Unity Bank

2022 ANNUAL REPORT

strength in unity

Grow | Resilient | Trust | Accountable | Authentic

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

Our Vision

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

Our Mission

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

Contents

Chair's Report

I am pleased to report that your Bank has continued to perform strongly over the year, adding further to the range, relevance and value of services available to Members and their families.

Throughout we have remained firm in our commitment to Members and to the Values we uphold, notwithstanding the often difficult operating backdrop.

The past 12 months have yet again proved challenging for many Australians. Further lockdowns and health effects from the Covid virus and the general shortage of skilled workers impacted everyone. Pleasingly, society has learned to live with Covid and whilst there have been sporadic impacts on our operations, primarily through staff absences, we have largely been able to continue to provide uninterrupted services to members.

Our Covid relief package was yet again available to any member who required assistance, however there were fewer requests than in previous years as the economic impacts were not as far reaching over the last 12 months.

Unfortunately, natural disasters occur frequently in Australia and Unity Bank has always assisted in helping people and communities in their time of need. This year we formalised our assistance with our Community Support package which can help members with loan relief, emergency funds and tailored solutions to help them get back on their feet as quickly as possible.

There were further improvements to our products and services during the year as we upgraded our banking app with enhanced functionality, better security and an overall richer user experience. We also invested in advanced fraud detection systems and additional fraud management staff so that we can provide members with better protection from the ever-increasing levels of sophisticated fraud that is confronting the community.

We all know the big challenges facing young people, single parent families and others who are trying to break into the home ownership market. This year Unity Bank designed and released a special package for first home buyers to help contain the cost and bridge the deposit gap.

Working with the National Housing Finance Investment Corporation, we were also pleased to have been selected as one of only 5 lenders added to the authorised lending panel for the Federal Government's First Home Guarantee and Family Home Guarantee (for single parent families) schemes. Under these Schemes, eligible members can purchase homes starting with as little as 2% deposit for eligible single parent families and 5% for eligible first home buyers without the need to pay for the usual mortgage insurance, which saves members tens of thousands of dollars.

In combination, these initiatives are opening the opportunity of more affordable home ownership to more members. Combined with our new, simpler and more competitive range of home loan products and our unwavering focus on our members, we are now able to offer an even more compelling banking alternative to our competitors.

This has translated into a record year in 2021/22 with our loans exceeding $1,109m up 7.5%. We assisted nearly 2,000 members with their loans and approved a record $357m in new funds. Thank you to all those members who gave us the opportunity to assist with their aspirations and dreams.

Shortly we will be rolling out a new digital lending platform which will provide members with a better member experience, quicker





decisions and allow us to use the latest technologies to streamline our processes. Combined with our ever-expanding network of mobile relationship managers and our expert branch lending specialists, we are confident that we will be able to assist even more members over the coming years.

For the first time in 12 years, the Reserve Bank of Australia increased interest rates. Although loan interest rates are still low by historical standards, rate increases are still a new experience for many borrowers. Our members are well placed to meet the higher repayments having built up substantial levels of savings and additional repayments over previous years. However, should borrowers ever be experiencing financial stress from these increases, or any other factors, they are always encouraged to talk to us at an early stage so we can work with them and explore all options to assist and help manage through this period.

The Russian invasion of Ukraine is having a devastating effect on the population of Ukraine and our thoughts are with those impacted by this needless war. Credit unions operate throughout Ukraine, with a considerable number located in those areas directly impacted by the war and occupation. The World Council of Credit Unions has launched a fund-raising campaign to assist Ukrainian credit unions keep their operations going so that they can help their members with reconstruction, access to their savings and provision of loans to farmers to assist with easing food shortages.

We are proud to stand with our Ukrainian comrades and have made a donation of UD$15,000 to assist with the effort.

The Board

This year, the Board saw the retirement of director Raad Richards after 21 years of dedicated service to the former Bankstown City Credit Union and Unity Bank.

Raad has been a great director over the years providing wise input to the wide range of regulatory requirements and commercial challenges. We wish him well.

As detailed in the Corporate Governance Statement later in the Annual Report, the Board's primary role is to oversee the strategic direction and operational performance of the Bank to enhance and protect long-term member value. To do this, it requires directors with the right mix of skills, experience and judgment combined with a commitment to ensuring members best interests are paramount to any decision.

The complexity of the operating environment, expectations from regulators, greater time and training demands and the need for directors with specialist skills such as cyber risk, IT, project management and banking experience makes it imperative that the Board continues to evolve, as it has over the past 52 years.

Part of this evolution involves the extension of the term of the Board appointed director Darren Gossling (who brings specialist cyber security and IT skills), for a further 3-year term.

In addition, Joanne Masters was appointed to our Board to bolster our marketing, communications, and project management expertise. Welcome Joanne and we look forward to your contribution to our success.

At the 2021 AGM, members approved an increase in the pool of funds available to remunerate directors. Director remuneration is benchmarked against the median level for similar sized mutual banks and credit unions. While we have been below the median level for the past decade, we anticipated modest increases over several years would bring us closer to the median. However it is apparent that gap is significantly growing, and the pool will be insufficient past 2023. Therefore, we will be assessing the situation further over the next 12 months with a probability that we will be asking members to approve an increase in the pool of funds at the 2023 AGM.

Key Partnerships

The partnerships and relationships we have developed over decades, as well as more recently, are vital to our success today and into the future. No words can thank enough our long time industrial partners of the Maritime Union of Australia, the Mining and Energy Union and the ETU; our new and growing relationships with the AMIEU, CEPU and AMWU; our key industry super funds of Maritime Super/HostPlus and Mine Super; and local councils, small business groups and community organisations. You give us immeasurable and invaluable support and we are proud to be able to continue to work with you to support your members and communities.

Our Staff

During the year, our staff helped us define and express our Values outlined on the adjacent page of our Annual Report. Our Values are what we stand for and define the way we deliver better outcomes for our members. We are guided by them in everything we do and every decision we make.

I am pleased to say that none of these Values are new to us, as we have lived and breathed them from the outset 52 years ago.

Our staff are the best in the business and is what makes Unity so unique.

There have been times during the year where we have been short staffed due to difficulty filling vacant positions, due to increased levels of sick leave through Covid and other ailments, and due to the higher volume of new business. However, our Staff's focus on our members' needs has been unwavering and is a testament to their professionalism, commitment and belief that our collective efforts can make a significant improvement to the lives of our members.

Thank you and I know from feedback, that our members really appreciate and see the difference you make.

Mick Doleman
Chair

Our Values

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

Grow

We will invest in growing together for our future

Resilient

We are strong and adaptable in times of adversity and change

Authentic

We are real, genuine and can be relied upon

Trust

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

Accountable

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

Our Executive Management Team

Danny Pavisic

Chief Executive Officer

Kellie Tait

Chief Risk Officer

John Levis

General Manager, Strategy & Marketing

David Gilbert

General Manager, Sales & Service

Steve Vassallo

General Manager, Business Banking

Felicity King

General Manager, Products & Process Improvement

Kyri Karagiannis

Chief Financial Officer

David Willcox

Chief Information Officer

Faye Fleming

Head of People & Culture

Graham Burt

Executive Manager, Operations

Darren Hooper

General Manager, Victoria

Anita Schut

Company Secretary

Supporting Our Community

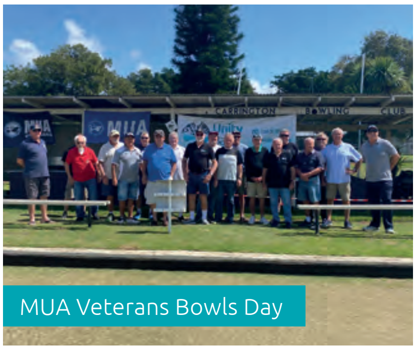
We always look for ways we can help and support the communities we serve.

Having a strong sense of social responsibility is central to our business philosophy through providing meaningful and relevant contributions to our communities. We love doing what we can for a range of different events, charities, organisations and causes and look forward to continuing this work into the new year.


Panthers Super Clinic

ChromeFest


AMWU Conference


MUA Veterans Bowls Day


Miners Memorial Day


MUA Working Waves


Collie Show

Central Coast Regional Show


May Day Mackay

MUA Wharf Picnic Day Melbourne


Royal Bathurst Show


Canterbury Bankstown Chamber of Commerce Gala Dinner

Snapshot

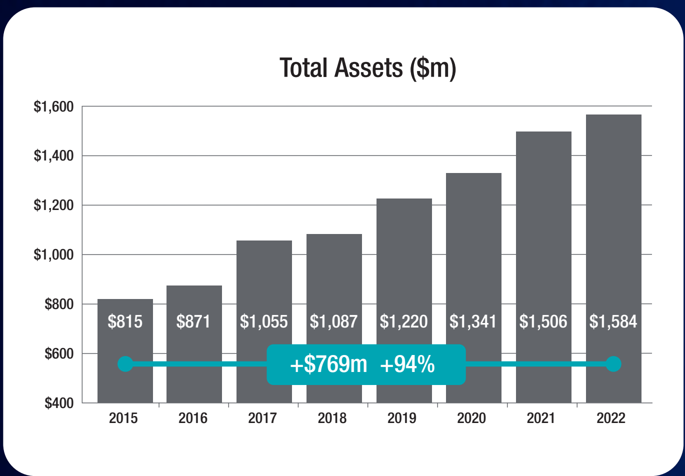
2021/2022 Financial Year

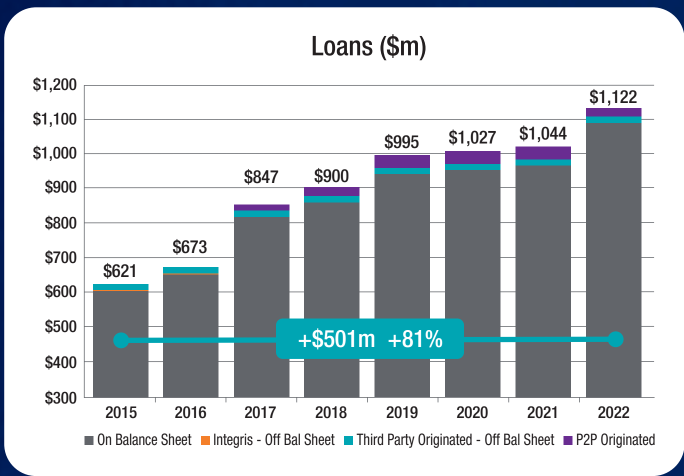
$1,096,315,099 in member loans

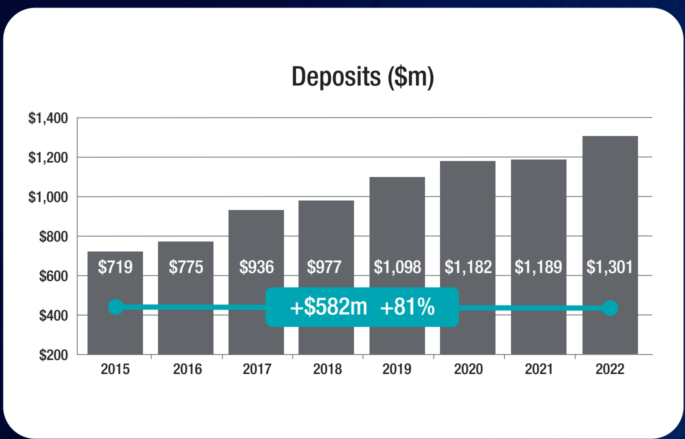
15.31% capital adequacy

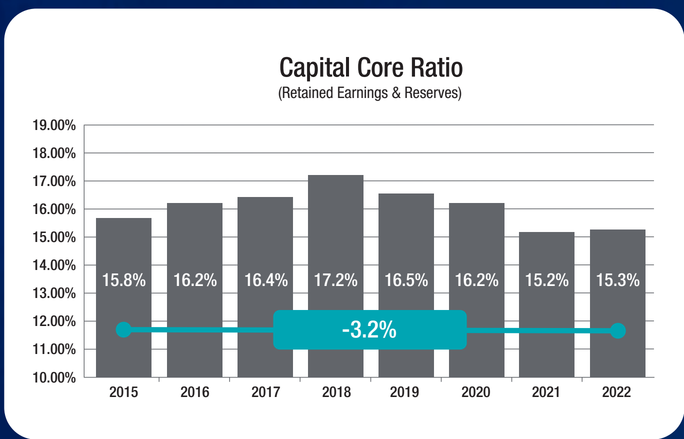
39,550 members

$218,075 sponsorship & donations









Directors' Report

Your Directors present their report on Unity Bank Limited (the Company) and its controlled entities (the Group), together with the Financial Statements for the financial year ended 30 June 2022.
The Bank is a company registered under the ***Corporations Act 2001.***

Information on Directors

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

MICHAEL DOLEMAN
Chair

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

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

MARK WATSON
Director

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

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

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

Directors' Report

DARREN GOSSLING
Director

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

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

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

MICH-ELLE MYERS
Director

Experience:
Director of Unity Bank since November 2013
Vice President, Australian Labor Party
Elected member of MUA National Council 2015
Rank and File Member of the MUA since 1999
National Officer of the MUA since 2009

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

Directors' Report

GRAHAME KELLY
Director

Experience:	Director of Unity Bank since January 2018 General Secretary with the Construction Forestry Maritime Mining and Energy Union (CFMMEU), Mining and Energy Division since 2017 Director of Auscoal Superannuation Pty Ltd, as trustee for the Mine Super Fund since January 2016 and Chair January 2015 to June 2022 Director of Mine Super Services Pty Ltd (formerly AUSCOAL Services Pty Ltd) since October 2006 Director of the Coal Long Service Leave Funding Corporation since 2018
Committees:	Member, Director Nominations Committee Member, Corporate Governance Committee

GARRY KEANE
Director

Experience:	Director of Unity Bank since July 2011 Alternate Director of Maritime Super since February 2021 Member of Maritime Union of Australia 1974 - 1993 Former Honorary Deputy Branch Secretary Southern NSW Branch MUA 1998 - 2007 Former Branch Secretary SNSW MUA 2007 - 2020 Former MUA Deputy National Presiding Officer 2015 - 2019
Committees:	Member, Risk Committee Member, Corporate Governance Committee Member, Director Nominations Committee

SHARON SEWELL
Director

Experience:	Director of Unity Bank since July 2020 Vice President of United Services Union since 2019 Regional Administrator – NSW Teachers Federation
Qualifications:	MBA Bachelor of Social Science
Committees:	Member, Audit Committee from January 2022 Member, Corporate Governance Committee Member, Director Nominations Committee

Directors' Report

JOANNE MASTERS
Director commenced 24/11/21

Experience:	Director of Unity Bank since November 2021 SAP Master Data Team Lead Information Quality Pty Ltd Former Director Shell Employees Credit Union 1995 - 2016
Qualifications:	Master of Commerce (Marketing) Bachelor of Commerce Diploma of Management
Committees:	Member, Risk Committee Member, Remuneration Committee

RAAD RICHARDS
Director until 24/11/21

Experience:	Director of Unity Bank since June 2017 Former Chair of Bankstown City Credit Union Ltd 2010 - 2017 Former Deputy Chair of Bankstown City Credit Union Ltd 2003 - 2010 Former Director of Bankstown City Credit Union Ltd 2000 - 2017 Chairman, Creating Links Community Services Ltd. Chairman, Leigh Place Aged Care Ltd. Board Member, Meaningful Ageing Australia
Qualifications:	Graduate Diploma HR and IR Bachelor of Business MHP, AFCHSE, AAIM, MAICD Master of Health Planning (MHP)
Committees:	Member, Audit Committee Member, Remuneration Committee

Directors' Report

Company Secretary

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

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

Directors' Meeting Attendances

Director	Board		Audit		Risk		Corporate Governance	
	H	A	H	A	H	A	H	A
Michael Doleman	10	9	8	8	6	6	2	1
Mark Watson	10	9	8	8	6	6		
Darren Gossling	10	10	8	7	6	6		
Mich-Elle Myers	10	9					2	2
Grahame Kelly	10	10					2	2
Garry Keane	10	10			6	6	2	2
Sharon Sewell[2]	10	9	4	4			2	2
Joanne Masters[3]	6	5			3	2		
Raad Richards[1]	6	6	3	3				

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

1. Raad Richards tenure completed 24 November 2021. 2. Sharon Sewell appointed to the Audit Committee 27 January 2022.
3. Joanne Masters appointed to the Board 24 November 2021 and appointed to the Risk Committee 27 January 2022.

Directors' Benefits

No Director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Bank, controlled Bank, or a related body corporate with a Director, a firm of which a Director is a member or a Bank in which a Director has a substantial financial interest, other than that disclosed in Note 38 of the financial report.

Indemnifying Officer or Auditor

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

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

Financial Performance Disclosures

Principal Activities

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

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

Operating Results

The net profit of Unity Bank Limited for the year after providing for income tax was $7,347,707 [2021: $5,366,356].

Dividends

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

Review of operations

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

Significant changes in state of affairs

The Bank, in line with other institutions across the globe is continuing to manage its response to the Covid-19 Global Pandemic in a number of ways. The core focus of the Bank is to ensure Member assistance and staff safety.

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

Events occurring after the end of the reporting date

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

Likely developments, business strategies and prospects

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

(i) The operations of Unity Bank Limited;

(ii) The results of those operations; or

(iii) The state of affairs of Unity Bank Limited

In the financial years subsequent to this financial year.

Financial Performance Disclosures

Environmental legislation

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

Auditors' Independence

The auditors have provided the declaration of independence to the board as prescribed by the *Corporations Act 2001* as set out on page 17 and forms part of this report.

Proceedings on behalf of the Company

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

Regulatory Disclosures

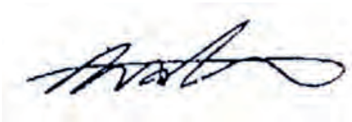
The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website at www.unitybank.com.au.

Rounding

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

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

Mr M Doleman
Chair



Mr M Watson
Chair, Audit Committee

Signed and dated this 31st day of August 2022.

Directors' Declaration

In the opinion of the Directors of Unity Bank Limited:

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

    i. Giving a true and fair view of its financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

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

c. The financial statements comply with International Financial Reporting Standards as stated in Note 5.

Signed in accordance with a resolution of the Directors.

Director ______________________

Mr M Doleman
Chair

Dated this 31st day of August 2022.

Independent Auditor’s Report

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor’s Independence Declaration

To the Directors of Unity Bank Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Unity Bank Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 31 August 2022

Independent Auditor's Report

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Report

To the Members Unity Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Unity Bank Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Independent Auditor's Report

Grant Thornton

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 31 August 2022

Corporate Governance Statement

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

Composition of the Board

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

Role of the Board

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

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

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

Director Independence

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

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

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

Corporate Governance Statement

The Board took into account whether each Director:

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

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

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

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

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

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

Corporate Governance Statement

Conflicts of Interest

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

Board Performance Assessment

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

Risk Management

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

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

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

Internal Audit

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

Board Committees

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

Audit Committee

Key responsibilities include:

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

Corporate Governance Statement

Risk Committee

Key responsibilities include:

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

Director Nominations Committee

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

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

Remuneration Committee

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

Corporate Governance Committee

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

The Committee's key responsibilities are to:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $'000	2021 $'000
Interest income	6(a)	39,795	40,343
Interest expense	6(c)	3,854	6,523
Net interest income		**35,941**	**33,820**
Fees and commissions	6(b)	4,761	4,460
Other Income	6(b)	1,570	834
Total income		**42,272**	**39,114**
Non-interest expenses			
Fee and commission expenses		1,408	1,390
Impairment losses on loans receivable from members	6(d)	304	896
Impairment losses on loans to non members	6(d)	101	(14)
General administration			
- Employees compensation and benefits		17,159	15,746
- Depreciation and amortisation	6(e)	2,114	2,219
- Information technology		4,121	3,793
- Office occupancy		894	1,060
- Other administration		2,355	2,179
Other operating expenses		4,623	4,247
Total non interest expenses		**33,079**	**31,516**
Profit before income tax		**9,193**	**7,598**
Income tax expense	7	1,845	2,232
Profit after income tax		**7,348**	**5,366**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit and loss			
Movement in reserve for equity instruments at FVOCI			
Net change in fair value		622	32
Income tax relating to other comprehensive income		155	10
Total FVOCI OCI, net of income tax		467	22
Movement in reserve for land and buildings			
Net change in fair value		-	(899)
Income tax relating to other comprehensive income		-	(269)
Total Revaluation OCI, net of income tax		-	(630)
Total other comprehensive income, net of income tax		467	(608)
Total comprehensive income for the period		**7,815**	**4,758**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Cash	8	19,994	34,227
Liquid investments	9	422,061	416,063
Receivables	10	9,414	905
Prepayments		938	948
Loans	11 & 12	1,109,887	1,032,567
Equity investments	13	9,128	6,708
Property, plant and equipment	14	13,156	13,586
Deferred tax asset	15	1,480	1,956
Intangible assets	16	628	797
Right-of-use assets	17	516	1,151
Total Assets		**1,587,202**	**1,508,908**
LIABILITIES			
Deposits from other financial institutions	19	1,850	1,500
Deposits from members	20	1,251,230	1,188,317
Creditor accruals and settlement accounts	21	13,567	6,160
Taxation liabilities	22	292	-
Provisions	23	3,701	3,377
Lease liability	18	530	1,165
Deferred tax liabilities	24	1,399	1,571
Long term borrowings	25	187,010	187,010
Total Liabilities		**1,459,579**	**1,389,100**
NET ASSETS		**127,623**	**119,808**
MEMBERS' EQUITY			
Capital reserve account	26	732	712
Asset revaluation reserve	27	6,254	6,254
General reserve for credit losses	28	2,779	2,779
FVOCI reserve	29	1,898	1,431
General reserve		2,779	2,779
Retained earnings		113,181	105,853
Total Members' Equity		**127,623**	**119,808**

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBER EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Capital Reserve	Asset Revaluation Reserve	Reserve for Credit Losses	General Reserve	Retained Earnings	FVOCI Reserve	Total Members' Equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Note	(26)	(27)	(28)			(29)	
Balance at 1 July 2020	**692**	**6,884**	**2,779**	**2,779**	**100,507**	**1,409**	**115,050**
Profit for the year	-	-	-	-	5,366	-	5,366
Other Comprehensive Income	-	(630)	-	-	-	22	(608)
Transfer to capital account	20	-	-	-	(20)	-	-
on redemption of shares							-
Total at 30 June 2021	**712**	**6,254**	**2,779**	**2,779**	**105,853**	**1,431**	**119,808**
Balance as at 1 July 2021	712	6,254	2,779	2,779	105,853	1,431	119,808
Profit for the year	-	-	-	-	7,348	-	7,348
Other Comprehensive Income	-	-	-	-	-	467	467
							-
Transfer to capital account	20	-	-	-	(20)	-	-
Total at 30 June 2022	**732**	**6,254**	**2,779**	**2,779**	**113,181**	**1,898**	**127,623**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
OPERATING ACTIVITIES		**$'000**	**$'000**
Cash Inflows			
Interest received		39,450	40,560
Fees and commissions		4,813	4,502
Dividends		1,098	202
Other income		807	588
Cash Outflows			
Interest paid		(4,044)	(9,096)
Suppliers and employees		(30,548)	(29,542)
Income taxes paid		(1,610)	(1,901)
Net cash from revenue activities	42(b)	**9,966**	**5,313**
Inflows/(outflows) from other operating activities			
Member loans (net movement)		(81,250)	(21,597)
Member deposits and shares (net movement)		62,483	7,948
Receivables from other financial institutions (net movement)		(6,015)	(141,612)
Net cash from operating activities		**(14,816)**	**(149,948)**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of property, plant and equipment		284	3,356
Net Cash inflows from investment redemptions		1,880	-
Less: Outflows			
Purchase of property, plant and equipment		(603)	(491)
Purchase of intangible assets		(288)	(550)
Net cash from investing activities		**1,273**	**2,315**
FINANCING ACTIVITIES			
Inflows/(Outflows)			
Increase in borrowings (net movement)		(690)	155,831
Net cash from financing activities		**(690)**	**155,831**
Total net cash increase		**(14,233)**	**8,198**
Cash at beginning of year		**34,227**	**26,029**
Cash at end of year	8 & 42(a)	**19,994**	**34,227**

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information and statement of compliance

This financial report is prepared for Unity Bank Limited and controlled entities ('the Group'), for the year ended the 30th June 2022. The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the *International Financial Reporting Standards* (IFRSs) as issued by the International Accounting Standards Board (IASB). Unity Bank Limited is a for-profit entity for the purpose of preparing the financial statements.

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

L7, 215 - 217 Clarence Street
Sydney NSW 2000

The financial report is presented in Australian dollars.

Basis of consolidation

The Group's financial statements consolidate those of the Parent and the entities it controls as of 30 June 2022. All controlled entities have a reporting date of 30 June.

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

2. Basis of Measurement

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

3. REPO Securitisation Trust consolidation

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

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

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

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

4. Changes in significant accounting policies

New standards applicable for the current year

There are no new accounting standards applicable to the current year.

5. Significant accounting policies

a. Financial Assets and Financial Liabilities

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

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

Classification of financial assets

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

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

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

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

Loans to Members

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

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

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

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

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

Interest earned

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

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

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

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the Bank is informed that the member has deceased, or a loan is impaired.

Loan origination fees and discounts

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

Transaction costs

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

Fees on loans

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

Net gains and losses

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

Reclassifications

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

b. Loan Impairment

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

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

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

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

'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date.

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

Measurement of ECL

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

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The critical assumptions used in the calculation are as set out in Note 12. Note 30 details the credit risk management approach for loans.

Restructured financial assets

Financial assets which are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

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

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision; and

- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:*

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

Write-off

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

c. Property, plant and equipment

Land and buildings are initially measured at cost less accumulated depreciation. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

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

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

d. Leases

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

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

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

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

Bank as lessee

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

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Bank as lessor

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

Critical judgements in determining the lease term

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

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

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

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

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

e. Provision for employee benefits

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

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

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

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

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

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

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

f. Income tax

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

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 25%.

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

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

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

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

g. Intangible assets

Internally developed software

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

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

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

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

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

Subsequent measurement

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

- software: 3-5 years
- customer lists: 4-6 years

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

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

Software-as-a-Service (SaaS)

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

h. Impairment of non-financial assets

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

i. Goods and services tax

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

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

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

j. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

k. Business combinations

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

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

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

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

Acquisition costs are expensed as incurred.

l. Accounting estimates and judgements

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

i. De-recognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer Note 11d and 41.

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

- Recognition of credit losses based on “Stage 1” 12 month expected losses and “Stage 2” and “Stage 3” lifetime expected credit losses.

- Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

- Choosing appropriate models and assumptions tor the measurement of ECL;

- Establishing groups of similar financial assets for the purposes of measuring ECL: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

6. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Analysis of interest revenue

Interest revenue on assets carried at amortised cost

	Note	2022 $'000	2021 $'000
Cash - deposits at call		**20**	**10**
Receivables from financial institutions		2,230	1,951
Loans to members		36,517	37,042
Loans to non-members via SocietyOne		305	733
Loans to non-members via Plenti		723	607
Total income from receivables		**39,775**	**40,333**
Total interest income		**39,795**	**40,343**

(b) Fee, commission and other income

		2022	2021
Fee and commission revenue			
Fee income on loans - other than loan origination fees		2,309	1,621
Fee income from member deposits		380	925
Other fee income		1,436	1,133
Insurance commissions		408	440
Other commissions		228	341
Total Fee and Commission Revenue		**4,761**	**4,460**
Other income			
Dividend received		1,098	202
Bad debts recovered		128	226
Income from property (rental income)		251	247
Gain on disposal of assets			
- Property, plant and equipment		51	44
Miscellaneous revenue		42	115
Total Other income		**1,570**	**834**
Total Fee Commission and Other Income		**6,331**	**5,294**

(c) Interest expense

	Note	2022 $'000	2021 $'000
Interest expense on liabilities carried at amortised cost			
Deposits from financial institutions		8	2
Deposits from members		2,828	6,089
Other		1,018	432
Total Interest Expense		**3,854**	**6,523**

(d) Impairment losses

	Note	2022 $'000	2021 $'000
Loans at amortised cost			
Increase in provision for impairment		146	625
Bad debts written off directly against profit		157	271
Total Impairment Losses		**303**	**896**
Loans to non-members via SocietyOne & Plenti			
(Decrease) in provision for impairment		(118)	(322)
Bad debts written off directly against profit		219	308
Total Impairment Losses		**101**	**(14)**

(e) Other prescribed disclosures

	2022	2021
General administration - employees costs include:		
- net movement in provisions for employee annual leave	219	(1)
- net movement in provisions for employee long service leave	282	(151)
- net movement in provisions for employee sick leave	-	(4)
	501	**(156)**
General administration - depreciation expense include:		
- buildings	358	365
- plant and equipment	365	308
- leasehold improvements	129	210
- computer hardware	168	189
- amortisation of software	422	392
- ROU Assets	672	754
	2,114	**2,219**
Other operating expenses include:		
Auditors remuneration (excluding GST)		
- Audit fees	129	148
- Other services - taxation	31	32
- Other services - compliance	21	5
- Other services - other	31	25
	212	**210**
Defined contribution superannuation expenses	**1,708**	**1,593**

7. INCOME TAX EXPENSE

	Note	2022 $'000	2021 $'000
(a) The income tax expense comprises amounts set aside as:			
Current Income Tax Payable		1,998	1,853
Prior year over provision of tax and other adjustments		323	-
Add / (less) current year movement in deferred tax asset		(476)	379
Current tax expense - current year profits	(7b)	1,845	2,232
Total current income tax expense (7b)		1,845	2,232
(b) The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows			
Profit		9,193	7,599
Prima facie tax payable on profit before income tax at 25% (2021: 30%)		2,298	2,280
Add tax effect on expenses not deductible		37	27
Less			
- Franking rebate		(490)	(75)
Income tax expense attributable to current year profit		**1,845**	**2,232**

For the year ended 30 June 2022, the Bank was classed as a Base Rate Entity for tax purposes with a tax rate of 25%. The increase in franking credits for the year has reduced the effective tax rate to 20.1%

8. CASH

	2022 $'000	2021 $'000
Cash on Hand	1,372	1,519
Deposits at Call	18,622	32,707
	19,994	**34,227**

9. LIQUID INVESTMENTS

(a) Breakdown of liquid investments

	2022 $'000	2021 $'000
Amortised cost		
Negotiable certificates of deposit	63,330	57,929
Receivables	259,147	251,164
Term deposits	35,187	80,866
Bonds	64,397	26,104
	422,061	**416,063**

(b) Dissection of liquid investments

	2022 $'000	2021 $'000
Deposits with industry bodies	19,690	19,690
Deposits with other societies	8,000	30,500
Deposits with banks	347,735	339,769
Deposits with government bodies	46,636	26,104
	422,061	**416,063**

Amounts expected to be repaid within 12 months are described in Note 32.

10. RECEIVABLES

	2022 $'000	2021 $'000
Interest receivable on deposits with other financial institutions	693	349
Sundry debtors and settlement accounts	8,721	556
	9,414	**905**

11. LOANS

	Note	2022 $'000	2021 $'000
(a) (i) Loans to Members			
Amount due comprises:			
Overdrafts and revolving credit		21,500	43,344
Term loans		1,074,815	971,721
Subtotal		**1,096,315**	**1,015,065**
Provision for impaired loans	12	(2,620)	(2,343)
		1,093,695	**1,012,722**
(a) (ii) Loans to Non-Members			
Amount due comprises:			
Personal Loans unsecured		11,746	11,882
Personal Loans secured		4,913	8,678
Subtotal		**16,659**	**20,560**
Less:			
Provision for impaired loans	12	(467)	(715)
		16,192	**19,845**
Total Loans		**1,109,887**	**1,032,567**

Loans to Non-Members

The Bank has entered into agreements to commit funds supporting the online marketplace lending platforms of MoneyMe Ltd (formerly SocietyOne Australia Pty Ltd) and Plenti RE Ltd. Loans are made via MoneyMe and Plenti to non-members.

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

(b) Credit quality – Security held against loans:

	2022 $'000	2021 $'000
Secured by mortgage over business assets	36,492	1,244
Secured by mortgage over real estate	993,119	941,379
Partly secured by goods mortgage	15,685	21,323
Wholly unsecured	67,678	71,679
	1,112,974	**1,035,625**

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

Security held as mortgage against real estate is on the basis of:

	2022 $'000	2021 $'000
- loan to valuation ratio of less than 80%	819,584	770,147
- loan to valuation ratio of more than 80% but mortgage insured	100,067	106,318
- loan to valuation ratio of more than 80% and no mortgage insurance	73,468	64,914
Total	**993,119**	**941,379**

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

(c) Concentration of Loans

The values discussed below include on statement of financial position values and off balance sheet undrawn facilities as described in Note 35.

	2022 $'000	2021 $'000
(i) Loans to individual or related groups of members which exceed 10% of reserves in aggregate	43,203	21,500
	43,203	21,500
(ii) Loans to members are concentrated to individuals employed in the following industries		
- Maritime industry	245,443	240,791
- Mining and energy industry	138,850	130,223
- Other	728,681	664,611
	1,112,974	**1,035,625**

The Bank holds two large exposures in the construction and building industries representing 14.52% and 12.60% of Tier 1 Capital respectively. Together, these total $31.20m and 27.12% of Tier 1 Capital.

The Bank also has a large exposure to a pool of personal loans funded through Plenti RE Ltd. The exposure totals $14.8m (12.90% of Tier 1 capital).

(iii) Geographical Concentrations

2022	Housing	Personal	Business	Total
NSW	630,179	26,356	105,765	762,300
Victoria	95,244	5,659	5,305	106,208
Queensland	114,609	9,293	3,766	127,668
South Australia	20,015	2,485	3,060	25,560
Western Australia	61,340	5,935	1,804	69,079
Tasmania	8,719	646	775	10,140
Northern Territory	5,398	267	-	5,665
ACT	3,508	224	1,045	4,777
Other	475	798	304	1,577
Total per statement of financial position	**939,487**	**51,663**	**121,824**	**1,112,974**

2021	Housing	Personal	Business	Total
NSW	604,031	30,363	72,481	706,875
Victoria	93,383	6,901	5,437	105,721
Queensland	98,535	10,528	3,558	112,621
South Australia	12,798	3,113	3,059	18,970
Western Australia	61,814	6,661	1,112	69,587
Tasmania	9,465	827	519	10,811
Northern Territory	4,983	362	-	5,345
ACT	2,863	388	1,094	4,345
Other	834	516	-	1,350
Total per statement of financial position	**888,706**	**59,659**	**87,260**	**1,035,625**

(iv) Concentration by Purpose

	2022	2021
Loans to natural persons		
Residential loans and facilities	937,271	898,997
Personal loans and facilities	32,159	34,492
Business loans and facilities	26,174	46,130
	995,604	**979,619**
Loans to Corporations	**100,711**	**35,446**
Loans to Non-Members	**16,659**	**20,560**
Total	**1,112,974**	**1,035,625**

(d) Securitised loans

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

The value of the securitised loans under management comprising both those assigned and those funded as agents is set out in Note 41.

12. PROVISION ON IMPAIRED LOANS

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

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

	2022			2021		
	$'000			$'000		
	Gross Carrying Value	ECL Allowance	Carrying Value	Gross Carrying Value	ECL Allowance	Carrying Value
Loans to Members						
Mortgages	937,272	1,215	936,057	898,997	1,419	897,578
Personal	50,093	409	49,684	71,731	285	71,446
Credit Cards	5,369	34	5,335	5,655	127	5,528
Overdrafts	2,870	109	2,761	3,236	30	3,206
Total to natural persons	**995,604**	**1,767**	**993,837**	**979,619**	**1,861**	**977,758**
Corporate Borrowers	100,711	853	99,858	35,446	612	34,834
Sub Total	**1,096,315**	**2,620**	**1,093,695**	**1,015,065**	**2,473**	**1,012,592**
Loans to Non-Members						
Personal	16,659	467	16,192	20,560	585	19,975
Sub Total	**16,659**	**467**	**16,192**	**20,560**	**585**	**19,975**
Total	**1,112,974**	**3,087**	**1,109,887**	**1,035,625**	**3,058**	**1,032,567**

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

	2022				2021			
	$'000				$'000			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to Members								
Mortgages	672	132	411	1,215	304	677	438	1,420
Personal	309	69	31	409	125	160	-	286
Credit Cards	32	1	1	34	127	-	-	127
Overdrafts	108	-	1	109	31	-	-	31
Total to natural persons	**1,121**	**202**	**444**	**1,767**	**587**	**837**	**438**	**1,863**
Corporate Borrowers	690	163	-	853	612	-	-	612
Loss allowance	-	-	-	-	-	-	-	-
Sub Total	**1,810**	**365**	**444**	**2,620**	**1,198**	**837**	**438**	**2,475**
Loans to Non-Members								
Personal	83	368	16	467	158	311	116	585
Sub Total	**83**	**368**	**16**	**467**	**158**	**311**	**116**	**585**
Total Carrying amount	**1,894**	**733**	**460**	**3,087**	**1,356**	**1,148**	**554**	**3,058**

Key assumptions in determining the ECL (Expected Credit Loss)

Covid-19 Pandemic

Included within Provisions for Impairment is a portfolio ECL component in recognition for the continued impact of the COVID-19 pandemic on the collective provision as at 30 June 2022. The base case scenario was re-modelled based on the facts and circumstances existing as at 30 June 2022 and forecasts of future economic conditions and supportable information that was available at that date and includes significant management judgement.

Based on the information available as at 30 June 2022, the base case scenario was modelled primarily across the Australian region but with a continuing economic impact across the globe.

Forward-looking economic assumptions in the model include a fall in GDP and an increase in unemployment to 10% per cent. Credit deterioration in the lending portfolio was modelled assuming an increase in the internal customer risk rating, higher probability of default (PD) estimates and an increase in Loss Given Default (LGD) values.

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

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

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

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

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

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

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

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

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

Grouping of similar assets

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

There are loans with a value of $10.2m past due which are not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the reporting date due to the variety of assets and condition. For loans that are past due but not secured by residential property, the Bank is comfortable that these are not impaired due to the nature and the credit process involved with these loans.

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

2022	1 - 3 Mths	3 - 6 Mths	6 -12 Mths	> 1 Year	Total
Mortgage secured loans	8,045	954	1,176	-	10,175
Personal loans	821	302	28	27	1,178
Credit cards	100	31	15	4	150
Overdrafts	78	14	25	-	117
Total	**9,044**	**1,301**	**1,244**	**31**	**11,620**

2021	1 - 3 Mths	3 - 6 Mths	6 -12 Mths	> 1 Year	Total
Loans to Members					
Mortgage secured loans	9,278	1,494	2	579	11,353
Personal loans	586	-	-	-	586
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Total	**9,864**	**1,494**	**2**	**579**	**11,939**

13. EQUITY INVESTMENTS

	Note	2022 $'000	2021 $'000
Shares in unlisted companies - at FVOCI			
- CUSCAL	13(c)	6,461	3,806
- Transaction Solutions Pty Ltd	13(d)	1,294	588
- MoneyMe Limited	13(e)	1,309	2,250
- Shared Service Partners Pty Ltd	13(f)	64	64
Total value of share investments		**9,128**	**6,708**

Disclosures on Shares held at FVOCI valued with unobservable inputs

(a) CUSCAL Limited (CUSCAL)

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

The Bank holds shares in Cuscal to enable the Bank to receive essential banking services – refer to Notes 36 and 39. The shares are able to be traded but within a market limited to other mutual ADI’s.

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

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily.

In December 2021 Unity bank participated in Cuscal's Share Buyback and 210,739 shares were sold.

Management has determined that the December 2021 share buyback price of $1.95 per share is a reasonable approximation of fair value based on the likely value available on a sale.

The Bank is not intending to dispose further shares.

(b) Transaction Solutions Pty Ltd (TAS)

TAS provide a data processing support service to the Bank and manages the Bank's core banking system and network operations on its system – refer to Notes 13 and 39.

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

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of TAS record net tangible asset backing of these shares exceeding their cost value.
Based on the net assets of TAS, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily.

Management has determined that the last sale price of $8.31 per share is a reasonable approximation of fair value based on the likely value available on a sale.

The Bank is not intending to dispose of these shares.

(c) MoneyMe Limited (SocietyOne Holdings Pty Ltd)

On the 15th of March 2022, SocietyOne completed the sale of its business to MoneyMe Limited. A total of 1,712,618 Society One shares were converted to 2,297,820 MoneyMe Limited shares for Unity Bank.

MoneyMe Limited shares are actively traded securities on the ASX and as such management has used the last share price as at 30 June 2022. These shares are publicly traded. The ASX close of business share price for MoneyMe Limited was $0.77.

(d) Shared Service Partners Pty Ltd

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

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

Management has determined that an average of cost, last priced sale and net tangible asset value of $0.08 per share is a reasonable approximation of fair value based on the likely value available from a sale or other exit.

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2022 $'000	2021 $'000
(a) Fixed Assets			
Land - at fair value	14(c)	5,062	5,062
Buildings - at fair value	14(c)	7,636	7,297
Less: accumulated depreciation	14(c)	468	56
		7,168	7,241
Total Land and Buildings		**12,230**	**12,303**
Plant and Equipment - at cost		5,457	5,285
Less: accumulated depreciation		4,622	4,208
		835	**1,077**
Capitalised leasehold improvements - at cost		2,799	2,783
Less: accumulated depreciation		2,708	2,577
		91	**206**
Total Property, Plant and Equipment		**13,156**	**13,586**

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

2022

	Property $'000	Plant & Equipment $'000	Leasehold Improvements $'000	Total $'000
Opening Balance	12,303	1,077	206	13,586
Purchases	339	248	16	603
Transferred from Leasehold Improvements	-	-	-	-
Revaluation Increase	-	-	-	-
Less:	-	-	-	-
Assets Disposed	-	16	-	16
Depreciation charges	412	474	131	1,017
Revaluation decrease	-	-	-	-
Balance at the end of year	**12,230**	**835**	**91**	**13,156**

2021

	Property $'000	Plant & Equipment $'000	Leasehold Improvements $'000	Total $'000
Opening Balance	13,370	1,097	586	15,053
Purchases	169	599	44	812
Transferred from Leasehold Improvements	28	-	(28)	-
Revaluation Increase	-	-	-	-
Less:	-	-	-	-
Assets Disposed	-	122	186	308
Depreciation charges	-	-	-	-
Revaluation decrease	365	497	210	1,073
Balance at the end of year	**12,303**	**1,077**	**206**	**13,586**

Land and Buildings – at Fair Value

In December 2019, the Bank decided to move from the Historical Cost model to the Revaluation model under AASB 116 for the measurement of land and buildings it owned.

The fair value of land and buildings was determined from market-based evidence by appraisal that was undertaken by a professionally qualified independent valuer. A revaluation decrease of $899k was included within the accounts for land and buildings in the 2020-21 financial year.

Under AASB 116 revaluations are required every three years. Management has not performed a revaluation in the financial year 2022 but believes that the value of the asset is reasonable and not subject to impairment because of current increases in property values.

The decrease was due to the valuation impacts on commercial property from the COVID-19 Pandemic.

15. TAXATION ASSETS

	Note	2022 $'000	2021 $'000
Opening balance		1,908	2,287
Add movements in the current year		(135)	(379)
Adjustment for changes in opening balances		(293)	-
Deferred Tax Assets		**1,480**	**1,908**
Tax Instalments recoverable	22	-	48
		1,480	**1,956**

	2022 $'000	2021 $'000
Deferred Tax Assets Comprise:		
Accrued Expenses not deductible until incurred	125	160
Provisions for impairment on loans	772	917
Provisions for employee benefits	1,282	1,388
Deferred income	81	92
Depreciation on fixed assets	(936)	(854)
Deferred expenses for tax purposes	156	205
	1,480	**1,908**

16. INTANGIBLE ASSETS

	2022 $'000	2021 $'000
Computer software	4,676	4,458
less accumulated amortisation	4,048	3,661
	628	**797**
Movements in the asset balances during the year were:		
Opening balance	797	639
Purchases	288	550
Less:	-	-
Assets disposed	35	-
Amortisation charge	-	-
Impairment loss	422	392
Balance at the end of year	**628**	**797**

17. RIGHT-OF-USE ASSETS

	2022 $'000	2021 $'000
Right of Use Assets	2,399	2,384
less accumulated depreciation	1,883	1,233
	516	**1,151**

Movements in the asset balances during the year were:

	Property $'000	IT Equipment $'000	Total $'000
Opening balance	1,150	1	1,151
Net Additions	-	26	26
Revaluations	11	-	11
Less:			
Impairment	-	-	-
Depreciation	668	4	672
Balance at the end of year	493	23	516

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

Right of use asset class	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments	No. of leases with termination options
Property	0mths - 4.17yrs	12 months	7	0	9	10
IT Equipment	0	0	0	0	0	

18. LEASE LIABILITIES

	Note	2022 $'000	2021 $'000
Lease Liability - Current		392	675
Lease Liability - Non current		138	490
Total Lease Liability		**530**	**1,165**

Movements in the liability balances during the year were:

	Total $'000	Total $'000
Opening balance	1,165	1,783
Net Additions	27	176
Interest Expense	17	29
Less:		
Payments for Leases	690	755
Modifications	(11)	68
Balance at the end of year	**530**	**1,165**

19. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	2022 $'000	2021 $'000
Term Deposits	1,850	1,500
	1,850	**1,500**

20. DEPOSITS FROM MEMBERS

	2022 $'000	2021 $'000
Member Deposits		
- At Call	768,477	648,128
- Term	482,357	539,788
Member withdrawable shares	396	401
	1,251,230	**1,188,317**

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

Concentration of member deposits

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

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

(iii) Geographic concentrations

NSW	904,144	852,835
Victoria	155,890	169,931
Queensland	66,072	54,544
South Australia	13,846	12,234
Western Australia	68,432	63,110
Tasmania	6,286	5,819
Northern Territory	2,278	2,608
ACT	1,028	568
Other	32,858	26,267
Total deposits	**1,250,834**	**1,187,916**

Amounts expected to be repaid within 12 months are as described in Note 32.

21. CREDITORS ACCRUALS AND SETTLEMENT ACCOUNTS

	2022 $'000	2021 $'000
Annual Leave	1,841	1,622
Creditors and accruals	9,948	1,866
Settlement accounts	511	1,199
Interest payable on deposits	1,023	1,213
Accrual for GST payable	23	16
Accrual for other tax liabilities	222	244
	13,568	**6,160**

22. TAXATION LIABILITIES

Current income tax liability		**292**	**(48)**
Current income tax liability comprises:			
Balance - previous year		(48)	223
Instalments recoverable from prior year		274	224
Over/under statement in prior year		390	-
Liability for income tax in current year		1,998	1,854
Less instalments paid in current year		1,706	1,901
Less Tax refunds		712	-
Tax Instalments recoverable in current year	15	-	48
Balance - current year		**292**	**(48)**

23. PROVISIONS

Long Service Leave	3,285	3,003
Lease make good of premises	153	151
Provisions other	263	223
	3,701	**3,377**

Provision movements comprises:

Lease make good		
Balance - previous year	151	160
Less paid	-	(9)
Liability increase in current year	2	-
Balance - current year	**153**	**151**

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

24. DEFERRED TAX LIABILITIES

	2022 $'000	2021 $'000
Deferred tax liabilities	**1,399**	**1,571**

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

The account also includes the estimated tax liability due to any gains recorded against the FVOCI reserve.

Deferred tax liabilities comprise of:		
Revaluation of shares through OCI	601	628
Revaluation of land and buildings through OCI	798	943
Total deferred tax liabilities	**1,399**	**1,571**

25. LONG TERM BORROWINGS

Balance at the beginning of the year	187,010	30,424
Drawdown from RBA	-	156,586
Balance at the end of the year	**187,010**	**187,010**

On the 4th of May 2020, the Bank was granted access to the RBA Term Funding Facility for $30.4m.

The Bank drew down $156.6m last year and as at 30 June 2022, the carrying amount of the TFF was $187.0m.

The TFF is a three-year facility with a fixed interest rate of 0.10%. The funding is collateralised by residential mortgage-backed securities issued by the Bank. TFF will be repaid in full by 1 July 2024, with anticipated repayments of $169.5m during 2023-2024 and $18.1m in July 24.

26. CAPITAL RESERVE ACCOUNT

Balance at the beginning of the year	712	692
Transfer from retained earnings on share redemptions	20	20
Balance at the end of the year	**732**	**712**

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

27. ASSET REVALUATION RESERVE

	2022 $'000	2021 $'000
Asset revaluation reserve - Land and Buildings	**6,254**	**6,254**

Movements in Reserves - Land and Buildings
The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value

	2022 $'000	2021 $'000
Balance at beginning of the year	6,254	6,884
(Decrease) on revaluation	-	(899)
Less: Deferred tax liability	-	(269)
Balance at the end of year	**6,254**	**6,254**

28. GENERAL RESERVE FOR CREDIT LOSSES

	2022 $'000	2021 $'000
General Reserve for Credit Losses	**2,779**	**2,779**

General Reserve for Credit Losses
This reserve records amount previously set aside as a General Provision and is maintained to comply with the Prudential Standards set down by APRA

	2022 $'000	2021 $'000
Balance at beginning of the year	2,779	2,779
Add: increase transferred from retained earnings	-	-
Balance at the end of year	**2,779**	**2,779**

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

	2022 $'000	2021 $'000
Balance at beginning of the year	1,431	1,409
Add: increase in fair value during the year	467	22
Balance at the end of the year	**1,898**	**1,431**

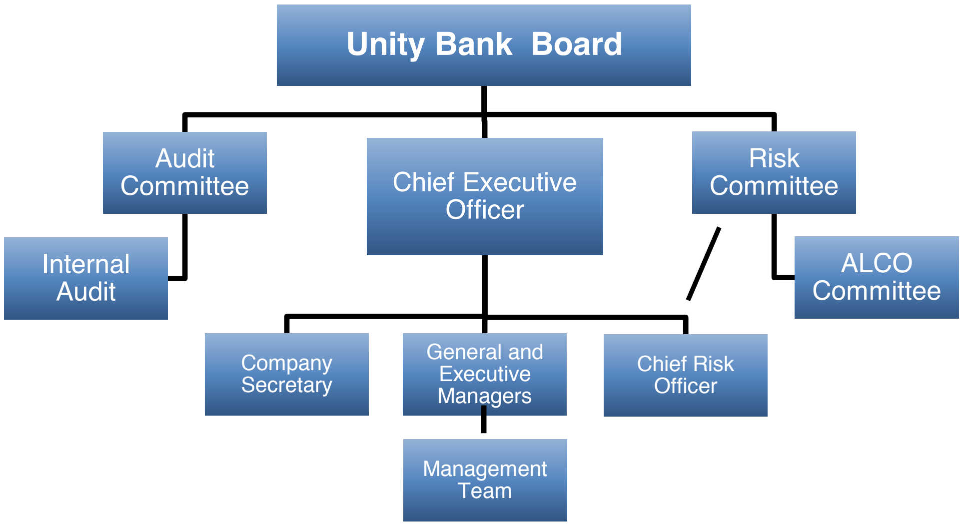
30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

The following diagram gives an overview of the structure.



The main elements of risk governance are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

A. MARKET RISK AND HEDGING POLICY

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

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

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

(i) INTEREST RATE RISK

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

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

Interest rate risk in the banking book

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

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

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

Method of managing risk

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

Interest Rate Sensitivity

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

The policy of the Bank to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured monthly to identify large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Bank is not to undertake derivatives to match the interest rate risks. The Bank's exposure to interest rate risk is set out in Note 33 which details the contractual interest change profile.

Based on the calculations as at 30 June 2022 the net profit impact for a 1% increase in interest rates would be $4,902,327 [2021: $5,299,485].

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

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

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

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

B. LIQUIDITY RISK

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

The Bank manages liquidity risk by:

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

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

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

The maturity profile of the financial assets and financial liabilities based on the contractual repayment terms are set out in the specific Note 32. The ratio of liquid funds over the past year is set out below:

	30-Jun-22	**30-Jun-21**
	$'000	**$'000**
Liquid Funds	324,441	303,273
Total Adjusted Liabilities	1,560,281	1,457,780
	%	**%**
Liquid Ratio (%)	20.79%	20.80%
Prescribed Liquidity % (per policy)	9.00%	9.00%
Average for the year	22.20%	18.17%
Minimum during the year	**20.67%**	**16.27%**

C. CREDIT RISK

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

(i) CREDIT RISK – LOANS

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

	2022			2021		
	$'000			$'000		
	Carrying Value	Off Balance Sheet	Max Exposure	Carrying Value	Off Balance Sheet	Max Exposure
Loans to Members						
Mortgage	937,272	55,445	992,717	898,997	63,860	962,857
Personal	50,093	397	50,490	71,731	96	71,827
Credit Cards	5,369	8,065	13,434	5,655	8,088	13,743
Overdrafts	2,870	25,001	27,871	3,236	27,174	30,410
Total to Natural Persons	**995,604**	**88,908**	**1,084,512**	**979,618**	**99,219**	**1,078,837**
Corporate Borrowers	100,711	18,876	119,587	35,446	4,066	39,511
Loans to Non-Members	16,659	-	16,659	20,560	-	20,560
Total	**1,112,974**	**107,784**	**1,220,758**	**1,035,625**	**103,284**	**1,138,909**

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

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

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

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

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

Past due and impaired

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

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

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

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

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the Bank's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

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

Details are as set out in Note 12.

Bad debts

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

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

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

Collateral securing loans

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

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

Concentration risk – individuals

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

The aggregate value of large exposure loans is set out in Note 11. The Bank holds two large exposures in the construction and building industries representing 14.52% and 12.60% of Tier 1 Capital respectively. Together, these total $31.20m and 27.12% of Tier 1 Capital.

The Bank also has a large exposure to a pool of personal loans funded through Plenti RE Ltd. The exposure totals $14.8m (12.90% of Tier 1 capital).

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

Concentration risk – industry

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

(ii) CREDIT RISK – LIQUID INVESTMENTS

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

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

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

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

The Bank will only invest in Australian Incorporated ADI's that have been approved by the APRA.

External Credit Assessment for Institution Investments

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

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

	2022			2021		
	$'000			$'000		
Investments With	**Carrying Value**	**Past Due Value**	**Provision**	**Carrying Value**	**Past Due Value**	**Provision**
CUSCAL - Rated A	29,499	-	-	38,786	-	-
Government Bodies	46,636	-	-	26,104	-	-
Banks - Rated AA and Above	282,704	-	-	-	-	-
Banks - Rated below AA	70,844	-	-	345,304	-	-
Credit Unions - Rated below AA	-	-	-	8,077	-	-
Unrated Institutions - Credit Unions	11,000	-	-	30,500	-	-
	440,683	**-**	**-**	**448,771**	**-**	**-**

D. OPERATIONAL RISK

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

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

- the segregation of duties between employee duties and functions, including approval and processing duties
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff
- education of members to review their account statements and report exceptions to the Bank promptly
- effective dispute resolution procedures to respond to member complaints
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

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

IT systems

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

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

E. CAPITAL MANAGEMENT

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

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

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

Capital resources

Tier 1 Capital

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

Additional Tier 1 Capital

This classification of Capital includes

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

Tier 2 Capital

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

Tier 2 capital generally comprises:

- General reserve for Credit Losses
- Tier 2 capital instruments – subordinated loan

Capital in the Bank is made up as follows:

	2022 $'000	2021 $'000
Tier 1 Common Equity		
Asset revaluation reserves on property	6,254	6,254
FVOCI Reserve	1,898	1,431
Capital Reserve	733	712
General Reserve	2,981	2,981
Retained Earnings	113,181	105,853
	125,047	**117,231**
Less Prescribed Deductions	(9,838)	(7,843)
Net Tier 1 Common Equity	**115,209**	**109,388**
Tier 1 Additional Equity		
Additional Tier 1 Capital instruments	-	-
	-	**-**
Less Prescribed Deductions / adjustments	(202)	(202)
Net Tier 1 Additional Equity	**(202)**	**(202)**
Total Tier 1 Capital	**115,007**	**109,186**
Tier 2 Capital		
Reserve for Credit Losses	2,779	2,779
	2,779	2,779
Less Prescribed Deductions	-	-
Net Tier 2 Capital	**2,779**	**2,779**
Total Capital	**117,786**	**111,965**

The Bank's policy is to maintain a capital level of 14.5% as compared to the risk weighted assets at any given time.

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

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

2022	2021	2020	2019	2018
Basel III	**Basel III**	**Basel III**	**Basel III**	**Basel III**
15.31%	**15.19%**	**16.13%**	**16.50%**	**17.11%**

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

To manage the Bank's capital, the Bank reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 12.5%. Further, a 5-year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

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

The Bank uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital requirement is calculated by mapping the Bank's three-year average net interest income and net non-interest income to the Bank's various business lines.

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

- Operational risk capital $6,745,996 [2021 - $6,057,791]

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

Internal Capital Adequacy Management

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

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

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

31. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes.

	Note	2022 $'000	2021 $'000
Financial Assets			
Cash	8	19,994	34,227
Liquid investments	9	422,061	416,063
Receivables	10	9,414	905
Loans	11	1,112,974	1,035,625
Total carried at amortised cost		**1,564,443**	**1,486,820**
Equity investments - carried at FVOCI	13	9,128	6,708
Total carried at FVOCI		**9,128**	**6,708**
TOTAL FINANCIAL ASSETS		**1,573,571**	**1,493,528**
Financial Liabilities			
Creditors	21	11,504	4,294
Deposits from other institutions	19	1,850	1,500
Deposits from members	20	1,251,230	1,188,317
Long term borrowings	25	187,010	187,010
Total carried at amortised cost		**1,451,594**	**1,381,120**
TOTAL FINANCIAL LIABILITIES		**1,451,594**	**1,381,120**

32. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2022	Balance Sheet $'000	Up to 3 Months $'000	3 - 12 Months $'000	1 - 5 Years $'000	After 5 Years $'000	No Maturity $'000	Total Cash Flows $'000
ASSETS							
Cash	19,994	19,994	-	-	-	-	19,994
Receivables	9,414	9,414	-	-	-	-	9,414
Liquid investments	422,061	185,122	67,530	170,101	-	-	422,753
Loans to members	1,096,315	24,337	61,111	298,263	1,149,875	-	1,533,586
Loans to non-members	16,659	777	428	15,069	385	-	16,659
Equity investments - FVOCI	9,128	-	-	-	-	9,128	9,128
On Balance Sheet	**1,573,571**	**239,644**	**129,069**	**483,433**	**1,150,260**	**9,128**	**2,011,534**
Total Financial Assets	**1,573,571**	**239,644**	**129,069**	**483,433**	**1,150,260**	**9,128**	**2,011,534**
LIABILITIES							
Creditors	11,504	11,504	-	-	-	-	11,504
Deposits from financial institutions	1,850	-	1,850	-	-	-	1,850
Member withdrawable shares	396	-	-	-	-	396	396
Deposits from members - at call	768,477	768,477	-	-	-	-	768,477
Deposits from members - term	482,357	292,970	168,710	20,677	-	-	482,357
Long term borrowings	187,010	-	-	187,571	-	-	187,571
On Balance Sheet	**1,451,594**	**1,072,951**	**170,560**	**208,248**	**-**	**396**	**1,452,155**
Undrawn loan commitments	-	107,784	-	-	-	-	107,784
Total Financial Liabilities	**1,451,594**	**1,180,735**	**170,560**	**208,248**	**-**	**396**	**1,559,939**

2021	Balance Sheet $'000	Up to 3 Months $'000	3 - 12 Months $'000	1 - 5 Years $'000	After 5 Years $'000	No Maturity $'000	Total Cash Flows $'000
ASSETS							
Cash	34,227	34,229	-	-	-	-	34,229
Receivables	906	905	-	-	-	-	905
Liquid investments	416,063	166,536	78,297	174,762	-	-	419,595
Loans to members	1,015,065	19,427	55,310	265,629	983,163	-	1,323,529
Loans to non-members	20,560	1,870	791	18,940	3,825	-	25,426
Equity investments - FVOCI	6,708	-	-	-	-	6,708	6,708
On Balance Sheet	**1,493,528**	**222,967**	**134,398**	**459,331**	**986,988**	**6,708**	**1,810,392**
Total Financial Assets	**1,493,528**	**222,967**	**134,398**	**459,331**	**986,988**	**6,708**	**1,810,392**
LIABILITIES							
Creditors	4,294	4,293	-	-	-	-	4,293
Deposits from financial institutions	1,500	-	1,502	-	-	-	1,502
Member withdrawable shares	401	-	-	-	-	401	401
Deposits from members - at call	648,128	648,128	-	-	-	-	648,128
Deposits from members - term	539,788	215,993	318,269	6,798	-	-	541,060
Long term borrowings	187,010	47	140	187,384	-	-	187,571
On Balance Sheet	**1,381,120**	**868,461**	**319,911**	**194,182**	**-**	**401**	**1,382,955**
Undrawn loan commitments	-	103,284	-	-	-	-	103,284
Total Financial Liabilities	**1,381,120**	**971,745**	**319,911**	**194,182**	**-**	**401**	**1,486,239**

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

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

	2022			2021		
	Within 12 months $'000	After 12 months $'000	Total	Within 12 months $'000	After 12 months $'000	Total
ASSETS						
Cash	19,994	-	19,994	34,227	-	34,227
Receivables	9,414	-	9,414	905	()	905
Liquid investments	270,963	151,098	422,061	244,573	171,490	416,063
Loans to members	85,448	1,010,867	1,096,315	58,327	956,738	1,015,065
Loans to non-members	486	16,173	16,659	2,611	17,949	20,560
Equity investments - FVOCI	-	9,128	9,128	-	6,708	6,708
On Balance Sheet	**386,305**	**1,187,266**	**1,573,571**	**340,643**	**1,152,885**	**1,493,528**
Total Financial Assets	**386,305**	**1,187,266**	**1,573,571**	**340,643**	**1,152,885**	**1,493,528**
LIABILITIES						
Creditors	11,504	-	11,504	4,293	-	4,293
Deposits from financial institutions	1,850	-	1,850	1,500	-	1,500
Member withdrawable shares	-	396	396	-	401	401
Deposits from members - at call	768,477	-	768,477	648,128	-	648,128
Deposits from members - term	461,680	20,677	482,357	533,074	6,714	539,788
Long term borrowings	-	187,010	187,010	-	187,010	187,010
Total Financial Liabilities	**1,243,511**	**208,083**	**1,451,594**	**1,186,996**	**194,125**	**1,381,120**

33. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2022	0 - 3 Months	3 - 12 Months	1 - 5 Years	After 5 Years	Non Interest Bearing	Total
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000
Cash	10,285	-	-	-	9,709	19,994
Receivables	-	-	-	-	9,414	9,414
Liquid investments	184,944	67,396	169,721	-	-	422,061
Loans to members	759,880	96,562	235,927	3,945	-	1,096,315
Loans to non-members	6,736	-	9,923	-	-	16,659
Equity Investments - FVOCI	-	-	-	-	9,128	9,128
On Balance Sheet	**961,845**	**163,958**	**415,571**	**3,945**	**28,251**	**1,573,571**
Total Financial Assets	**961,845**	**163,958**	**415,571**	**3,945**	**28,251**	**1,573,571**
LIABILITIES						
Creditors	-	-	-	-	11,504	11,504
Deposits from financial institutions	-	1,850	-	-	-	1,850
Deposits from members	512,103	317,942	418,939	-	396	1,249,380
Long term borrowings	-	-	187,010	-	-	187,010
On Balance Sheet	**512,103**	**319,792**	**605,949**	**-**	**11,900**	**1,449,744**
Undrawn loan commitments	107,784	-	-	-	-	107,784
Total Financial Liabilities	**619,887**	**319,792**	**605,949**	**-**	**11,900**	**1,557,528**

2021	0 - 3 Months	3 - 12 Months	1 - 5 Years	After 5 Years	Non Interest Bearing	Total
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000
Cash	32,707	-	-	-	1,520	34,227
Receivables	-	-	-	-	905	905
Liquid investments	344,441	71,622	-	-	-	416,063
Loans to members	771,030	44,543	196,318	3,174	-	1,015,065
Loans to non-members	13,560	-	7,000	-	-	20,560
Equity Investments - FVOCI	-	-	-	-	6,708	6,708
RateSetter Loans Investment		-	-	-	-	-
On Balance Sheet	**1,161,738**	**116,165**	**203,318**	**3,174**	**9,133**	**1,493,528**
Total Financial Assets	**1,161,738**	**116,165**	**203,318**	**3,174**	**9,133**	**1,493,528**
LIABILITIES						
Creditors	-	-	-	-	4,293	4,293
Deposits from financial institutions	-	1,500	-	-	-	1,500
Deposits from members	389,411	454,907	343,598	-	401	1,188,317
Long term borrowings	-	-	187,010	-	-	187,010
On Balance Sheet	**389,411**	**456,407**	**530,608**	**-**	**4,694**	**1,381,119**
Undrawn loan commitments	103,284	-	-	-	-	103,284
Total Financial Liabilities	**492,695**	**456,407**	**530,608**	**-**	**4,694**	**1,484,404**

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

	2022			2021		
	Fair Value $'000	Carrying Value $'000	Variance $'000	Fair Value $'000	Carrying Value $'000	Variance $'000
FINANCIAL ASSETS						
Cash	19,994	19,994	-	34,227	34,227	-
Receivables	9,414	9,414	-	905	905	-
Liquid investments	422,346	422,061	285	417,368	416,063	1,305
Loans to members	1,098,091	1,096,315	1,776	1,016,841	1,015,065	1,776
Loans to non-members	16,659	16,659	-	20,560	20,560	-
Equity investments - FVOCI	9,128	9,128	-	6,708	6,708	-
Total Financial Assets	**1,575,632**	**1,573,571**	**2,061**	**1,496,609**	**1,493,528**	**3,081**
FINANCIAL LIABILITIES						
Creditors	11,504	11,504	-	4,293	4,293	-
Deposits from financial institutions	1,499	1,850	(351)	1,499	1,500	(1)
Member withdrawable shares	396	396	-	401	401	-
Deposits from members - at call	768,477	768,477	-	648,128	648,128	-
Deposits from members - term	485,409	482,357	3,052	539,890	539,788	102
Long term borrowings	187,010	187,010	-	187,010	187,010	-
Total Financial Liabilities	**1,454,295**	**1,451,594**	**2,701**	**1,381,221**	**1,381,120**	**101**

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

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

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

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

The rates applied to give effect to the discount of the cash flows were between 4.39% and 5.29% (2021–2.24% and 2.88%). The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

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

The rate applied to give effect to the discount of the cash flows was between 0.50% and 2.75% [2021–0.55%].

Short term borrowings

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

35. FINANCIAL COMMITMENTS

	2022 $'000	2021 $'000
(a) Outstanding loan commitments		
The loans approved but not funded	51,363	21,981
(b) Loan Redraw Facilities		
The loan redraw facilities available	46,959	45,907
(c) Undrawn Loan Facilities		
Loan facilities available to members for overdrafts are as follows:		
Total value of facilities approved	40,992	78,784
Less: Amount advanced	(15,991)	(43,388)
Net Undrawn Value	**25,001**	**35,396**
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn		
Total Financial Commitment	**123,323**	**103,284**

Expenditure commitments	**2022 $'000**	**2021 $'000**
(d) Computer capital commitments		
The costs committed under contract with Ultradata are as follows:		
Not later than one year	1,537	1,980
Later than 1 year but not 2 years	1,537	1,980
Later than 2 years but not 5 years	4,612	5,241
Later than 5 years	829	320
	8,516	**9,521**
(e) Other expense commitments		
Not later than one year	1,003	1,003
Later than 1 year but not 2 years	1,587	1,003
Later than 2 years but not 5 years	-	1,754
Later than 5 years	-	-
	2,590	**3,760**
(f) Future capital commitments		
The Bank has entered into contracts for the purchase of assets for which the amounts are to be paid over the following periods:		
Not later than one year	3,109	307
Later than 1 year but not 2 years	-	-
Later than 2 years but not 5 years	-	-
Later than 5 years	-	-
	3,109	**307**

36. STANDBY BORROWING FACILITIES

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

2022	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan Facility	-	-	-
Overdraft Facility	10,000	-	10,000
Total Standby Borrowing Facilities	**10,000**	**-**	**10,000**

2021	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan Facility	-	-	-
Overdraft Facility	10,000	-	10,000
Total Standby Borrowing Facilities	**10,000**	**-**	**10,000**

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

37. CONTINGENT LIABILITIES

Liquidity support scheme

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

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

Reserve Bank Repurchase Obligations (REPO) Trust

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

38. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Remuneration of key management persons [KMP]

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

Key management persons (KMP) have been taken to comprise the Directors and the 11 [2021: 11] members of the executive management responsible for the day to day financial and operational management of the Bank.

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

(a) Remuneration of Key Management Personnel

	2022 $'000	2021 $'000
(i) Short term employee benefits	2,457	2,703
(ii) post-employment benefits - super contributions	227	248
(iii) other long term benefits - net increase in LSL provision	62	56
(iv) termination benefits	-	427
(v) shared-based payments	-	-
Total	**2,746**	**3,434**

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

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

(b) Loans to Directors and other Key Management Persons

	2022 $'000			2021 $'000		
	Mortgage Secured	Other term loans	Credit cards	Mortgage Secured	Other term loans	Credit cards
(i) Funds available to be drawn	11	1	66	-	14	1,203
(ii) Balance	2,574	20	6	1,195	394	319
(iii) Value of Loans Disbursed During the Year	1,624	-	-	13	28	15
(iv) Value of Revolving Credit Facilities Granted	-	-	-	-	-	-
(v) Interest & Other Revenue earned on Loans & Revolving Credit	56	1	1	45	13	15

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

	2022 $'000	2021 $'000
Total value term and savings deposits from KMP	529	381
Total interest paid on deposits to KMP	1	-

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

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

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

(d) Transactions with Other Related Parties

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

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

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

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

39. OUTSOURCING ARRANGEMENTS

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

(a) CUSCAL Limited

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

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

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

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

The valuation of the Cuscal shares is based on the recent share buyback scheme in December 2021 as a reasonable approximation of fair value. Refer Note 13 for details on the fair value assessment.

(b) Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Bank.

(c) Transaction Solutions Pty Limited

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

40. SUPERANNUATION LIABILITIES

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

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

41. TRANSFER OF FINANCIAL ASSETS

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

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

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

(a) Securitised loans retained on the balance sheet

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

Waterside Trust No.1 - Repurchase Obligations REPO Trust

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

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

Securitised Loans on the Balance Sheet	**2022**	**2021**
	$'000	**$'000**
Balance sheet values - Loans and receivables		
Waterside Trust No.1	272,434	272,256
Carrying amount of loans at time of transfer		
Waterside Trust No.1	97,158	97,158

42. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of cash

	2022 $'000	2021 $'000
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
Cash on Hand	1,372	1,519
Deposits at call	18,622	32,707
Bank Overdraft	-	-
	19,994	**34,227**

(b) Reconciliation of cash from operations to accounting profit

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

	2022 $'000	2021 $'000
Profit after income tax	7,348	5,366
Add (Deduct):		
Bad debts written off and provided for	376	579
Depreciation expense	2,114	2,219
Loss on sale of assets	(73)	-
Gain on sale of assets	51	(14)
Gain on sale of investments	284	(14)
Overprovision of prior year tax	(390)	-
Increase in provision for staff leave	501	152
Increase in provision for income tax	340	273
(Decrease) in other provisions and accruals	(283)	(482)
(Decrease) in interest payable	(190)	(2,602)
(Increase)/Decrease in prepayments	(11)	31
(Increase)/Decrease in deferred tax assets	(428)	(378)
Decrease in interest receivable	344	217
(Decrease) in other receivables	(17)	(48)
Net cash from operating activities	**9,966**	**5,299**

43. CORPORATE INFORMATION

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

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

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

Unity Bank

2022

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