115,722)** | (1,662) | (2,291) | (111,769) | - | - |
| Lease liability | 14 | **2,833** | **(2,918)** | (98) | (197) | (921) | (1,702) | - |
| | | **1,480,561** | **(1,499,209)** | **(475,349)** | **(402,590)** | **(615,994)** | **(5,276)** | **-** |

| 2023 | Note | Carrying amount $'000 | Gross nominal inflow / (outflow) $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | 1-5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | |
| Deposits | 12 | **1,184,332** | **(1,195,373)** | (454,289) | (334,904) | (400,686) | (5,494) | - |
| Term Funding Facility | 14 | **35,996** | **(36,013)** | (10,037) | (7,854) | (18,122) | - | - |
| Bank borrowings | 14 | **140,927** | **(156,564)** | (3,751) | (3,733) | (149,080) | - | - |
| Lease liability | 14 | **3,892** | **(4,059)** | (93) | (187) | (876) | (2,903) | - |
| | | **1,365,147** | **(1,392,009)** | **(468,170)** | **(346,678)** | **(568,764)** | **(8,397)** | **-** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

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

**Bank**

| 2024 | Note | Carrying amount $'000 | Gross nominal inflow / (outflow) $'000 | Less than 1 month $'000 | 1-3 months $'000 | 3-12 months $'000 | 1-5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | |
| Deposits | 12 | **1,365,122** | **(1,380,569)** | (473,589) | (400,102) | (503,304) | (3,574) | - |
| Lease liability | 14 | **2,833** | **(2,918)** | (98) | (197) | (921) | (1,702) | - |
| Inter-entity borrowings | 14 | **134,191** | **(115,722)** | (1,662) | (2,291) | (111,769) | - | - |
| | | **1,502,146** | **(1,499,209)** | **(475,349)** | **(402,590)** | **(615,994)** | **(5,276)** | **-** |

| 2023 | Note | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | |
| Deposits | 12 | **1,184,332** | **(1,195,373)** | (454,289) | (334,904) | (400,686) | (5,494) | - |
| Term Funding Facility | 14 | **35,996** | **(36,013)** | (10,037) | (7,854) | (18,122) | - | - |
| Lease liability | 14 | **3,892** | **(4,059)** | (93) | (187) | (876) | (2,903) | - |
| Inter-entity borrowings | 14 | **160,019** | **(156,564)** | (3,751) | (3,733) | (149,080) | - | - |
| | | **1,384,239** | **(1,392,009)** | **(468,170)** | **(346,678)** | **(568,764)** | **(8,397)** | **-** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (d) Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events.

The Consolidated Entity is exposed to operational risk primarily through:

- Process execution errors
- Cyber security losses
- Technology failures
- Data management issues
- Model risks
- Accounting, legal and taxation risks
- Third parties
- People (employment practice and workplace safety)
- Fraud (external and internal); and
- Non-technology business disruption.

#### Key controls and risk mitigation strategies

- Defined operational risk indicators in RAS.
- Implementation of manual and automated controls to prevent, detect and mitigate the specific operational risks that the Consolidated Entity is exposed to.
- Regular risk and control self-assessment to assess key risks and controls.
- Use of independent internal audit (Line 3) to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels.
- Incident management processes to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to further strengthen processes and controls.
- Issue management processes to identify, assess, record, report and manage weaknesses or gaps in controls.
- Establishment of key risk indicators to monitor movements in risk exposures over time; and
- Assurance undertaken by the Line 2 Risk team to assess whether operational risks are appropriately identified and managed by the Consolidated Entity.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (e) Fair value risk

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument.

### Accounting policy

Fair value is the amount 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.

On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

#### Determination of fair value

The Consolidated Entity measures fair value using the following fair value hierarchy, which reflects the observability of the inputs used in measuring fair value:

- **Level 1:** Those financial instruments valued using inputs that are unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arms' length basis. Financial instruments included in this category are cash and cash equivalents.
- **Level 2:** Those financial instruments valued using inputs other than quoted prices as described for level 1, but which are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. The valuation techniques include the use of discounted cash flow analysis and other market-accepted valuation models. Financial instruments included in this category are investments, deposits, derivative financial instruments, and borrowings (excluding the lease liability).
- **Level 3:** Those financial instruments where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market liquidity or complexity of the instrument. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historical transactions, and economic models, where available. These inputs may include timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category are loans and advances, assets at fair value through profit and loss (reverse mortgages), and lease liabilities.

#### Derivative financial instruments

The Consolidated Entity uses interest rate swaps from various counterparties who have investment-grade credit ratings. The fair value is calculated as the present value of estimated future interest cash flows based on observable yield curves. Other inputs include the credit quality of counterparties and forward rates.

#### Cash and investments

The fair value for financial assets is based on the current quoted market price. For those assets where there is no quoted price the fair value is calculated as the present value of estimated future interest cash flows based on observable yield curves.

#### Loans and advances

The fair value is measured on a level 3 basis which is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date. For variable rate loans, the carrying amount is a reasonable estimate of the fair value. Unobservable inputs used in calculating fair value include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. The net fair value for fixed rate loans is calculated utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on current benchmark rates offered for the average remaining term of the portfolio as at 30 June 2024.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (e) Fair value risk (continued)

#### Assets at fair value through profit and loss (Loans and advances)

The fair value of reverse mortgages cannot be measured by reference to an active market or observable inputs. As such, the Consolidated Entity has used valuation techniques (income approach) to consider fair value. When the Consolidated Entity enters into a reverse mortgage, it has set expectations regarding the loan's current and future risk profile and expectation of performance. This expectation references various assumptions including:

- Age
- Mortality and move to care
- House price changes
- No negative equity guarantee; and
- Interest rate margin

At balance date the Consolidated Entity does not consider any of the above assumptions to have moved outside of the original expectation range sufficient to have materially influenced the fair value of the portfolio. Therefore, the Consolidated Entity has continued to estimate the fair value of the portfolio at the balance of the amounts owing. There has been no fair value movement recognised in profit and loss during the year. Given the nature of the loan terms and tenor, the fair value as recorded is regarded as not being highly sensitive to the above assumptions, particularly to house prices and interest rates, that would impact the fair value at balance date. While noting the uncertainty around future economic events, based on current judgement there is no evidence that these will have a long-term adverse impact on market conditions, particularly regarding the key elements of house prices or interest rates, that would materially influence the fair value of the reverse mortgage portfolio at balance date. The Consolidated Entity will continue to reassess the existence of a relevant market and movements in assumptions on an ongoing basis.

#### Deposits

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

#### Borrowings

Due to the short-term nature of borrowings, the carrying amount (amortised cost) of the Consolidated Entity's bank facility balances, including overdraft, approximate their fair value.

| | Consolidated Entity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2023 | | | |
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial assets measured at amortised cost** | | | | | | | | |
| Cash | **45,856** | **-** | **-** | **45,856** | 59,125 | - | - | 59,125 |
| Investments | **-** | **239,791** | **-** | **239,791** | - | 220,000 | - | 220,000 |
| Loans and advances | **-** | **-** | **1,050,203** | **1,050,203** | - | - | 1,045,992 | 1,045,992 |
| **Financial assets measured at fair value through profit and loss** | | | | | | | | |
| Loans and advances | **-** | **-** | **261,644** | **261,644** | - | - | 144,499 | 144,499 |
| **Financial assets** | **45,856** | **239,791** | **1,311,847** | **1,597,494** | **59,125** | **220,000** | **1,190,491** | **1,469,616** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (e) Fair value risk (continued)

| | Bank | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2023 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets measured at amortised cost** | | | | | | | | |
| Cash | **43,249** | **-** | **-** | **43,249** | 54,028 | - | - | 54,028 |
| Investments | **-** | **260,344** | **-** | **260,344** | - | 240,553 | - | 240,553 |
| Loans and advances | **-** | **-** | **1,050,203** | **1,050,203** | - | - | 1,045,992 | 1,045,992 |
| **Financial assets measured at fair value through profit and loss** | | | | | | | | |
| Loans and advances | **-** | **-** | **261,644** | **261,644** | - | - | 144,499 | 144,499 |
| **Financial assets** | **43,249** | **260,344** | **1,311,847** | **1,615,440** | **54,028** | **240,553** | **1,190,491** | **1,485,072** |

| | Consolidated Entity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2023 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | | | | | |
| Deposits | **-** | **1,365,065** | **-** | **1,365,065** | - | 1,182,238 | - | 1,182,238 |
| Borrowings | **-** | **112,606** | **2,833** | **115,439** | - | 176,923 | 3,892 | 180,815 |
| **Financial liabilities** | **-** | **1,477,671** | **2,833** | **1,480,504** | **-** | **1,359,161** | **3,892** | **1,363,053** |

| | Bank | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | | | 2023 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial liabilities** | | | | | | | | |
| Deposits | **-** | **1,365,065** | **-** | **1,365,065** | - | 1,058,755 | - | 1,058,755 |
| Borrowings | **-** | **-** | **2,833** | **2,833** | - | 35,996 | 3,892 | 39,888 |
| Inter-entity borrowings | **-** | **134,191** | **-** | **134,191** | - | 160,019 | - | 160,019 |
| **Financial liabilities** | **-** | **1,499,256** | **2,833** | **1,502,089** | **-** | **1,254,770** | **3,892** | **1,258,662** |

There were no transfers between Level 1, Level 2, and Level 3 during the year.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 2 RISK MANAGEMENT (continued)

### (e) Fair value risk (continued)

| Reconciliation of level 3 balances at the beginning and end of the period | Financial assets measured at amortised cost | Financial assets measured at fair value through profit and loss | Financial Liabilities | |
|---|---|---|---|---|
| **Consolidated** | **Loans and advances $'000** | **Loans and advances $'000** | **Borrowings $'000** | **Total $'000** |
| **At 30 June 2022** | **1,020,795** | **56,942** | **(4,904)** | **1,072,833** |
| Additions | 245,478 | 98,022 | - | 343,500 |
| Repayments | (220,281) | (10,465) | 998 | (229,748) |
| Effect of remeasurement | - | - | 15 | 15 |
| Transfers into Level 3 | - | - | - | - |
| Transfers out of Level 3 | - | - | (1) | (1) |
| **At 30 June 2023** | **1,045,992** | **144,499** | **(3,892)** | **1,186,599** |
| Additions | **156,698** | **145,923** | **-** | **302,621** |
| Repayments | **(152,487)** | **(28,778)** | **1,080** | **(180,185)** |
| Effect of remeasurement | **-** | **-** | **(21)** | **(21)** |
| Transfers into Level 3 | **-** | **-** | **-** | **-** |
| Transfers out of Level 3 | **-** | **-** | **-** | **-** |
| **At 30 June 2024** | **1,050,203** | **261,644** | **(2,833)** | **1,309,014** |

| Reconciliation of level 3 balances at the beginning and end of the period | Financial assets measured at amortised cost | Financial assets measured at fair value through profit and loss | Financial Liabilities | |
|---|---|---|---|---|
| **Bank** | **Loans and advances $'000** | **Loans and advances $'000** | **Borrowings $'000** | **Total $'000** |
| **At 30 June 2022** | **1,020,795** | **56,942** | **(4,904)** | **1,072,833** |
| Additions | 245,478 | 98,022 | - | 343,500 |
| Repayments | (220,281) | (10,465) | 998 | (229,748) |
| Effect of remeasurement | - | - | 15 | 15 |
| Transfers into Level 3 | - | - | - | - |
| Transfers out of Level 3 | - | - | (1) | (1) |
| **At 30 June 2023** | **1,045,992** | **144,499** | **(3,892)** | **1,186,599** |
| Additions | **156,698** | **145,923** | **-** | **302,621** |
| Repayments | **(152,487)** | **(28,778)** | **1,080** | **(180,185)** |
| Effect of remeasurement | **-** | **-** | **(21)** | **(21)** |
| Transfers into Level 3 | **-** | **-** | **-** | **-** |
| Transfers out of Level 3 | **-** | **-** | **-** | **-** |
| **At 30 June 2024** | **1,050,203** | **261,644** | **(2,833)** | **1,309,014** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 3 INCOME AND EXPENSES

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **(a) Interest income and interest expense** | | | | |
| **Interest income** | | | | |
| Loans and advances to members | **67,261** | 47,105 | **67,261** | 47,105 |
| Investment securities | **10,948** | 8,420 | **12,148** | 9,335 |
| Deposits at call with other financial institutions | **2,074** | 1,362 | **1,903** | 1,223 |
| **Total interest income** | **80,283** | **56,887** | **81,312** | **57,663** |
| **Interest expense** | | | | |
| Deposits | **50,825** | 26,785 | **50,824** | 26,785 |
| Borrowings | **7,299** | 5,868 | **100** | 191 |
| Inter-entity borrowings | **-** | - | **8,400** | 6,592 |
| **Total interest expense** | **58,124** | **32,653** | **59,324** | **33,568** |
| **(b) Non-interest income** | | | | |
| Fees and commissions | **2,553** | 2,073 | **2,462** | 1,981 |
| Bad debts recovered | **201** | 196 | **201** | 196 |
| Other income | **233** | - | **233** | - |
| **Total non-interest income** | **2,987** | **2,269** | **2,896** | **2,177** |
| **(c) Administration expenses** | | | | |
| Lending expenses | **2,828** | 1,975 | **2,828** | 1,975 |
| Transactional expenses | **990** | 1,155 | **758** | 956 |
| Other administration expenses | **2,652** | 2,605 | **2,622** | 2,573 |
| **Total administration expenses** | **6,470** | **5,735** | **6,208** | **5,504** |
| **(d) Employee expenses** | | | | |
| Salaries and wages | **8,348** | 7,683 | **8,348** | 7,683 |
| Workers' compensation | **23** | 21 | **23** | 21 |
| Defined contribution superannuation | **932** | 858 | **932** | 858 |
| Other employee benefits | **728** | 689 | **728** | 689 |
| **Total employee expenses** | **10,031** | **9,251** | **10,031** | **9,251** |
| **(e) Depreciation and amortisation expense** | | | | |
| Depreciation of: | | | | |
| - Property, plant and equipment | **1,454** | 1,460 | **1,454** | 1,460 |
| **Total depreciation expense** | **1,454** | **1,460** | **1,454** | **1,460** |
| Amortisation of: | | | | |
| - Computer software | **310** | 206 | **310** | 206 |
| **Total amortisation expense** | **310** | **206** | **310** | **206** |
| **Total depreciation and amortisation expense** | **1,764** | **1,666** | **1,764** | **1,666** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 3 INCOME AND EXPENSES (continued)

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **(f) Impairment expense/(benefit)** | | | | |
| (Release of)/increase in loan impairment provision | **(38)** | 152 | **(38)** | 152 |
| Bad debts written-off | **227** | 206 | **227** | 206 |
| **Total impairment expense** | **189** | **358** | **189** | **358** |

### Accounting policy

**Net interest income**

Interest income and interest expense on financial assets and liabilities are measured using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument, such as a loan or deposit, and allocates the interest income or interest expense over the expected life of the financial instrument.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument.

**Non-interest income**

Non-interest income includes fees and commissions earned from delivering a range of services to members. Facility fees earned for managing and administering credit and other facilities for members, are recognised over the service period.

**Operating expenses**

Employee expenses includes salaries and related on-costs namely annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Superannuation expense includes expenses relating to defined contribution superannuation plans. The defined contribution expense is recognised in the period the service is provided.

IT expenses are recognised as incurred unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, the computer software is subsequently amortised over its estimated useful life. At each balance date, the Consolidated Entity assesses useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Operating expenses are recognised as services are provided to the Consolidated Entity, over the period which an asset is consumed, or once a liability is created. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

**Goods and Services Tax (GST)**

Income, expenses, and assets are recognised net of GST, except where:

- the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In this instance GST is included in the cost of acquisition of the asset or as part of the expense incurred; and
- the receivables and payables are stated inclusive of GST.

Net GST recoverable or payable is recognised as a receivable or payable respectively in the Statements of Financial Position.

**Impairment expense**

Impairment losses are written-off in the Statements of Comprehensive Income as an expense when there is no realistic probability of recovery.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 4 INCOME TAX

| | | Consolidated | | Bank | |
|---|---|---|---|---|---|
| | | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| (a) | **Income tax expense** | | | | |
| | The major components of income tax expense are: | | | | |
| | **Statements of Comprehensive Income** | | | | |
| | Current income tax | | | | |
| | - Current income tax charge | **1,069** | 2,111 | **1,069** | 2,111 |
| | - Deferred tax (benefit) | **(21)** | (436) | **(21)** | (436) |
| | **Income tax expense reported in the Statements of Comprehensive Income** | **1,048** | **1,675** | **1,048** | **1,675** |
| (b) | **Reconciliation between aggregate tax expense recognised in the Statements of Comprehensive Income and tax expense calculated per the statutory income tax rate** | | | | |
| | A reconciliation between tax expense and the product of accounting profit before tax multiplied by the applicable income tax rate is as follows: | | | | |
| | **Total accounting profit before income tax** | **3,524** | **6,248** | **3,524** | **6,248** |
| | At the statutory income tax rate of 30% (2023: 30%) | **1,057** | 1,874 | **1,057** | 1,874 |
| | Adjustments in relation to prior periods | **-** | (227) | **-** | (227) |
| | Non-deductible expenses | **(9)** | 28 | **(9)** | 28 |
| | **Aggregate income tax expense** | **1,048** | **1,675** | **1,048** | **1,675** |

### Accounting policy

**Income tax**

Income tax on profit or loss for the period comprises current and deferred tax.

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

Deferred tax is calculated using the Balance Sheet method where temporary differences are identified by comparing the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e., through use or sale), using tax rates which are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

A deferred tax asset can only be recognised to the extent that it is probable that future taxable profits will be available for it to be used against. Deferred tax assets and liabilities are offset as they relate to income tax levied by the same taxation authority on the same taxable entity.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 4 INCOME TAX (continued)

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $'000 | $'000 | $'000 | $'000 |
| **(c) Recognised deferred tax assets and liabilities** | | | | |
| Deferred tax at 30 June relates to the following: | | | | |
| **Statements of Financial Position** | | | | |
| *(i) Deferred tax liabilities* | | | | |
| - Other assets | **(11)** | - | **(11)** | - |
| - Plant and equipment | **(146)** | (183) | **(146)** | (183) |
| - Right-of-use asset | **(735)** | (1,045) | **(735)** | (1,045) |
| **Gross deferred tax liabilities** | **(892)** | **(1,228)** | **(892)** | **(1,228)** |
| *(ii) Deferred income tax assets* | | | | |
| - Loans and advances | **546** | 558 | **546** | 558 |
| - Creditors and other liabilities | **658** | 701 | **658** | 701 |
| - Employee entitlements | **414** | 356 | **414** | 356 |
| - Lease Liability | **850** | 1,168 | **850** | 1,168 |
| **Gross deferred tax assets** | **2,468** | **2,783** | **2,468** | **2,783** |
| Offset of deferred tax liabilities | **(892)** | (1,228) | **(892)** | (1,228) |
| **Net deferred tax assets** | **1,576** | **1,555** | **1,576** | **1,555** |
| **Statements of Comprehensive Income** | | | | |
| *Deferred income tax (benefit)* | | | | |
| - Other assets | **11** | - | **11** | - |
| - Loans and advances | **11** | (131) | **11** | (131) |
| - Plant and equipment | **(37)** | (9) | **(37)** | (9) |
| - Creditors and other liabilities | **44** | (194) | **44** | (194) |
| - Employee entitlements | **(58)** | (69) | **(58)** | (69) |
| - Right-of-use asset | **(310)** | (90) | **(310)** | (90) |
| - Lease Liability | **318** | 57 | **318** | 57 |
| **Deferred income tax (benefit)** | **(21)** | **(436)** | **(21)** | **(436)** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### FINANCIAL ASSETS

### Accounting policy

**Financial assets – General**

There are three measurement classifications for financial assets under AASB 9 *Financial Instruments*, namely amortised cost, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Financial assets are classified into these measurement classifications based on two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent Solely Payments of Principal and Interest (SPPI)).

The resultant financial asset classifications are as follows:

- Amortised cost, financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their cash flows
- FVOCI, financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL, any other financial assets not falling into the categories above are measured at FVTPL.

***Fair value option for financial assets***

A financial asset may be irrevocably designated as FVTPL on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Business model assessment***

The Consolidated Entity determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Consolidated Entity's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Consolidated Entity's original expectations, the Consolidated Entity does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

***The SPPI test***

As a second step of its classification process the Consolidated Entity assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Consolidated Entity applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### FINANCIAL ASSETS (CONTINUED)

### Accounting policy (continued)

***Derecognition***

The Consolidated Entity derecognises a loan to a customer, when the rights to receive cash flows from the financial asset have expired. The Consolidated Entity also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Consolidated Entity has transferred the financial asset if, and only if, either:

- The Consolidated Entity has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Consolidated Entity retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Consolidated Entity has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Consolidated Entity cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Consolidated Entity has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Consolidated Entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Consolidated Entity has transferred substantially all the risks and rewards of the asset; or
- The Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Consolidated Entity considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the Consolidated Entity continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Consolidated Entity could be required to pay.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 5 CASH AND CASH EQUIVALENTS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Cash on hand | **1** | 1 | **1** | 1 |
| Cash at bank [(1)] | **34,811** | 34,236 | **32,204** | 29,139 |
| Deposits at call with financial institutions | **11,044** | 24,888 | **11,044** | 24,888 |
| **Cash and cash equivalents** | **45,856** | **59,125** | **43,249** | **54,028** |

(1) Includes $0.141 million (2023: $0.414 million) cash in Peer-to-Peer Lending platforms, and $12.332 million (2023: $15.590 million) of cash in Portavia Trust No.1 and Portavia Trust No.2 which is subject to restrictions of the respective Trust Deeds and is available for use under those conditions.

Cash at bank earns interest at floating rates based on daily bank deposit rates depending on product category.

The carrying amounts of cash and cash equivalents approximates fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Consolidated Entity, and earns interest at the respective short-term rates.

### Accounting policy

**Cash and cash equivalents**

Cash and cash equivalents include cash at bank and on hand, short-term bills, and money at call with an original maturity of three months or less. Cash and cash equivalents are initially measured at fair value then subsequently at amortised cost. Interest is recognised in the Statements of Comprehensive Income using the effective interest method.

Cash and cash equivalents also include cash within Portavia Trust No.1 and Portavia Trust No.2, which are subject to restrictions as the cash can only be distributed in accordance with the legal documents of the trust.

For the purpose of the Statements of Cash Flows, cash and cash equivalents are defined as cash and cash equivalents net of outstanding bank overdrafts. Whereas, for the purpose of the Statements of Financial Position bank overdrafts are included within interest-bearing loans and borrowings.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 6 INVESTMENTS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024<br>$'000 | 2023<br>$'000 | 2024<br>$'000 | 2023<br>$'000 |
| Negotiable Certificates of Deposits | **191,331** | 162,820 | **191,331** | 162,820 |
| Floating Rate Notes (1) | **47,642** | 56,729 | **68,195** | 77,282 |
| Term Deposits | **683** | 682 | **683** | 682 |
| **Investments** | **239,656** | **220,231** | **260,209** | **240,784** |
| **Maturity analysis: Investments** | | | | |
| < 3 months | **165,012** | 140,164 | **165,012** | 140,164 |
| 3 to 6 months | **23,466** | 29,198 | **23,466** | 29,198 |
| 6 to 12 months | **15,178** | 8,824 | **35,731** | 29,377 |
| > 1 year | **36,000** | 42,045 | **36,000** | 42,045 |
| **Investments** | **239,656** | **220,231** | **260,209** | **240,784** |

(1) The Bank holds $20,553,025 (2023: $20,553,025) in sub-ordinated notes issued by Portavia Trust No.1 as part of a contingency liquidity facility. These investments are eliminated on consolidation.

### Accounting policy

**Investments**

Investments include debt securities held as part of the Consolidated Entity's liquidity portfolio.

These investments are held within the business model where the objective is to hold them in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise payments of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and presented net of any provisions for impairment.

The securities are assessed for impairment using the expected credit loss approach described in Note 8. Impairment is recognised in the Impairment expense line in the Statements of Comprehensive Income.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 7 LOANS AND ADVANCES

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Loans and advances measured at fair value through profit and loss** | | | | |
| Reverse mortgages | **261,644** | 144,499 | **261,644** | 144,499 |
| Sub-total | **261,644** | 144,499 | **261,644** | 144,499 |
| **Loans and advances measured at amortised cost** | | | | |
| Lines of credit | **13,965** | 16,131 | **13,965** | 16,131 |
| Term loans | **1,039,692** | 1,041,661 | **1,039,692** | 1,041,661 |
| Sub-total | **1,053,657** | 1,057,792 | **1,053,657** | 1,057,792 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |
| Add: | | | | |
| - Gross fees and commissions capitalised | **15,088** | 14,126 | **15,088** | 14,126 |
| - Accumulated amortisation | **(12,891)** | (11,369) | **(12,891)** | (11,369) |
| Net commissions capitalised | **2,197** | 2,757 | **2,197** | 2,757 |
| Allowance for impairment loss | **(1,820)** | (1,858) | **(1,820)** | (1,858) |
| **Net loans and advances** | **1,315,678** | **1,203,190** | **1,315,678** | **1,203,190** |
| **Security dissection** | | | | |
| - Secured by mortgage | **1,280,379** | 1,172,020 | **1,280,379** | 1,172,020 |
| - Secured other | **24,489** | 16,778 | **24,489** | 16,778 |
| - Unsecured | **10,433** | 13,493 | **10,433** | 13,493 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |
| **Purpose dissection** | | | | |
| - Residential loans | **995,707** | 999,650 | **995,707** | 999,650 |
| - Reverse mortgages | **261,644** | 144,499 | **261,644** | 144,499 |
| - Personal loans | **11,762** | 15,176 | **11,762** | 15,176 |
| - Commercial loans | **46,188** | 42,966 | **46,188** | 42,966 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |
| **Maturity analysis: Gross loans and advances** [1] | | | | |
| < 3 months | **4,286** | 156 | **4,286** | 156 |
| 3 to 12 months | **8,274** | 19,730 | **8,274** | 19,730 |
| 1 - 5 years | **35,356** | 29,430 | **35,356** | 29,430 |
| > 5 years | **1,267,385** | 1,152,975 | **1,267,385** | 1,152,975 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |

(1) Cash flows are based on contractual obligations.

#### Credit risk adjustments on financial assets designated as FVTPL

There were no credit risk adjustments on individual financial assets.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 7 LOANS AND ADVANCES (continued)

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **(a) Concentration of loans** | | | | |
| Geographic areas: Residence and/or employed within: | | | | |
| - New South Wales | **680,245** | 634,045 | **680,245** | 634,045 |
| - Victoria | **269,056** | 239,636 | **269,056** | 239,636 |
| - Queensland | **215,415** | 199,156 | **215,415** | 199,156 |
| - Western Australia | **52,161** | 46,849 | **52,161** | 46,849 |
| - South Australia | **54,822** | 43,586 | **54,822** | 43,586 |
| - Northern Territory | **782** | 269 | **782** | 269 |
| - Tasmania | **7,923** | 6,306 | **7,923** | 6,306 |
| - Australian Capital Territory | **34,897** | 32,444 | **34,897** | 32,444 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |
| **(b) Fair value** | | | | |
| The *carrying amount* of loans and advances are as follows: | | | | |
| - Lines of credit | **275,609** | 160,630 | **275,609** | 160,630 |
| - Term loans | **1,039,692** | 1,041,661 | **1,039,692** | 1,041,661 |
| **Gross loans and advances** | **1,315,301** | **1,202,291** | **1,315,301** | **1,202,291** |
| The *fair values* of loans and advances are as follows: | | | | |
| - Lines of credit | **275,609** | 160,630 | **275,609** | 160,630 |
| - Term loans | **1,036,238** | 1,029,861 | **1,036,238** | 1,029,861 |
| **Gross loans and advances** | **1,311,847** | **1,190,491** | **1,311,847** | **1,190,491** |

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counterparty credit risk.

#### Accounting policy

**AASB 17 Insurance Contracts**

Under AASB 17, reverse mortgages meet the definition of insurance contracts. However, the insurance risk associated with these lending arrangements is limited by the mortgage security held against these facilities. Accordingly, the Consolidated Entity has elected to continue to apply AASB 9 Financial Instruments in accounting for the reverse mortgage portfolio.

**AASB 9 Financial Instruments - Loans and advances measured at FVTPL**

Reverse mortgages are initially recognised and subsequently measured at FVTPL, per Note 2(e).

**AASB 9 Financial Instruments - Loans and advances measured at amortised cost**

Loans and advances are held within a business model whose objective is to hold them in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise solely payments of principal and interest. These instruments are accordingly measured at amortised cost.

Loans and advances are recognised on settlement date, i.e., when funds are transferred to the members' accounts. They are initially recognised at their fair value plus directly attributable transaction costs, primarily brokerage and loan origination fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and presented net of provisions for impairment.

For the accounting policy for provisions for impairment, refer to Note 8. For information on the Consolidated Entity's management of credit risk, refer to Note 2(b).

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT

A decrease in allowance for impairment loss of $0.038 million (2023: increase of $0.152 million) has been recognised within the impairment expense/benefit in the Statements of Comprehensive Income. This provision is in respect of specific debtors and debtors assessed on a collective basis, as described in the accounting policy section of this note.

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Provision for impairment** | | | | |
| Balance at beginning of period | **1,858** | 1,706 | **1,858** | 1,706 |
| Additional individually assessed impairment | **154** | 86 | **154** | 86 |
| Loans written-off | **(79)** | (24) | **(79)** | (24) |
| Reversal of individually assessed impairment | **(10)** | (23) | **(10)** | (23) |
| Changes to modelling assumptions | **(74)** | 120 | **(74)** | 120 |
| Decrease in collective impairment | **(29)** | (7) | **(29)** | (7) |
| **Balance at end of period** | **1,820** | **1,858** | **1,820** | **1,858** |
| | | | | |
| Individually assessed impairment | **254** | 182 | **254** | 182 |
| Collective impairment | **1,566** | 1,676 | **1,566** | 1,676 |
| **Total provision for impairment** | **1,820** | **1,858** | **1,820** | **1,858** |

| | Consolidated Entity and Bank | | | |
|---|---|---|---|---|
| **2024** | Stage 1 12 month ECL $'000 | Stage 2 Lifetime ECL $'000 | Stage 3 Lifetime ECL $'000 | Total (1) $'000 |
| **Gross carrying amount as at 1 July 2023** | **1,048,698** | **5,910** | **3,184** | **1,057,792** |
| New loans originated | 174,129 | - | - | **174,129** |
| Payments and assets derecognised (excluding write-offs) | (176,724) | (868) | (502) | **(178,094)** |
| Transfers to Stage 1 | 4,024 | (2,781) | (1,243) | **-** |
| Transfers to Stage 2 | (4,915) | 4,981 | (66) | **-** |
| Transfers to Stage 3 | (2,260) | (1,654) | 3,914 | **-** |
| Amounts written-off | - | - | (170) | **(170)** |
| **At 30 June 2024** | **1,042,952** | **5,588** | **5,117** | **1,053,657** |

| | Consolidated Entity and Bank | | | |
|---|---|---|---|---|
| **2023** | Stage 1 12 month ECL $'000 | Stage 2 Lifetime ECL $'000 | Stage 3 Lifetime ECL $'000 | Total (1) $'000 |
| **Gross carrying amount as at 1 July 2022** | **1,029,195** | **3,861** | **1,736** | **1,034,792** |
| New loans originated | 257,934 | - | - | **257,934** |
| Payments and assets derecognised (excluding write-offs) | (232,726) | (1,649) | (433) | **(234,808)** |
| Transfers to Stage 1 | 1,929 | (1,101) | (828) | **-** |
| Transfers to Stage 2 | (5,095) | 5,095 | - | **-** |
| Transfers to Stage 3 | (2,539) | (296) | 2,835 | **-** |
| Amounts written-off | - | - | (126) | **(126)** |
| **At 30 June 2023** | **1,048,698** | **5,910** | **3,184** | **1,057,792** |

(1) Carrying amount of loans and advances measured at amortised cost.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT (continued)

| 2024 | Consolidated Entity and Bank<br>Stage 1<br>12 month<br>ECL<br>$'000 | <br>Stage 2<br>Lifetime<br>ECL<br>$'000 | <br>Stage 3<br>Lifetime<br>ECL<br>$'000 | <br><br>Total<br><br>$'000 |
|---|---|---|---|---|
| **ECL allowance as at 1 July 2023** | **1,509** | **169** | **180** | **1,858** |
| New loans originated | 120 | - | - | **120** |
| Loans repaid | (80) | (35) | (10) | **(125)** |
| Transfers to Stage 1 | 23 | (45) | (30) | **(52)** |
| Transfers to Stage 2 | (5) | 83 | (6) | **72** |
| Transfers to Stage 3 | (16) | (74) | 190 | **100** |
| Write-offs | - | - | (79) | **(79)** |
| Changes to modelling assumptions | (347) | 87 | 186 | **(74)** |
| **At 30 June 2024** | **1,204** | **185** | **431** | **1,820** |

| 2023 | Consolidated Entity and Bank<br>Stage 1<br>12 month<br>ECL<br>$'000 | <br>Stage 2<br>Lifetime<br>ECL<br>$'000 | <br>Stage 3<br>Lifetime<br>ECL<br>$'000 | <br><br>Total<br><br>$'000 |
|---|---|---|---|---|
| **ECL allowance as at 1 July 2022** | **1,443** | **128** | **135** | **1,706** |
| New loans originated | 78 | - | - | **78** |
| Loans repaid | (126) | (68) | (23) | **(217)** |
| Transfers to Stage 1 | 28 | (38) | (13) | **(23)** |
| Transfers to Stage 2 | (7) | 148 | - | **141** |
| Transfers to Stage 3 | (6) | (16) | 99 | **77** |
| Write-offs | - | - | (24) | **(24)** |
| Changes to modelling assumptions | 99 | 15 | 6 | **120** |
| **At 30 June 2023** | **1,509** | **169** | **180** | **1,858** |

The estimation of the fair value of collateral and other security enhancements held against loans and advances in arrears is shown below:

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024<br>$'000 | 2023<br>$'000 | 2024<br>$'000 | 2023<br>$'000 |
| **Past due 30 days and over [(1)]** | **16,894** | **10,384** | **16,894** | **10,384** |

(1) The fair value of collateral held for loans less than 30 days past due exceeds the carrying value of loans.

Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT (continued)

#### Impact of overlays on the provision for impairment

The following table reflects the split between modelled ECL and other management overlays.

Where there is increased uncertainty regarding the forward-looking economic conditions under AASB 9 or limitations of the historical data used to calibrate the model to current stressed environments, overlays are typically used to address areas of potential risk not captured in the underlying modelled ECL.

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Modelled provision for ECL | **1,445** | 848 | **1,445** | 848 |
| Overlays | **375** | 1,010 | **375** | 1,010 |
| **Total provision for ECL** | **1,820** | **1,858** | **1,820** | **1,858** |

### Accounting policy

#### Provision for impairment

By providing loans to members the Consolidated Entity bears the risk that the future circumstances of members might change, including their ability to repay their loans in part or in full. While the Consolidated Entity's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Consolidated Entity will not receive the full amount owed and hence a provision for expected credit loss is necessary.

***Expected Credit Loss (ECL) model***

The ECL model applies to all financial assets measured at amortised cost or FVOCI. These include cash and cash equivalents, deposits with other ADIs, investment debt securities and loans and advances to customers. Financial assets are divided into homogenous portfolios based on shared risk characteristics. These include on-balance sheet residential mortgages, commercial mortgages, commercial loans, peer-to-peer lending, personal loans and lines of credit and off-balance sheet undrawn commitments.

For investment debt securities and deposits with other ADIs, the Consolidated Entity has applied the AASB 9 'low credit risk' exemption given their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

***Model stages***

The ECL model uses a three-stage approach to the recognition of expected credit losses. Financial assets migrate through these three stages based on significant changes in credit risk since origination:

- **Stage 1: Performing loans – 12 months ECL**
  On origination, financial assets recognise an impairment provision equivalent to 12 months ECL, which represents the credit losses expected to arise from defaults occurring over the next 12 months.
- **Stage 2: Performing loans that have experienced a Significant Increase in Credit Risk (SICR) – Lifetime ECL**
  Financial assets that have experienced a SICR are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL represents the credit losses expected to arise from defaults occurring over the remaining life of financial assets.
- **Stage 3: Non-performing loans – Lifetime ECL**
  Financial assets in default recognise a provision equivalent to lifetime ECL. This includes assets that are considered impaired as well as assets that are considered to be in default but are not impaired because, for example, no loss is expected based on the security position.

Assets may move in both directions through the stages of the impairment model. Assets previously in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a SICR, and the impairment provision reverts to 12 months ECL. Similarly, assets in Stage 3 may move back to Stage 1 or Stage 2 if they are no longer assessed to be non-performing.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT (continued)

### Accounting policy (continued)

***Collective and individual assessment***

Credit losses for financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either collective or individual assessment of expected credit losses.

***Significant Increase in Credit Risk (SICR)***

When determining whether the risk of default on a financial instrument has increased significantly since origination, the Consolidated Entity uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a SICR. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Consolidated Entity in full, or the exposure is 90 days past due. Financial assets, including those that are well secured, are considered credit impaired when they default.

***Measurement of ECL***

The ECLs are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions, and forecasts of future economic conditions.

The ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- **Probability of Default (PD)** – the estimate of the likelihood that a borrower will default over a given period
- **Exposure at Default (EAD)** – the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- **Loss Given Default (LGD)** – the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

***Expected life***

When estimating ECL exposures in Stage 2 and 3, the Consolidated Entity considered the expected lifetime over which it is exposed to credit risk. The expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

***Forward-looking macroeconomic information***

The measurement of ECL for each stage and the assessment of SICR considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation of forward-looking information is a critical accounting judgement. The Consolidated Entity considers three future macroeconomic scenarios, including a base case scenario along with upside and downside scenarios.

The macroeconomic variables used in these scenarios, based on current economic forecasts, include Gross Domestic Product (GDP) growth rates, movements in the official Cash Rate, Unemployment rates, and annual changes in the ASX All-Ordinaries Index.

- **Base case scenario** is the Consolidated Entity's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting.
- **Upside scenario** is based on more optimistic economic events than the base case scenario
- **Downside scenario** is a more severe scenario with ECL higher than those under the current base case scenario.

The macroeconomic scenarios are weighted based on the Consolidated Entity's best estimate of the relative likelihood of each scenario. The requirement to probability-weight future outcomes captures the uncertainty inherent in the credit outlook. The weighting applied to each of the three scenarios is based on management's best estimate of the proportion of potential future loss outcomes that each scenario represents, and takes into account historical frequency, current trends, and forward-looking conditions.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT (continued)

### Accounting policy (continued)

***Forward-looking macroeconomic information (continued)***

Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risk at a geographical location or a particular portfolio segment level. Judgements can change with time as new information becomes available, which could result in changes to the provision for ECL.

The Executive Risk and Compliance Committee (ERCC) and Board Risk Committee are responsible for approving macroeconomic variables and probability weightings of the three macroeconomic scenarios, as well as all model refinements. The Consolidated Entity's loan loss provision model and assumptions, loan impairment expense and all areas of judgement are reported to the Board.

### Key judgements and estimates

**Individually assessed allowance for ECL**

In estimating individually assessed ECL for Stage 3 exposures, the Consolidated Entity makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, the business or employment prospects for the member, competing claims, and the likely cost and duration of the work-out process.

**Collectively assessed allowance for ECL**

During the financial year ended 30 June 2024 the collectively assessed provision decreased from $1.68 million to $1.57 million. This decrease in the collective provision in the current financial year was driven by a run-off of the Alliance loan portfolio and changes in the modelling inputs.

In estimating collectively assessed ECL, the Consolidated Entity makes judgements and assumptions in relation to the selection of:

- a modelling methodology; and
- inputs for the model, including interdependencies between those inputs.

**Key judgements and assumptions, and changes**

***Determining when a SICR has occurred***

Judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan. The effectiveness of SICR criteria is monitored on an ongoing basis. The Consolidated Entity uses the criteria of 30 days past due or loans under credit watch as the criteria for determining whether there has been a SICR.

*There have been no changes to the rules and trigger points used to determine whether a SICR has occurred in the year ended 30 June 2024.*

***Measuring both 12-month and lifetime ECLs***

The PD, LGD and EAD credit risk parameters used in determining ECL are point-in-time measures reflecting forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios.

*The PD, EAD and LGD models are subject to the Consolidated Entity's policies that stipulate periodic model monitoring, periodic revalidation and defines approval procedures and authorities. There were no material changes to the policies during the year end 30 June 2024.*

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 8 PROVISION FOR IMPAIRMENT (continued)

### Key judgements and estimates (continued)

**Key judgements and assumptions, and changes (continued)**

***Measuring both 12-month and lifetime ECLs (continued)***

In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.

*There were no material changes to behavioural lifetime estimates during the year ended 30 June 2024.*

***Base case economic forecast***

The Consolidated Entity derives a forward-looking base case economic scenario which reflects its view of the most likely future macro-economic conditions.

*There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.*

*As at 30 June 2024, the base case assumptions have been updated to reflect the evolving economic climate. This includes an assessment of central bank policies, governments' actions, and the response of regulators and business.*

***Probability weightings of macroeconomic scenarios***

Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.

*The Consolidated Entity continued to implement a modelled approach incorporating historical, current, and forward-looking macroeconomic indicators to determine the probability weightings.*

***Management temporary adjustments***

Management temporary adjustments to the allowance for impairment are used in circumstances where it is judged that the existing inputs, assumptions, and model methodology do not capture all the risk factors relevant to the Consolidated Entity's lending portfolios. The use of management temporary adjustments may impact the amount of ECL recognised.

*The uncertainty associated with the new emerging risks are not fully incorporated into the existing ECL model. Accordingly, management overlays have been applied to ensure provisions are appropriate. These overlays, which add to the modelled ECL provision have been made for risks particular to less seasoned products, for loan portfolios in run-off, and products where the risk profile has been increased in part by the extent of growth experienced in the current year and uncertainties driven by macro-economic changes.*

The table below reflects the sensitivity of the ECL allowance to key factors used in determining it.

**ECL sensitivity (weightings applied to scenarios)**

| | Total ECL $'000 | Impact $'000 |
|---|---|---|
| Reported probability weighted ECL (13% Upside, 57% Central, 30% Downside) | 1,820 | - |
| 100% Upside scenario ECL | 658 | (1,162) |
| 100% Central (base case) scenario ECL | 1,018 | (802) |
| 100% Downside scenario ECL | 3,849 | 2,029 |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 9 OTHER ASSETS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Prepayments | **725** | 742 | **726** | 742 |
| Sundry debtors | **314** | 99 | **3,157** | 2,973 |
| **Other assets** | **1,039** | **841** | **3,883** | **3,715** |

#### Accounting policy

**Other assets**

Other assets are recognised on an accrual or service performed basis and amortised over the period in which the economic benefits from these assets are received.

### 10 PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Plant and equipment** | | | | |
| At cost | **610** | 512 | **610** | 512 |
| Accumulated depreciation | **(397)** | (286) | **(397)** | (286) |
| **Net carrying amount** | **213** | **226** | **213** | **226** |
| **Leasehold improvements** | | | | |
| At cost | **2,197** | 2,158 | **2,197** | 2,158 |
| Accumulated depreciation | **(1,536)** | (1,259) | **(1,536)** | (1,259) |
| **Net carrying amount** | **661** | **899** | **661** | **899** |
| **Right-of-use asset** | | | | |
| At cost | **8,425** | 8,404 | **8,425** | 8,404 |
| Accumulated depreciation | **(5,973)** | (4,921) | **(5,973)** | (4,921) |
| **Net carrying amount** | **2,452** | **3,483** | **2,452** | **3,483** |
| **Total property, plant and equipment** | | | | |
| At cost | **11,232** | 11,074 | **11,232** | 11,074 |
| Accumulated depreciation | **(7,906)** | (6,466) | **(7,906)** | (6,466) |
| **Net carrying amount** | **3,326** | **4,608** | **3,326** | **4,608** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

| Reconciliation of carrying amounts at the beginning and end of the period | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Plant and equipment** | | | | |
| Opening balance | **226** | 274 | **226** | 274 |
| - Additions | **112** | 98 | **112** | 98 |
| - Transfers in | **-** | - | **-** | - |
| - Disposals (net of accumulated depreciation) | **-** | - | **-** | - |
| - Depreciation charge for the year | **(125)** | (146) | **(125)** | (146) |
| **Closing balance** | **213** | **226** | **213** | **226** |
| **Leasehold property improvements** | | | | |
| Opening balance | **899** | 1,169 | **899** | 1,169 |
| - Additions | **-** | - | **-** | - |
| - Transfers in | **39** | - | **39** | - |
| - Disposals (net of accumulated depreciation) | **-** | - | **-** | - |
| - Depreciation charge for the year | **(277)** | (270) | **(277)** | (270) |
| **Closing balance** | **661** | **899** | **661** | **899** |
| **Right-of-use asset** | | | | |
| Opening balance | **3,483** | 4,542 | **3,483** | 4,542 |
| - Effect of remeasurement | **21** | (15) | **21** | (15) |
| - Additions | **-** | - | **-** | - |
| - Disposals (net of accumulated depreciation) | **-** | - | **-** | - |
| - Depreciation charge for the year | **(1,052)** | (1,044) | **(1,052)** | (1,044) |
| **Closing balance** | **2,452** | **3,483** | **2,452** | **3,483** |

### Accounting policy

#### Property, plant and equipment

Property, plant, and equipment are stated at cost, including direct and incremental acquisition costs, less accumulated depreciation and impairment if required. Subsequent costs are capitalised where it enhances the asset. Depreciation is calculated using the straight-line method over the asset's estimated useful economic life.

The useful lives of major depreciable asset categories are as follows:

| | |
|---|---|
| Office equipment and furniture | 2 to 8 years |
| Computer hardware | 2 to 5 years |
| Leasehold improvements | 4 to 8 years [1] |

(1) Calculated as the shorter of the useful life or the remaining lease term.

Assets that cost less than $300 are expensed immediately.

Property, plant, and equipment are derecognised upon disposal or where no further future economic benefits are expected from its use or disposal. Upon derecognition, any resulting gain or loss, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit and loss in the Statements of Comprehensive Income.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy (continued)

**Right-of-use asset**

***Definition of a lease***

The Consolidated Entity assesses whether a contract is, or contains, a lease using the definition of a lease in AASB 16 *Leases*. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***As a lessee***

As at 30 June 2024, the Consolidated Entity had contracted a lease for its head office only. A right-of-use asset and a lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to restore the underlying asset, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Consolidated Entity presents right-of-use assets in Property, Plant and Equipment (Note 10) and lease liabilities within Borrowings (Note 14) in the Statements of Financial Position.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value items (such as personal computers and office furniture), the Consolidated Entity has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within administration expenses in the Statements of Comprehensive Income.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 11 INTANGIBLE ASSETS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Work in progress** | | | | |
| Net carrying amount - at cost | **543** | 183 | **543** | 183 |
| **Computer software** | | | | |
| - Cost | **2,796** | 2,233 | **2,796** | 2,233 |
| - Accumulated amortisation | **(1,992)** | (1,682) | **(1,992)** | (1,682) |
| Net carrying amount | **804** | 551 | **804** | 551 |
| **Intangible assets** | **1,347** | **734** | **1,347** | **734** |
| **Reconciliation of carrying amount at the beginning and end of the period** | | | | |
| **Work in progress** | | | | |
| Opening balance | **183** | 340 | **183** | 340 |
| - Additions | **956** | 431 | **956** | 431 |
| - Transfers out | **(596)** | (328) | **(596)** | (328) |
| - Disposals | **-** | (260) | **-** | (260) |
| **Closing balance** | **543** | **183** | **543** | **183** |
| **Computer software** | | | | |
| Opening balance | **551** | 429 | **551** | 429 |
| - Additions | **6** | - | **6** | - |
| - Transfers in | **557** | 328 | **557** | 328 |
| - Amortisation | **(310)** | (206) | **(310)** | (206) |
| **Closing balance** | **804** | **551** | **804** | **551** |

### Accounting policy

#### Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future economic benefits for the Consolidated Entity.

Intangible assets include certain internal and external costs incurred in acquiring and developing software that are capitalised and amortised over the estimated useful life on a straight-line basis.

Software projects are amortised over two to five years.

Software maintenance is expensed as incurred.

All intangible assets must be tested for impairment when there is an indication that the carrying amount may be greater than the recoverable amount.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### FINANCIAL LIABILITIES

### Accounting policy

**Financial liabilities – General**

Outlined below is a description of how the Consolidated Entity classifies and measures financial liabilities relevant to the subsequent note disclosures.

***Classification and measurement***

Financial liabilities are measured at amortised cost, or fair value through profit and loss (FVTPL) when they are held for trading.

Additionally, financial liabilities can be designated at FVTPL where:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise
- A group of financial liabilities are managed, and their performance is evaluated, on a fair value basis in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives, unless the embedded derivative:
  - does not significantly modify the cash flows that otherwise would be required by the contract; or
  - is closely related to the host financial instrument.

***Derecognition of a financial liability***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amount is recognised in the Statements of Comprehensive Income.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 12 DEPOSITS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Call deposits | **324,160** | 316,967 | **324,160** | 316,967 |
| Retail term deposits | **828,780** | 682,976 | **828,780** | 682,976 |
| Wholesale term deposits | **49,784** | 60,807 | **49,784** | 60,807 |
| Negotiable certificates of deposit | **162,345** | 123,531 | **162,345** | 123,531 |
| Withdrawable shares | **53** | 51 | **53** | 51 |
| **Deposits** | **1,365,122** | **1,184,332** | **1,365,122** | **1,184,332** |
| **(a) Maturity analysis: Deposits** | | | | |
| At call | **324,214** | 317,018 | **324,214** | 317,018 |
| < 3 months | **545,961** | 469,631 | **545,961** | 469,631 |
| 3 to 6 months | **351,445** | 266,143 | **351,445** | 266,143 |
| 6 to 12 months | **140,010** | 126,197 | **140,010** | 126,197 |
| 1 to 5 years | **3,492** | 5,343 | **3,492** | 5,343 |
| > 5 years | **-** | - | **-** | - |
| **Deposits** | **1,365,122** | **1,184,332** | **1,365,122** | **1,184,332** |
| **(b) Fair value** | | | | |
| The fair values of deposits are as follows: | | | | |
| - Call deposits | **324,160** | 316,967 | **324,160** | 316,967 |
| - Term deposits | **878,524** | 741,737 | **878,524** | 741,737 |
| - Negotiable certificates of deposit | **162,328** | 123,483 | **162,328** | 123,483 |
| - Withdrawable shares | **53** | 51 | **53** | 51 |
| **Total fair value of deposits** | **1,365,065** | **1,182,238** | **1,365,065** | **1,182,238** |

Information regarding the interest rate risk and liquidity and funding risk related to deposits is set out in Note 2(a) and 2(c) respectively.

### Accounting policy

**Deposits**

Deposits include term and other demand deposits from members and wholesale money market counterparties.

Deposits are initially recognised at fair value less directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost.

Interest incurred is recognised within net interest income in the Statements of Comprehensive Income using the effective interest method.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 13 TRADE PAYABLES

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Creditors and accruals** | **6,642** | **4,154** | **5,847** | **3,392** |
| **Undiscounted maturity analysis: Creditors and accruals** | | | | |
| < 3 months | **5,935** | 3,066 | **5,315** | 2,419 |
| > 3 months | **707** | 1,088 | **532** | 973 |
| **Creditors and accruals** | **6,642** | **4,154** | **5,847** | **3,392** |

#### Accounting policy

**Trade payables**

The payables are non-trade, non-interest bearing and have an average term of 14 days.

Due to the short-term nature of these payables, their carrying value (contractual value) is deemed to approximate their fair value.

### 14 BORROWINGS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **(a) Borrowings** | | | | |
| Lease liability | **2,833** | 3,892 | **2,833** | 3,892 |
| Term Funding Facility | **-** | 35,996 | **-** | 35,996 |
| Bank borrowings | **112,606** | 140,927 | **-** | - |
| **Borrowings** | **115,439** | **180,815** | **2,833** | **39,888** |

The Consolidated Entity's interest-bearing bank borrowings relate to funding provided to Portavia Trust No.1 from Westpac Banking Corporation. The Portavia Trust No.1 facility from Westpac is typically renewed annually, and its next maturity date is 17 March 2025. The undiscounted values are assumed to approximate the fair values.

At 30 June 2024 the Consolidated Entity incurred a weighted average interest rate of 5.61% on bank borrowings (2023: 5.47%). The Consolidated Entity had repaid all outstanding Term Funding Facility at 30 June 2024. The weighted average interest rate on the Term Funding Facility in 2023 was 0.17%.

In the current year, the Consolidated Entity incurred interest on the lease liability of $82,718 (2023: $107,197).

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 14 BORROWINGS (continued)

**(b) Inter-entity borrowings**

| | Consolidated 2024 $'000 | Consolidated 2023 $'000 | Bank 2024 $'000 | Bank 2023 $'000 |
|---|---|---|---|---|
| **Inter-entity borrowings** | **-** | **-** | **134,191** | **160,019** |

The inter-entity borrowings in the Bank relates to loans sold to the Portavia Trust No.1.

**(c) Maturity analysis: Interest-bearing borrowings**

| | Consolidated 2024 $'000 | Consolidated 2023 $'000 | Bank 2024 $'000 | Bank 2023 $'000 |
|---|---|---|---|---|
| Lease liability | **2,833** | 3,892 | **2,833** | 3,892 |
| Term Funding Facility | **-** | 35,996 | **-** | 35,996 |
| Bank borrowings | **112,606** | 140,927 | **-** | - |
| Inter-entity borrowings | **-** | - | **134,191** | 160,019 |
| **Borrowings** | **115,439** | **180,815** | **137,024** | **199,907** |
| **Maturity analysis: Borrowings** | | | | |
| < 3 months | **279** | 18,145 | **279** | 18,145 |
| 3 to 6 months | **289** | 5,306 | **289** | 5,306 |
| 6 to 12 months | **113,198** | 154,546 | **134,783** | 173,638 |
| > 12 months | **1,673** | 2,818 | **1,673** | 2,818 |
| **Borrowings** | **115,439** | **180,815** | **137,024** | **199,907** |

**(d) Fair values**

Due to the short-term nature of these borrowings, the carrying amount of the Consolidated Entity's bank facility balances, including the overdraft, approximate their fair values.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 14 BORROWINGS (continued)

### (e) Financing facilities available

At reporting date, the following facilities were available

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **Total facilities** | | | | |
| Term Funding Facility | - | 35,825 | - | 35,825 |
| Bank borrowings | 175,000 | 175,000 | - | - |
| **Total facilities** | **175,000** | **210,825** | **-** | **35,825** |
| **Facilities used at reporting date** | | | | |
| Term Funding Facility | - | 35,825 | - | 35,825 |
| Bank borrowings | 112,606 | 140,927 | - | - |
| **Facilities used at reporting date** | **112,606** | **176,752** | **-** | **35,825** |
| **Facilities unused at reporting date** | | | | |
| Term Funding Facility | - | - | - | - |
| Bank borrowings | 62,394 | 34,073 | - | - |
| **Facilities unused at reporting date** | **62,394** | **34,073** | **-** | **-** |

### (f) Assets pledged as security

At the reporting date, there were no remaining residential mortgage-backed securities issued by Portavia Trust No.2 pledged as security for the Reserve Bank of Australia's Term Funding Facility (2023: $46.1 million).

### (g) Interest rate risk

Information regarding the interest rate risk of the interest-bearing loans and borrowings is set out in Note 2(a).

### (h) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans or loan conditions.

### Accounting policy

**Bank borrowings**

Bank borrowings are initially recognised at their fair values less directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost.

Interest incurred is recognised within Net interest income using the effective interest method.

**Lease liability**

The accounting policy for the recognition and measurement criteria for the lease liability is set out in Note 10.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 15 PROVISIONS

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Annual leave | **537** | 496 | **537** | 496 |
| Long service leave | **777** | 630 | **777** | 630 |
| Lease make-good | **404** | 404 | **404** | 404 |
| **Provisions** | **1,718** | **1,530** | **1,718** | **1,530** |
| **Reconciliation of carrying amount at the beginning and end of the period** | | | | |
| **Annual leave** | | | | |
| Opening balance | **496** | 603 | **496** | 603 |
| - Arising during the year | **714** | 675 | **714** | 675 |
| - Utilised | **(673)** | (782) | **(673)** | (782) |
| **Closing balance** | **537** | **496** | **537** | **496** |
| **Long service leave** | | | | |
| Opening balance | **630** | 545 | **630** | 545 |
| - Arising during the year | **159** | 98 | **159** | 98 |
| - Utilised | **(12)** | (13) | **(12)** | (13) |
| **Closing balance** | **777** | **630** | **777** | **630** |
| **Lease make-good** | | | | |
| Opening balance | **404** | 404 | **404** | 404 |
| - Arising during the year | **-** | - | **-** | - |
| - Utilised | **-** | **-** | **-** | **-** |
| **Closing balance** | **404** | **404** | **404** | **404** |

In accordance with the lease agreement, the Consolidated Entity must restore the leased premises in Sydney to its original condition at the end of the lease term. No additional provisions were raised during the year ended 30 June 2024 (2023: $nil) in respect of the Consolidated Entity's obligation to restore the leased office premises at the completion of the lease per the requirements of the contract.

### Accounting policy

**Provisions**

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. When payments to settle amounts are expected to be greater than one year in the future, they are then discounted using a market observable rate.

***Provisions for employee entitlements (annual leave and long service leave)***

The provision is calculated based on expected payments. Where the payments are expected to be more than one year in the future, these factor in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 15 PROVISIONS (continued)

### Accounting policy (continued)

***Lease make-good***

The provision reflects the present value of the estimated costs to be incurred in restoring the leased site to the condition required by the terms and conditions of the lease upon completion of the lease.

### 16 OTHER LIABILITIES

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Unearned revenue | 167 | - | 167 | - |
| **Other liabilities** | **167** | **-** | **167** | **-** |

### Accounting policy

**Other liabilities**

Other liabilities consists of unearned fee revenue which is recognised on an accrual or service performed basis and amortised over the period in which the service is performed.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 17 CAPITAL MANAGEMENT

The Consolidated Entity is licensed as an Authorised Deposit-taking Institution (ADI) under the Banking Act and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel III capital framework.

The Basel III Standards include APS 110 *Capital Adequacy*, which:

(i) Imposes on the Board a duty to ensure that the Consolidated Entity maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Consolidated Entity is exposed from its activities; and

(ii) Obliges the Consolidated Entity to have an Internal Capital Adequacy Assessment Process (ICAAP) in place.

There are three pillars to the Basel III capital framework:

*Pillar 1*

Involves specific capital charges for credit risk, operational risk, and the risk of financial market trading activities.

*Pillar 2*

Involves the Consolidated Entity making an assessment of any additional capital necessary to cover other risks not included in Pillar 1.

*Pillar 3*

Involves increased reporting by the Consolidated Entity to APRA.

The Consolidated Entity's regulatory capital is analysed into two tiers:

- Tier 1 capital: Includes general reserves and current year earnings.
- Tier 2 capital: Includes tier 2 capital comprising the general reserve for capital losses (GRCL).

Various limits are applied to elements of the capital base. APRA may require an ADI to hold more than 50% of its required prudential capital in the form of Tier 1 capital and there are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include deferred tax assets and intangible assets.

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Regulatory capital** | | |
| Tier 1 capital | 115,768 | 113,571 |
| Tier 2 capital | 3,647 | 3,753 |
| **Regulatory capital** | **119,415** | **117,324** |
| **Risk weighted assets** | **734,506** | **671,599** |
| **Capital adequacy ratios** | **16.26%** | **17.47%** |

During the period, the Consolidated Entity has complied with all externally imposed capital requirements.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 18 NOTES TO THE STATEMENTS OF CASH FLOWS

#### (a) Reconciliation of net profit after tax to net cash flows from operations

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| Profit for the year | **2,476** | 4,573 | **2,476** | 4,573 |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | **1,764** | 1,666 | **1,764** | 1,666 |
| Bad debts written-off | **227** | 206 | **227** | 206 |
| Movement in allowance for impairment loss | **(38)** | 152 | **(38)** | 152 |
| **Changes in assets and liabilities** | | | | |
| Increase in other assets | **(807)** | (843) | **(807)** | (843) |
| Increase in deferred tax assets | **(21)** | (436) | **(21)** | (436) |
| Increase in loans and advances | **(95,612)** | (110,659) | **(95,611)** | (110,659) |
| Decrease in current tax liability | **(2,539)** | (538) | **(2,539)** | (538) |
| (Decrease)/increase in provisions | **188** | (22) | **188** | (22) |
| Increase/(decrease) in trade creditors and other liabilities | **(14,398)** | 1,312 | **(14,403)** | 1,303 |
| Increase in deposits | **180,790** | 127,758 | **180,790** | 127,758 |
| **Net cash flows from operating activities** | **72,030** | **23,169** | **72,026** | **23,160** |

### Accounting policy

**Statements of Cash Flows**

In the Statements of Cash Flows:

- Gross GST cash flows are included; and
- GST cash flows resulting from investing and financing activities are included in operating cash flows.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 18 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

#### (b) Reconciliation of movements of liabilities to cash flows from financing activities

| Consolidated | Borrowings $'000 | Total $'000 |
|---|---|---|
| **Balance at 30 June 2022** | **203,525** | **203,525** |
| Proceeds from debt securities issuance | 84,062 | 84,062 |
| Repayment of borrowings | (10,100) | (10,100) |
| Repayment of debt securities | (95,667) | (95,667) |
| Payment of lease liabilities | (998) | (998) |
| **Total change from financing cash flows** | **(22,703)** | **(22,703)** |
| **Liability-related** | | |
| Movement in accrued interest | 8 | 8 |
| Effect of remeasurement | (15) | (15) |
| **Total liability-related other changes** | **(7)** | **(7)** |
| **Balance at 30 June 2023** | **180,815** | **180,815** |
| Proceeds from debt securities issuance | - | - |
| Repayment of borrowings | (35,824) | (35,824) |
| Repayment of debt securities | (28,322) | (28,322) |
| Payment of lease liabilities | (1,080) | (1,080) |
| **Total change from financing cash flows** | **(65,226)** | **(65,226)** |
| **Liability-related** | | |
| Movement in accrued interest | (171) | (171) |
| Effect of remeasurement | 21 | 21 |
| **Total liability-related other changes** | **(150)** | **(150)** |
| **Balance at 30 June 2024** | **115,439** | **115,439** |

| Bank | Inter-entity Borrowings $'000 | Borrowings $'000 | Total $'000 |
|---|---|---|---|
| **Balance at 30 June 2022** | **170,457** | **50,992** | **221,449** |
| Repayment of borrowings | (10,439) | (10,100) | (20,539) |
| Payment of lease liabilities | - | (998) | (998) |
| **Total change from financing cash flows** | **(10,439)** | **(11,098)** | **(21,537)** |
| **Liability-related** | | | |
| Movement in accrued interest | 1 | 9 | 10 |
| Effect of remeasurement | - | (15) | (15) |
| **Total liability-related other changes** | **1** | **(6)** | **(5)** |
| **Balance at 30 June 2023** | **160,019** | **39,888** | **199,907** |
| Repayment of borrowings | (25,829) | (35,824) | (61,653) |
| Payment of lease liabilities | - | (1,080) | (1,080) |
| **Total change from financing cash flows** | **(25,829)** | **(36,904)** | **(62,733)** |
| **Liability-related** | | | |
| Movement in accrued interest | 1 | (172) | (171) |
| Effect of remeasurement | - | 21 | 21 |
| **Total liability-related other changes** | **1** | **(151)** | **(150)** |
| **Balance at 30 June 2024** | **134,191** | **2,833** | **137,024** |

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 19 COMMITMENTS AND CONTINGENCIES

### (a) Commitments

| | | Consolidated | | Bank | |
|---|---|---|---|---|---|
| | | 2024 $'000 | 2023 $'000 | 2024 $'000 | 2023 $'000 |
| **(i)** | **Capital expenditure commitments** | | | | |
| | Contracted but not provided for and payable within one year | **-** | - | **-** | - |
| **(ii)** | **Outstanding loan commitments** (1) | | | | |
| | Member loans approved but not funded | **32,943** | 55,347 | **32,943** | 55,347 |
| | Undrawn reverse mortgage loans | **225,076** | 131,245 | **225,076** | 131,245 |
| | **Total outstanding loan commitments** | **258,019** | **186,592** | **258,019** | **186,592** |
| **(iii)** | **Outstanding line of credit commitments** | | | | |
| | Member line of credit facilities approved but not funded | **27,074** | 32,604 | **27,074** | 32,604 |
| **(iv)** | **Outstanding redraw commitments** | | | | |
| | Member loan facilities where the outstanding loan balance is lower than the scheduled balance and the prepaid amount is subject to being redrawn | **60,681** | 58,566 | **60,681** | 58,566 |

(1) There is no certainty that all unfunded loans will ultimately be funded.

The Consolidated Entity retains the right, at any time, to reduce or withdraw an approved line of credit limit or facility.

### (b) Contingencies

The Consolidated Entity is not aware of any contingencies comprising possible obligations or assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

### Accounting policy

**Commitments and contingencies**

***Undrawn loan commitments***

The Consolidated Entity issues loan commitments. Undrawn loan commitments are commitments under which, over the duration of the commitment, the Consolidated Entity is required to provide a loan with pre-specified terms to the customer.

These contracts are in the scope of the ECL requirements under AASB 9.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statements of Financial Position. The nominal values of these commitments are disclosed in Note 19(a).

Commitments and contingencies are disclosed net of GST.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 20 AUDITOR'S REMUNERATION

The auditor for the Consolidated Entity is KPMG. All fees paid in 2024 and 2023 were payable to KPMG.

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $ | $ | $ | $ |
| **Audit and review services** | | | | |
| Audit and review of financial statements | **170,858** | 164,065 | **170,858** | 164,065 |
| **Assurance services** | | | | |
| Regulatory assurance services | **59,043** | 56,430 | **59,043** | 56,430 |
| **Other services** | | | | |
| Taxation advice and tax compliance services | **17,452** | 16,877 | **17,452** | 16,877 |
| **Auditor's remuneration** | **247,353** | **237,372** | **247,353** | **237,372** |

### 21 KEY MANAGEMENT PERSONNEL

### (a) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly, including any Director (whether executive or otherwise).

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $ | $ | $ | $ |
| Short-term benefits | **2,365,695** | 2,253,057 | **2,365,695** | 2,253,057 |
| Post employment | **208,071** | 197,663 | **208,071** | 197,663 |
| Other Long-term benefits | **114,736** | 39,046 | **114,736** | 39,046 |
| | **2,688,502** | **2,489,766** | **2,688,502** | **2,489,766** |

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

Post-employment benefits include superannuation benefits.

Other long-term employee benefits include long-term incentives, long-service leave and annual leave.

All remuneration to Directors was approved by the Members at the previous Annual General Meeting of the Consolidated Entity.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 21 KEY MANAGEMENT PERSONNEL (continued)

### (b) Loans to key management personnel

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $ | 2023 $ | 2024 $ | 2023 $ |
| **(i) The aggregate value of loans to key management personnel as at balance date amounted to:** | | | | |
| Term Loans - secured | **2,408,150** | 2,402,771 | **2,408,150** | 2,402,771 |
| | **2,408,150** | **2,402,771** | **2,408,150** | **2,402,771** |
| **(ii) During the year the aggregate value of loans disbursed to key management personnel amounted to:** | | | | |
| Term Loans - secured | **-** | 949,463 | **-** | 949,463 |
| | **-** | **949,463** | **-** | **949,463** |
| **(iii) During the year the aggregate value of repayments received totalled** | **97,270** | **377,007** | **97,270** | **377,007** |
| **(iv) Interest and other revenue earned on loans and revolving credit facilities to key management personnel** | **102,648** | **58,174** | **102,648** | **58,174** |

Secured loans are secured against residential property. All loans advanced to Key Management Personnel are to be settled in cash and are issued under the same terms and conditions as other Members.

#### Terms and conditions of loans

The Consolidated Entity's policy for lending to Key Management Personnel is that all loans are approved, and deposits accepted, on the same terms and conditions that applied to Members for each class of loan or deposit. There are no impaired loans relating to loan balances with Key Management Personnel.

### (c) Other transactions and balances with key management personnel and their related parties

| | Consolidated | | Bank | |
|---|---|---|---|---|
| | 2024 $ | 2023 $ | 2024 $ | 2023 $ |
| Total value of term and savings deposits from key management personnel | **945,685** | 863,844 | **945,685** | 863,844 |
| Total interest paid on deposits to key management personnel | **7,724** | 2,072 | **7,724** | 2,072 |

The Consolidated Entity's policy for receiving deposits from Key Management Personnel is that all transactions are approved, and deposits accepted, on the same terms and conditions that applied to Members for each type of deposit. There are no benefits paid or payable to the close family members of Key Management Personnel.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 22 CONSOLIDATED ENTITIES

Details of controlled entities are as follows:

| Name of Entity | % Holdings | | Note |
|---|---|---|---|
| | 2024 | 2023 | |
| Portavia Trust No. 1 | **100** | 100 | (1)(2) |
| Portavia Trust No. 2 | **100** | 100 | (1)(3) |

(1) The Bank holds 100% of participating residual income units.

(2) Established 9 December 2011.

(3) Established 10 July 2013.

### Accounting policy

**Consolidated entities**

***Portavia Trust No.1***

The derecognition criteria outlined on pages 40 and 55 have not been fully satisfied in respect of Portavia Trust No.1. Therefore, eligible financial assets and liabilities of this special purpose entity continue to be included in the financial statements of both the Bank and Consolidated Entity.

***Portavia Trust No.2***

Although the Bank has transferred its contractual rights to receive the cash flows from the securitised mortgages to Portavia Trust No.2, the Bank has substantially retained all risks and rewards of these cash flows through its ownership of the note investment and residual income units.

The residual income units issued by the Trust entitle the Bank to any residual income or loss of the Trust after all costs of the Trust have been met, and the note investments provide the Bank with interest income. As such the eligible financial assets and liabilities do not meet the criteria for derecognition and continue to be included in the financial statements of both the Bank and Consolidated Entity.

### 23 SUBSEQUENT EVENTS

There have been no significant events from 30 June 2024 to the date of signing this report.

# Notes to the Financial Statements (continued)

## For the year ended 30 June 2024

### 24 ECONOMIC DEPENDENCY

The term "economic dependency" means that a change in existing relationships could have an economic effect on the Consolidated Entity. It does not mean that the Consolidated Entity is economically supported by the listed organisations in any way, whether financially or by guarantee, other than by means of normal commercial arrangements.

The Consolidated Entity has an economic dependency on the following:

**Australian Settlements Limited (ASL)**

This company provides a range of transactional settlement support processes, particularly in relation to the Consolidated Entity's Visa Debit Card offering.

**Commonwealth Bank of Australia (CBA)**

CBA is a provider of banking facilities to the Consolidated Entity.

**Data Action Pty Limited**

This company provides and maintains the core banking system and internet banking utilised by the Consolidated Entity.

**National Australia Bank (NAB)**

NAB is a provider of banking facilities to the Consolidated Entity.

**Reserve Bank of Australia (RBA)**

The Consolidated Entity has access to the RBA's "repo" arrangement, which allows it to draw funding at short notice under a crisis liquidity situation, at the discretion of the RBA.

**Westpac Banking Corporation (WBC)**

WBC provides a debt warehouse facility for the Portavia Trust No.1.

# Consolidated Entity Disclosure Statement

## For the year ended 30 June 2024

| Entity name | Entity type | Place incorporated | % of share capital held | Australian or Foreign tax resident | Foreign Jurisdiction |
|---|---|---|---|---|---|
| Gateway Bank Limited | Body Corporate | Australia | N/A | Australian | N/A |
| Portavia Trust No. 1 Westpac Warehouse Series | Trust | Australia | N/A | Australian | N/A |
| Portavia Trust No. 2 Series 2013-1R | Trust | Australia | N/A | Australian | N/A |

### Key assumptions and judgements:

**Determination of Tax Residency**

Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency

  The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5.

**Trusts**

Australian tax law does not contain specific residency tests for trusts. Generally, these entities are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

# Directors' Declaration

In accordance with a resolution of the Directors of Gateway Bank Limited, I state that:

In the opinion of the Directors:

(b) the financial statements and notes of the Bank and Consolidated Entity for the year ended 30 June 2024, as set out on pages 8 to 69, are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Bank's and Consolidated Entity's financial position as at 30 June 2024 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and Corporations Regulations 2001

(c) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in the Notes to the Financial Statements; and

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

(e) the consolidated entity disclosure statement set out on page 70 is true and correct as at 30 June 2024.

On behalf of the Board

Andrew Black

A B Black
Chair
Sydney, 25 September 2024

# Independent Auditor's Report

KPMG

## Independent Auditor's Report

To the members of Gateway Bank Limited

### Report on the audit of the Financial Reports

### Opinions

We have audited the consolidated Financial Report of Gateway Bank Limited (the Group Financial Report). We have also audited the Financial Report of Gateway Bank Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Gateway Bank Limited gives a true and fair view, including of the Group's and Company's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective Financial Reports of the Group and Company comprise:

- Statements of Financial Position as at 30 June 2024;
- Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows for the year then ended;
- Consolidated Entity Disclosure Statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The Group consists of Gateway Bank Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinions

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

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

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

### Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

# Independent Auditor's Report (continued)

KPMG

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

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

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

## Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

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

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

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

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

KPMG

KPMG

Nic Buchanan

*Partner*

Sydney

25 September 2024

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